



Covering Risks. Improving Lives

**ALLIANCE INSURANCE CORPORATION LIMITED**  
**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2022**

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## **BOARD OF DIRECTORS**

Mr. Shaffin Jamal	Tanzanian
Mr. Yogesh Manek	Tanzanian
Dr. Alex Nguluma	Tanzanian
Mr. Kalpesh Mehta	British

## **CHIEF OFFICERS**

Mr. K V A Krishnan	Group Managing Director
Mr. Rajiv Kumar	Chief Executive Officer
Mr. Vineet Patel	Head of Finance/ Company Secretary
Mr. Oswald Tellis	Head of Bancassurance
Ms. Deborah Sarakikya	Deputy General Manager - Technical & Marketing

## **REGISTERED HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

7th Floor, Exim Tower, Ghana Avenue  
P.O. Box 9942, Dar es Salaam  
Telephone: + 255 754 780050  
Email: [admin@alliance.co.tz](mailto:admin@alliance.co.tz)  
Website: [www.alliance.co.tz](http://www.alliance.co.tz)

## **BRANCH NETWORK**

### **ARUSHA**

2nd Floor, Sykes Building, Goliondoi Road  
P.O. Box 793, Arusha  
Telephone: +255 27 2545999/ 2545465  
Email: [arusha@alliance.co.tz](mailto:arusha@alliance.co.tz)

### **MWANZA**

Lwempisi Building  
Nyerere Road, Mwanza  
Telephone: +255 28 2500545  
Email: [mwanza@alliance.co.tz](mailto:mwanza@alliance.co.tz)

### **MOSHI**

Sigara Building, Mwanzi Road  
P.O. Box 244, Moshi  
Telephone: +255 27 2752537  
Email: [moshi@alliance.co.tz](mailto:moshi@alliance.co.tz)

## **PRINCIPAL BANKER**

Exim Bank (Tanzania) Limited  
Exim Tower  
1404/45 Ghana Avenue  
P.O. Box 1431, Dar es Salaam

## **INDEPENDENT AUDITORS**

Balakrishna Sreekumar & Co.  
Certified Public Accountants  
P.O. Box 948, Dar es Salaam

## **SUBSIDIARIES**

### **Alliance Life Assurance Limited**

5th Floor, Exim Tower, Ghana Avenue  
P.O. Box 11522, Dar es Salaam

### **Dar es Salaam Properties Limited**

12th Floor, Exim Tower, Ghana Avenue  
P.O. Box 2763, Dar es Salaam

### **Alliance Africa General Insurance Limited**

P.O. Box 7308, 3rd Floor, Plot 9  
Yusuf Lule Road, Kampala, Uganda

## **INDEPENDENT ACTUARY**

ARCH Actuarial Consulting  
P.O. Box 12573, Mill Street,  
Cape Town, South Africa

## **LEGAL ADVISORS**

### **Rex Attorneys**

Rex House, 344 Ghuba Road  
Toure Drive  
P.O. Box 7495, Dar es Salaam

### **Octavian Temu Advocates**

2nd Floor, NIC Life House  
P.O. Box 77353,  
Dar es Salaam

## CHAIRMAN'S STATEMENT

Dear Stakeholders,

It is my pleasure in presenting the Annual Report and Financial Statements for the year ended 31st December 2022. I am profoundly delighted to report another splendid year of performance achieving GWP of Tzs 142.6 bn and a PBT of Tzs 12.4 bn, representing a 30.34% GWP growth over the previous year. The growth is attributed to the concerted efforts in building a sustainable model and resuming economic business cycles of varied sectors to pre-covid levels.

## ECONOMIC OUTLOOK

According to African Development Bank, the real GDP grew at 4.6% in 2022 as compared to 4.8% in 2021. A markedly diversified economy, characterized by robust private consumption, substantial public spending, strong investment growth and an upturn in exports underpins the positive outlook. Tourism, mining, services, construction, agriculture and manufacturing are notable sectors. GDP is projected to grow 5.1% in 2023 and 6.1% in 2024, due to improved performance of the tourism sector, reopening of trade corridors and business optimism in general.

The overall insurance market grew at 25.6% in 2022 with a GWP of Tzs 1,154.1 bn against Tzs 919.28 bn in 2021 with the non-life segment growing at 21% and life at 41.7%.

I would like to further establish our commitment in wholeheartedly participating in the economic development of Tanzania and the regional partner-countries.

## BUSINESS OPERATIONS

The company made a commendable progress to achieve GWP of Tzs 124.1 bn from our **Tanzanian operations** with a profit before tax of Tzs 11.35 bn, while the Uganda segment also demonstrated phenomenal growth of 48% to reach GWP of Tzs 18.5 bn equivalent and profit of Tzs 1.05 bn. This was transformed by strategies to regain the business numbers and grow beyond with improved channels and efficiency. We upgraded our insurance software in 2021, which further enhanced our ability to provide best in class service to our clientele and generate quality data for analysis and interpretation to take informed decisions.

We are committed to spread our reach by digital & innovative channels and play an integral role in transforming the East Africa market by having presence in a neighbouring country.

## NEW INITIATIVES

As our continued commitment to offer exemplary & distinguished customer satisfaction, we have finalised an integrated claims processing platform for seamless servicing to stakeholders. This process will release desk-time in processing documents and inhibit transparency in the processing time. We persist with our customer centric approach and continue to deliver as per customer expectations to ensure that the confidence reposed in us over the years is further enhanced.

In the drive to broad-base our service offerings, Alliance opened its Zanzibar branch to cater our island-based clients insurance requirements. Our mobile application and USSD platform to cater to insurance requirements of the insuring public was successfully rolled out. We designed an agricultural product to address the agri-focused businesses insurance demands, which has been deprived for years, by partnering with 2 major corporates. On the digital & innovation front, we shall be investing into enhancing our capabilities to offer innovative products/ platforms for real-time and efficient processes. As a pioneer, we have produced a documentary to enhance insurance awareness. All these initiatives show our keenness to support enhancement of increase insurance penetration. We would continue to look out for cutting edge technology to enhance our capabilities to offer better solutions to our business partners and clientele.

## HUMAN RESOURCE CAPACITY DEVELOPMENT

It has always been our focus to nurture and groom Tanzanian talent so that they can make steady progress in their careers and can take on higher responsibilities. Maintaining a healthy and positive work environment to facilitate employee growth, along with training and capacity building continue to be on top of our agenda.

## INDUSTRY RECOGNITION

We have retained our position in the market and our credentials have been duly recognised and awarded - The President's Manufacturer of the Year Award (PMAYA) for being the best company in financial services sector. We are being awarded under this category since 2008 for our sustained & consistent performance.

## ACKNOWLEDGEMENT

I would like to express my gratitude to the Commissioner of Insurance and his team at TIRA for taking efforts and working around areas to build a robust insurance market by collaborating with participants in the local market. I would also thank them for the valuable support, inputs and guidance provided to us throughout the year.

Further I thank our esteemed Clientele, the Broking fraternity, bancassurance partners, our Agents, Digital partners and all our valued business associates for their continued support, which has immensely contributed to our healthy performance.

Needless to mention, our team of committed employees has played a stellar role in maintaining our customer service parameters at the highest level, which has contributed to ensuring customer satisfaction and healthy results as well.

I sincerely thank my fellow Directors on the Board for their support & continued guidance in strengthening the Company and taking it to greater heights of excellence and look forward to similar support in future as well.

We look forward to serving and working closely with our regulator, all existing and emerging channels of business, employees and other stakeholders over the coming years to augment Alliance as the preferred choice of risk management experts in the market. Wishing all stakeholders sound physical and financial health.

.....  
Shaffin Jamal  
Chairman  
Date: April \_\_\_\_\_, 2023

The members charged with governance present their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of the Company as at that date.

## 1. COMPANY'S VISION

To be the leading insurance company in East Africa that is respected, empathetic and easily accessible to all stakeholders.

## 2. COMPANY'S MISSION

To be the most respected insurer in East Africa

## 3. PRINCIPAL ACTIVITIES

The principal activities of the company are that of underwriting all classes of non-life insurance risks as defined by the Insurance Act. The company also handles the run-off of life business written by it till June 2010. In July 2010, the company had invested 70% of the shares in Alliance Life Assurance Limited which exclusively transacts life insurance business. In June 2011, the Company became 99% shareholders in Dar-es-Salaam Properties Limited which is dealing in leasing out residential furnished apartments, which was an Associate till this date. In year 2013, the company promoted and incorporated a new company, Union Insurance Limited in Uganda which was renamed as Alliance Africa General Insurance Limited on 7th November 2014.

## 4. RESULTS

Particulars	Group		Company	
	2022	2021	2022	2021
	TZS.	TZS.	TZS.	TZS.
	Millions	Millions	Millions	Millions
Profit before tax	12,379	10,958	10,398	10,145
Tax charge	(3,543)	(2,987)	(3,061)	(2,517)
<b>Profit for the year</b>	<b>8,837</b>	<b>7,971</b>	<b>7,337</b>	<b>7,628</b>

The net profit for the year has been added to retained earnings .

## 5. KEY PERFORMANCE INDICATORS

Analysis of the Key performance indicators of the company are as follows:

Particulars	Group		Company	
	2022	2021	2022	2021
	TZS.	TZS.	TZS.	TZS.
	Millions	Millions	Millions	Millions
Gross Written Premium	142,646	109,442	90,309	76,233
Profit before Tax	12,379	10,958	10,398	10,145
Profit after Tax	8,837	7,971	7,337	7,628

The growth in GWP is driven with efforts to expand the business channels to source premium, like bancassurance, digital, new intermediaries, etc. As the systematic insurance business cycle, in the current year the entity had accelerated the claim settlements resulting into a mild growth in Profit before tax.

## 6. CAPITAL STRUCTURE AND SHAREHOLDING

The issued and paid up share capital of the company is Tzs. 11,500,000,000 (2021: Tzs 11,500,000,000).

## 7. STAKEHOLDER'S RELATIONSHIP

The members charged with governance have identified categories of stakeholders which are Government, employees, regulators, suppliers, customers, lenders, and the general community. Before making its decisions, the Board takes the interests of all stakeholders into account to ensure that engagement with stakeholders is deliberate and planned. Furthermore, the Board wishes to ensure that communication with stakeholders is always transparent and effective.

The Board of Directors recommended total Dividend for the year ended 31st December 2022 of Tzs 3,669 million (2021: Tzs 3,814 million)

## 8. DIRECTORS

The directors of the company at the date of this report, who held office since 1 January 2022, except as otherwise stated are:

Name	Nationality	Date of appointment	Position	Age
Shaffin Jamal	Tanzanian	1/24/1996	Chairman	52
Yogesh Manek	Tanzanian	1/1/2004	Director	68
Dr. Alexander Nguluma	Tanzanian	12/1/2000	Director	70
Kalpesh Mehta	British	11/1/2013	Director	53

## 9. DIRECTORS' INTERESTS

Mr. Shaffin Jamal has an indirect interest of 64.99% (2021: 64.99%) through his shareholding in Union Trust Investments Limited and Mr. Yogesh Manek has an indirect interest of 32.66% (2021: 32.66%) through his shareholding in MAC Group Limited, in the issued and paid up capital of the company. No other director has shareholding interest in the Company.

## 10. TRANSFERS TO RESERVES

### Alliance Insurance Corporation Limited

In respect of General Business, an amount of Tzs 2,709 million (2021:Tzs 2,287 million) has been transferred to a contingency reserve account in accordance with Regulations 27 (2) (b) and 27 (3) (b) of The Insurance Regulations, 2009.

### Subsidiary - Alliance Life Assurance Limited

An amount of Tzs 215.67 million (2021: 133.55 million) in respect of long term business has been transferred to a contingency reserve account in accordance with Regulations 27 (2) (b) and 27 (3) (b) of The Insurance Regulations, 2009.

### Subsidiary - Alliance Africa General Insurance Limited, Uganda

An amount of Ush 608.86 million equivalent to Tzs 371 million (2021:Ush 410.38 million equivalent to Tzs 260.91 million) has been transferred to a contingency reserve account in accordance with Section 47(2) of the Uganda Insurance Act, Cap. 213.

## 11. CORPORATE GOVERNANCE

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the directors therefore confirm that:

- the board of directors met regularly throughout the year;
- they retain full and effective control over the group and monitor executive management;
- the positions of Chairman and Chief Executive are held by different people;
- the board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance;
- they bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team;
- the board appoints executive staff and selects non-executive directors (whose appointment is subject to confirmation by shareholders); and
- they ensure that discussions on issues of performance, policy and strategy are informed and that debate is rigorous but constructive.

**Investment Committee** - which is responsible for the definition and implementation of investment policy and authorisation of the placement of investment funds.

**Audit and Risk Management Committee** - which is responsible for ensuring compliance with applicable legislation and the requirements of regulatory authorities as well as matters relating to internal controls, internal and external audit processes, reporting and disclosure.

Below are details of the attendance of Board meetings:

Name	Q1 held on	Q2 held on	Q3 held on	Q4 held on		Attendance %
Mr. Shaffin Jamal	3/11/2022	5/9/2022	8/1/2022	10/28/2022	11/28/2022	100%
Mr. Yogesh Manek	3/11/2022	5/9/2022	8/1/2022	10/28/2022	-	80%
Mr. Kalpesh Mehta	3/11/2022	5/9/2022	8/1/2022	10/28/2022	11/28/2022	100%
Dr. Alexander Nguluma	3/11/2022	5/9/2022	8/1/2022	10/28/2022	11/28/2022	100%

The Company is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability. The Board has the following sub-committees to ensure a high standard of corporate governance throughout the Company:

### Audit and Risk committee;

#### Composition of Audit and Risk committee

Name	Position	Nationality
Mr. Kalpesh Mehta	Chairman	British
Dr. Alexander Nguluma	Member	Tanzanian
Mr. KVA Krishnan	Member	Indian

Below are details of the, Audit and Risk committee:

Name	Q1 held on	Q2 held on	Q3 held on	Q4 held on	Attendance %
Mr. Kalpesh Mehta	3/8/2022	5/4/2022	7/26/2022	10/25/2022	100%
Dr. Alexander Nguluma	3/8/2022	5/4/2022	7/26/2022	10/25/2022	100%
Mr. KVA Krishnan	3/8/2022	5/4/2022	7/26/2022	10/25/2022	100%

## 11. CORPORATE GOVERNANCE (continued)

### • Investment committee; and

#### Composition of Investment committee

Name	Position	Nationality
Mr. Yogesh Manek	Chairman	Tanzanian
Mr. Shaffin Jamal	Member	Tanzanian
Mr. Kalpesh Mehta	Member	British

Below are details of the Investment committee:

Name	Q1 held on	Q2 held on	Q3 held on	Q4 held on	Attendance %
Mr. Yogesh Manek	3/11/2022	5/9/2022	8/1/2022	10/28/2022	100%
Mr. Shaffin Jamal	3/11/2022	5/9/2022	8/1/2022	10/28/2022	100%
Mr. Kalpesh Mehta	3/11/2022	-	8/1/2022	10/28/2022	75%

## RISK MANAGEMENT AND INTERNAL CONTROL

Members charged with governance accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the company system is designed to provide the Members charged with governance with reasonable assurance that the procedures in place are operating effectively.

Members charged with governance assessed the internal control systems throughout the financial year ended 31 December 2022 and is of the opinion that they met accepted criteria.

Members charged with governance carries risk and internal control assessment through its Audit and risk committee.

## 12. RELATED PARTY TRANSACTIONS

The company provided insurance, in the normal course of business and at arm's length, to the majority shareholder Union Trust Investments Limited and its subsidiaries. Details of transactions and balances with related parties are included in note 33 to the financial statements.

## 13. SOLVENCY

The directors consider the company's solvency position as shown on the statement of financial position set out on page 13 of these financial statements to be very satisfactory. The group's solvency margin at 31 December 2022 exceeded the minimum required by The Insurance Act 2009, by Tzs 12,156 million (2021: Tzs 15,090 million).

## 14. EMPLOYEE WELFARE

The group's entities employment terms are reviewed annually to ensure that they meet statutory and market conditions. The group's entities provides training to employees, encouraging to take up professional examinations by means of financial assistance. Medical expenses reimbursement is provided for the employee, spouse and children.

## 15. POLITICAL AND CHARITABLE DONATIONS

The company did not make any political donations during the year ended 31 December, 2022.

## 16. DISABLED PERSONS AND GENDER BALANCE

The Company has an equal opportunity for everyone and as a matter of policy, recruitment processes are transparent and competitive. In case of applications for employment by persons with disabilities will be considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort shall be made to ensure that their employment with the company continues and appropriate training is arranged.

## Gender Balance

The company is an equal opportunity employer and it had 100 (31<sup>st</sup> December 2021: 98) employees during the year ended 31<sup>st</sup> December, 2022.

Gender	2022		2021	
	No.	Percentage	No.	Percentage
Male	41	41%	45	46%
Female	59	59%	53	54%
<b>Total</b>	<b>100</b>	<b>100%</b>	<b>98</b>	<b>100%</b>

The Company's recruitment policy is to give equal opportunity to all people on recruitment process to fill vacant employment posts. Thus, the company does not discriminate between male and female applicants for the vacant posts. In this regard, great care is taken when implementing the policy in order to ensure that education/professional qualifications, competencies and key attributes which are the basic criteria for selection and appointment, are not compromised.

## 17. GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

## 18. APPOINTMENT AND RESPONSIBILITY OF AUDITORS

Balakrishna Sreekumar & Co. were appointed as the auditors of the company's financial statements for the year ended December 31, 2022 in duly constituted previous annual general meeting. They have expressed their willingness to continue in office and are eligible for reappointment. Auditors are responsible for examining the financial statements prepared by those charged with governance for presentation to the members and to express opinion on them.

## 19. RESPONSIBILITY OF THOSE CHARGED WITH GOVERNANCE

The Report by Those Charged with Governance is prepared in compliance with the new Tanzania Financial Reporting Standard No. 1 (TFRS No. 1) as issued by the National Board of Accountants and Auditors (NBAA) and became effective from 1st January, 2021.

Members those charged with governance are required in terms of the Tanzanian Companies Act 2002 to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

This report and the financial statements set out on pages 12 to 52 are approved by the members charged with the governance on \_\_\_\_\_, 2023 and were signed on its behalf by:

**By Order of the Board of those charged with governance**

.....

Director

Date: April \_\_\_\_\_, 2023



The Companies Act, 2002 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results for that year. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and the Company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2002. The directors are responsible for ensuring that the Insurance Act and Regulations have been complied with.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company as at 31 December 2022 and of its operating results for the year then ended. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal control.

The external auditors are responsible for independently reviewing and reporting on the Group and the Company's annual report and financial statements. The annual report and financial statements have been examined by the company's external auditors and their report is presented on pages 10 to 11.

The directors have reviewed the Group and the Company's cash flow forecast for the year to 31 December 2023 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The directors have made an assessment of the Group and the Company's ability to continue as a going concern and have no reason to believe that the Group and the Company will not be a going concern in the year ahead.

Approved by the Board of Directors on April \_\_\_\_\_, 2023 and signed on its behalf by:

.....  
Shaffin Jamal  
Chairman

.....  
Yogesh Manek  
Director

.....  
K V A Krishnan  
Group Managing Director

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the head of finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the management committee to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as mentioned under Directors' responsibility statement on an earlier page.

I, \_\_\_\_\_ being the Head of Finance of Alliance Insurance Corporation Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2022 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Alliance Insurance Corporation Limited as on that date and that they have been prepared based on properly maintained financial records.

.....  
**Signed by:** .....

**Position:** .....

**NBAA membership no.:** .....

**Date:** .....



## **INDEPENDENT AUDITORS' REPORT**

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### **TO THE MEMBERS OF ALLIANCE INSURANCE CORPORATION LIMITED**

#### **Opinion**

We have audited the accompanying annual consolidated and separate financial statements of Alliance Insurance Corporation Limited and its subsidiaries (together, the Group), as set out on pages 12 to 52 which comprise the consolidated and separate statement of financial position as at 31 December 2022, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements present fairly, in all material respects, consolidated and separate financial position of the group and company as at 31 December 2022 and of its total comprehensive income of the group and company after tax of Tzs. 9,838 (millions) and 8,253 (millions) respectively and cash flows of the group and company for the year then ended in accordance with International Financial Reporting Standards and the Tanzanian Companies Act 2002.

#### **Basis for opinion**

In line with the prevailing environment due to COVID 19 pandemic, we have relied on the confirmation from the directors as mentioned in the para "Going concern" of the director's report, due to which the company's accounts have been prepared on a going concern basis.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in United Republic of Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in United Republic of Tanzania. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other information**

The directors are responsible for the other information. The other information comprises the Chairman's report and The Report by Those Charged with Governance as required by the Financial Reporting Standard No. 1 (TFRS No. 1) as issued by the National Board of Accountants and Auditors (NBAA), which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the directors for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002 and the Insurance Act, 2009 and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

## AUDITORS' REPORT (CONTINUED)

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As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Other matters**

The Consolidated Alliance Insurance Corporation Limited's financial statements include three (3) subsidiaries. We did not audit the financial statements and other financial information in respect of two (2) subsidiaries which are Alliance Africa General Insurance Limited, Uganda (Foreign subsidiary) and Alliance Life Assurance Limited, Tanzania. These 2 subsidiaries has total assets of Tshs 45,023 million as at December 31, 2022 and net income of Tshs 34,405 million for the year ended on that date. These financial statements and other financial information have been audited by other auditors. The auditors reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements in respect of these subsidiaries is based solely on the reports of such other auditors.

### **Report on other legal requirements**

As required by the Tanzanian Companies Act 2002 we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion, proper accounting records have been kept by the company, so far as appears from our examination of those records; and
- iii) the company's statement of financial position and of comprehensive income are in agreement with the accounting records.

**Dr. B.S. Sreekumar**  
**Managing Partner**  
**Balakrishna Sreekumar & Co.**  
**Certified Public Accountants**

**Dar es Salaam**  
**Date: April \_\_\_\_\_, 2023**

Alliance Insurance Corporation Limited  
Consolidated statement of profit or loss and other comprehensive income  
For the year ended 31st December 2022  
(All amounts in Tzs. 'millions' unless otherwise stated)

		Group		Company	
	Note	2022 TZS. Millions	2021 TZS. Millions	2022 TZS. Millions	2021 TZS. Millions
Gross earned premiums	1	136,154	102,224	84,818	69,596
Less: premiums ceded out to reinsurers	2	(59,832)	(43,605)	(37,963)	(30,516)
<b>Net earned premiums</b>		<b>76,322</b>	<b>58,619</b>	<b>46,855</b>	<b>39,080</b>
Rental income		108	55	-	-
Investment income	3	6,895	6,055	5,374	4,875
Commission earned	4	11,781	8,843	8,540	6,279
Other income	5	27	15	2	(1)
<b>Net income</b>		<b>95,133</b>	<b>73,587</b>	<b>60,771</b>	<b>50,233</b>
Claims and policy holders benefits payable	6	72,008	39,197	50,865	23,333
Less: amounts recoverable from reinsurers	6	(38,817)	(16,466)	(28,875)	(7,718)
<b>Net claims payable</b>		<b>33,191</b>	<b>22,731</b>	<b>21,990</b>	<b>15,615</b>
Operating and other expenses		20,965	19,171	13,647	12,578
Commission expenses	7	28,343	20,856	14,711	11,891
Net impairment losses on financial assets		255	(128)	25	4
<b>Total expenses</b>		<b>82,754</b>	<b>62,630</b>	<b>50,373</b>	<b>40,088</b>
<b>Profit before tax</b>	8	<b>12,379</b>	<b>10,958</b>	<b>10,398</b>	<b>10,145</b>
Tax charge	10	(3,543)	(2,987)	(3,061)	(2,517)
<b>Profit for the year</b>		<b>8,837</b>	<b>7,971</b>	<b>7,337</b>	<b>7,628</b>
<b>Profit for the year attributable to:</b>					
Owners of the parent		8,623	7,967	-	-
Non-controlling interest		214	4	-	-
<b>Profit for the year</b>		<b>8,837</b>	<b>7,971</b>	<b>7,337</b>	<b>7,628</b>
<b>Other comprehensive Income</b>					
Fair value gain/(loss) on financial assets	36	1,490	1,669	1,334	1,672
Fair value gain on property	36	-	-	-	-
Deferred tax credit/(charge) on fair value gain on financial assets	36	(447)	(501)	(400)	(502)
Depreciation charge on revaluation part of property	18	(58)	(58)	(26)	(26)
Reversal of deferred tax charge on gain on revaluation of property	36	17	17	8	8
<b>Total other comprehensive (loss)/income</b>		<b>1,002</b>	<b>1,127</b>	<b>916</b>	<b>1,152</b>
<b>Total comprehensive income for the year</b>		<b>9,838</b>	<b>9,098</b>	<b>8,253</b>	<b>8,780</b>
<b>Total comprehensive income for the year</b>					
Attributable to:					
Owners of the parent		9,625	9,094	-	-
Non-controlling interest		214	4	-	-
<b>Total comprehensive income for the year</b>		<b>9,838</b>	<b>9,098</b>	<b>8,253</b>	<b>8,780</b>
<b>Dividend:</b>					
Proposed and paid during the year - Interim	12	-	-	-	-
Proposed for the year - Final	12	-	-	-	-
<b>Earning per share</b>					
Basic (Tzs. in '000) - Restated		37.49	34.64	31.90	33.16

The significant accounting policies on pages 17 to 27 and the notes on pages 28 to 52 form an integral part of these financial statements.

Report of the Auditors' - Pages 10 to 11

(All amounts in Tzs. 'millions' unless otherwise stated)

(All amounts in Tzs. 'millions' unless otherwise stated)					
		Group		Company	
	Note	2022 TZS. Millions	2021 TZS. Millions	2022 TZS. Millions	2021 TZS. Millions
<b>CAPITAL EMPLOYED</b>					
Share capital	13	11,500	11,500	11,500	11,500
Capital reserve	14	110	70	-	-
Contingency reserve	14	23,403	20,152	21,005	18,296
Revaluation reserve	37	3,057	2,055	4,389	3,473
Retained earnings	16	7,001	5,707	6,258	5,448
<b>Equity attributable to the owners of the parent</b>		45,071	39,484	43,153	38,717
Non-controlling interest		1,703	1,554	-	-
<b>Total equity</b>		<b>46,774</b>	<b>41,038</b>	<b>43,153</b>	<b>38,717</b>
<b>REPRESENTED BY</b>					
<b>Assets</b>					
Property & equipment	18(a)	4,109	4,567	1,359	1,551
Investment in property	18(b)	816	815	816	815
Intangible assets	19	737	951	239	411
Right-of-use asset	28	2,229	2,595	-	-
Deferred tax assets	20	2,086	2,335	1,824	2,138
Financial assets designated at fair value through other comprehensive income	21(a)	11,627	10,612	11,252	9,918
Financial assets at amortised cost	21(b)	74,546	67,225	52,429	49,795
Investments accounted for using the equity method	22	-	-	9,078	7,913
Loan to subsidiary	32(c)	-	-	3,050	3,050
Reinsurance arrangement debtors		3,937	3,665	2,956	3,190
Receivables arising out of direct insurance arrangements	23	12,798	10,788	7,597	5,806
Reinsurers' share of insurance contract liabilities	24	52,751	29,428	46,205	24,665
Deferred acquisition costs	25	3,219	2,928	2,659	2,282
Other receivables	26	2,400	1,762	1,302	1,223
Tax recoverable		47	428	-	-
Cash and cash equivalents	27(a)	6,154	4,498	1,052	3,452
Branch preliminary expenses		-	-	-	-
<b>Total assets</b>		<b>177,456</b>	<b>142,597</b>	<b>141,818</b>	<b>116,209</b>
<b>Liabilities</b>					
Insurance contract liabilities	17	60,940	36,706	46,529	25,696
Provisions for unearned premium and unexpired risks	29	46,208	38,906	37,813	32,322
Reinsurance arrangement creditors		10,167	11,444	6,493	10,303
Bank overdraft	27(b)	740	4,953	740	4,742
Lease Liabilities	28	2,330	2,664	-	-
Tax payable		-	-	615	169
Other payables	30	10,297	6,886	6,475	4,260
<b>Total liabilities</b>		<b>130,682</b>	<b>101,559</b>	<b>98,665</b>	<b>77,492</b>
<b>Total net assets</b>		<b>46,774</b>	<b>41,038</b>	<b>43,153</b>	<b>38,717</b>

The financial statements on pages 12 to 52 were authorised and approved for issue by the board of directors on \_\_\_\_\_, 2022 and signed on its behalf by:

.....  
Shaffin Jamal  
Chairman

.....  
Yogesh Manek  
Director

.....  
K V A Krishnan  
Group Managing Director

The significant accounting policies on pages 17 to 27 and the notes on pages 28 to 52 form an integral part of these financial statements.

Report of the Auditors' - Pages 10 to 11

Alliance Insurance Corporation Limited  
Consolidated statement of changes in equity  
For the year ended 31st December 2022  
(All amounts in Tzs. 'millions' unless otherwise stated)

	Note	Share capital TZS. Millions	Capital reserve TZS. Millions	Contingency reserve TZS. Millions	Revaluation reserve TZS. Millions	Retained earnings TZS. Millions	Non controlling interests TZS. Millions	Total TZS. Millions
<b>At 1 January 2021</b>		11,500	50	17,448	774	6,099	1,591	<b>37,461</b>
<b>Fair value gain/(loss)</b>								
financial assets	36	-	-	-	1,669	-	-	<b>1,669</b>
- on property	36	-	-	-	-	-	-	-
<b>Deferred tax credit/(charge) on</b>								
-fair value gain								
financial assets	36	-	-	-	(501)	-	-	<b>(501)</b>
-revaluation of property	36	-	-	-	-	-	-	-
Dep. charge on revaluation								-
part of property	18	-	-	-	(58)	-	-	<b>(58)</b>
Reversal of Deferred tax charge on								-
gain on revaluation of property	36	-	-	-	17	-	-	<b>17</b>
<b>Profit for the year</b>		-	-	-	-	7,967	4	<b>7,971</b>
Prior year adjustments		-	-	-	154	14	-	<b>168</b>
Write of financial assets designated at fair value through of		-	-	-	-	(288)	-	<b>(288)</b>
<b>Transfer to contingency reserve</b>								
- general business	14	-	20	2,571	-	(2,591)	-	-
- long term business	14	-	-	134	-	(93)	(41)	-
<b>Transfer to capital reserve</b>		-	-	-	-	-	-	-
<b>Dividends</b>								
- final paid for 2019	12	-	-	-	-	(1,100)	-	<b>(1,100)</b>
- interim paid for 2020	12	-	-	-	-	(4,000)	-	<b>(4,000)</b>
		-	-	-	-	-	-	-
<b>Exchange loss on consolidation</b>		-	-	-	-	(301)	-	<b>(301)</b>
<b>At 31 December 2021</b>		<b>11,500</b>	<b>70</b>	<b>20,152</b>	<b>2,055</b>	<b>5,707</b>	<b>1,554</b>	<b>41,038</b>
<b>At 1 January 2022</b>		11,500	70	20,152	2,055	5,707	1,554	<b>41,038</b>
<b>Fair value gain/(loss)</b>								
financial assets	36	-	-	-	1,490	-	-	<b>1,490</b>
- on property	36	-	-	-	-	-	-	-
<b>Deferred tax credit/(charge) on</b>								
-fair value gain								
financial assets	36	-	-	-	(447)	-	-	<b>(447)</b>
-revaluation of property	36	-	-	-	-	-	-	-
Dep. charge on revaluation								-
part of property	18	-	-	-	(58)	-	-	<b>(58)</b>
Reversal of Deferred tax charge on								-
gain on revaluation of property	36	-	-	-	17	-	-	<b>17</b>
<b>Profit for the year</b>		-	-	-	-	8,623	214	<b>8,837</b>
Prior year adjustments		-	-	-	-	(4)	-	<b>(4)</b>
<b>Transfer to contingency reserve</b>								
- general business	14	-	40	3,035	-	(3,075)	-	-
- long term business	14	-	-	216	-	(151)	(65)	-
<b>Transfer to capital reserve</b>		-	-	-	-	-	-	-
<b>Dividends</b>								
- final paid for 2021	12	-	-	-	-	(3,814)	-	<b>(3,814)</b>
		-	-	-	-	-	-	-
<b>Exchange loss on consolidation</b>		-	-	-	-	(285)	-	<b>(285)</b>
<b>At 31 December 2022</b>		<b>11,500</b>	<b>110</b>	<b>23,403</b>	<b>3,057</b>	<b>7,001</b>	<b>1,703</b>	<b>46,774</b>

The significant accounting policies on pages 17 to 27 and the notes on pages 28 to 52 form an integral part of these financial statements.

Report of the Auditors' - Pages 10 to 11



*Alliance Insurance Corporation Limited*  
*Company statement of changes in equity*  
*For the year ended 31st December 2022*  
*(All amounts in Tzs. 'millions' unless otherwise stated)*

	Note	Share capital TZS. Millions	Contingency reserve TZS. Millions	Revaluation reserve TZS. Millions	Retained earnings TZS. Millions	Total TZS. Millions
<b>Balance at 1 January 2021</b>		11,500	16,009	2,167	6,543	<b>36,219</b>
<b>Fair value gain/(loss)</b>						
- on financial assets at fair value						
through other comprehensive income	36	-	-	1,672	-	<b>1,672</b>
- on property						-
Deferred tax charge on gain on financial assets		-	-	(502)	-	<b>(502)</b>
Deferred tax charge on gain on revaluation of property						
Reversal of sale of UTT Shares						
Dep. charge on revaluation		-	-	(26)	-	<b>(26)</b>
part of property	18					
<b>Reversal of Deferred tax charge on</b>						
<b>gain on revaluation of property</b>	20	-	-	8	-	<b>8</b>
<b>Profit for the year</b>		-	-	-	7,628	<b>7,628</b>
Prior year adjustments		-		154	14	<b>168</b>
<b>Write of financial assets designated at fair value</b>					(1,350)	<b>(1,350)</b>
<b>through other comprehensive income</b>						
<b>Transfer to contingency</b>						
<b>reserve</b>						
- general business	14	-	2,287	-	(2,287)	-
- long term business	14					-
<b>Dividends</b>						
- final paid for 2019	12	-	-	-	(1,100)	<b>(1,100)</b>
- final paid for 2020	12	-	-	-	(4,000)	<b>(4,000)</b>
<b>At 31 December 2021</b>		<b>11,500</b>	<b>18,296</b>	<b>3,473</b>	<b>5,448</b>	<b>38,717</b>
<b>Balance at 1 January 2022</b>		11,500	18,296	3,473	5,448	<b>38,717</b>
<b>Fair value gain/(loss)</b>						
- on financial assets at fair value						
through other comprehensive income	36	-	-	1,334	-	<b>1,334</b>
- on property						-
Deferred tax charge on gain on financial assets		-	-	(400)	-	<b>(400)</b>
Deferred tax charge on gain on revaluation of property						
Reversal of sale of UTT Shares						
Dep. charge on revaluation		-	-	(26)	-	<b>(26)</b>
part of property	18					
<b>Reversal of Deferred tax charge on</b>						
<b>gain on revaluation of property</b>	20	-	-	8	-	<b>8</b>
<b>Profit for the year</b>		-	-	-	7,337	<b>7,337</b>
Prior year adjustments		-		-	(4)	<b>(4)</b>
<b>Transfer to contingency</b>						
<b>reserve</b>						
- general business	14	-	2,709	-	(2,709)	-
- long term business	14					-
<b>Dividends</b>						
- final paid for 2021	12	-	-	-	(3,814)	<b>(3,814)</b>
<b>At 31 December 2022</b>		<b>11,500</b>	<b>21,005</b>	<b>4,389</b>	<b>6,258</b>	<b>43,153</b>

The significant accounting policies on pages 17 to 27 and the notes on pages 28 to 52 form an integral part of these financial statements.

Report of the Auditors' - Pages 10 to 11

Alliance Insurance Corporation Limited  
Company statement of cash flows  
For the year ended 31st December 2022

(All amounts in Tzs. 'millions' unless otherwise stated)

		Group		Company	
		2022	2021	2022	2021
	Note	TZS. Millions	TZS. Millions	TZS. Millions	TZS. Millions
<b>Operating activities</b>					
Cash generated from/(used in) operations	31	13,939	4,980	6,657	4,779
Tax paid		(3,350)	(3,538)	(2,717)	(2,975)
<b>Net cash generated from/(used in) operations</b>		<b>10,589</b>	<b>1,442</b>	<b>3,940</b>	<b>1,804</b>
<b>Investing activities</b>					
Purchase of property & equipment	18	(64)	(226)	(50)	(201)
Purchase of investment property		(1)	-	(1)	-
Purchase of right to use asset		-	(2,490)	-	-
Purchase of intangible assets	19	(44)	(430)	(44)	(216)
Purchase of financial assets	21	(7,062)	(1,956)	(3,309)	(1,844)
Proceeds from disposal of financial assets	21	-	-	-	-
Movement in Investments accounted for using the equity method		-	-	(1,165)	(201)
Proceeds from disposal property plant and equipment		2	2	2	1
Interest received		6,035	7,507	5,463	4,965
Dividend received		581	434	581	434
<b>Net cash generated from/(used in) investing activities</b>		<b>(553)</b>	<b>2,840</b>	<b>1,477</b>	<b>2,939</b>
<b>Financing activities</b>					
Principal paid on lease liabilities		(523)	(503)	-	-
Interest paid on lease liabilities		170	43	-	-
Dividend paid - ordinary shareholders		(3,814)	(5,100)	(3,814)	(5,100)
Branch preliminary expenses		-	137	-	137
<b>Net cash generated from/(used in) financing activities</b>		<b>(4,167)</b>	<b>(5,423)</b>	<b>(3,814)</b>	<b>(4,963)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>5,869</b>	<b>(1,141)</b>	<b>1,603</b>	<b>(221)</b>
<b>Movement in cash and cash equivalents</b>					
<b>As at 1 January</b>		(455)	686	(1,290)	(1,070)
Increase/(decrease) in cash and cash equivalents		5,869	(1,141)	1,603	(221)
<b>As at 31 December</b>	27(a)	<b>5,414</b>	<b>(455)</b>	<b>312</b>	<b>(1,290)</b>

The significant accounting policies on pages 17 to 27 and the notes on pages 28 to 52 form an integral part of these financial statements.

Report of the Auditors' - Pages 10 to 11

## 1. GENERAL INFORMATION

Alliance Insurance Corporation is incorporated in Tanzania under the Companies Act 2002 and is domiciled in Tanzania. The address of its registered office is : 7th Floor, Exim Tower, Ghana Avenue, P.O. Box 9942, Dar es Salaam.

The Group's principal activities relates to underwriting all classes of life assurance and non-life insurance (General Insurance) risks as defined by the Insurance Act. Life assurance business relates to underwriting of risks relating to Group Life/Disability insurance (providing benefits to employee's beneficiaries), Group credit life (covers risk for employers or financial institutions which have advances loans to borrowers), Group funeral Insurance (provides burial expense benefits to employees or members of an affinity Group) and Keyman insurance risks. General insurance business relates to all other categories of short term insurance business written by the Group, analysed into several sub classes of business based on the nature of the assumed risks.

With a view to provide better services to customers, Alliance Life Assurance Limited was incorporated in year 2010, as a new subsidiary within the Group, to exclusively transact life assurance business. The new Group started commercial operations from 1 July 2010.

In year 2011, Alliance Insurance Corporation Limited became 99% shareholders of Dar-es-Salaam Properties Limited which was initially an associate with 45% of the shareholdings. Dar-es-Salaam Properties Limited was incorporated on 23 August 2010 as an associate and the company's principal activity is leasing out residential furnished apartments.

In year 2013, the company promoted and incorporated a new company, Alliance Africa General Insurance Limited ("foreign subsidiary") in Uganda with 99% shareholding for transacting general insurance business. The foreign subsidiary commenced operations from December 2014.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

These financial statements are the consolidated financial statements of Alliance Insurance corporation Limited, a company registered in Tanzania, and its subsidiaries (together 'the Group').

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or where assumptions and estimates are significant to the financial statements are discussed in (c) & (d) below.

### (i) Adoption of new and revised International Financial reporting standards

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### **Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9**

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the company is for years beginning on or after January 1, 2022.

The company has adopted the amendment for the first time in the 2022 financial statements.

The impact of the amendment is not material.

**(i) Adoption of new and revised International Financial reporting standards (continued)**

**Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16**

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The effective date of the company is for years beginning on or after January 1, 2022.  
The company has adopted the amendment for the first time in the 2022 financial statements.  
The impact of the interpretation is not material.

**Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37**

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the company is for years beginning on or after January 1, 2022.  
The company has adopted the amendment for the first time in the 2022 financial statements.  
The impact of the amendment is not material.

**(ii) Standards and Interpretations early adopted**

The Company has chosen not to early-adopt any new or amended standards in the year ended December 31, 2022.

**(iii) Standards and interpretations not yet effective**

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2022 or later periods:

**IFRS 17: Insurance contracts**

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after January 1, 2023.  
The impact of this standard is currently being assessed.

**Definition of accounting estimates: Amendments to IAS 8**

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after January 1, 2023.  
The impact of this amendment is currently being assessed.

**Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.**

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after January 1, 2023.  
The impact of this amendment is currently being assessed.

**(B) Critical accounting estimates and assumptions**

In the process of applying the Group entities' accounting policies, the Group entities' management makes certain estimates and assumptions about future events. In practice, the estimated and assumed results would differ from the actual results. Such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

**(i) Provision for unearned premium**

Unearned premium reserves are calculated using the 1/365 method for all classes. The assumption made is that the premiums are written equally throughout the month.

Provision for claims is calculated either on case to case basis or by approximation on the basis experience and best available information as at the date of statement of financial position, and the experience of the management is used in addition to the best available information as at the year-end. Guidance is also taken from the Group entities' legal departments in relation to the reserves to be maintained on particular claims. Provisions have also been made for claims incurred but not reported (IBNR) which is calculated at greater of 20% of the outstanding claims or 5% of net premiums earned, as prescribed in Regulations 27 (2) (a) of The Insurance Regulations, 2009.

The adequacy of provision for claims is evaluated each year using standard actuarial techniques, historical experience and expectation of future events that are believed to be reasonable under prevailing circumstances. In addition, IBNR reserves are set to recognize the estimated costs of losses that have occurred but which have not yet been notified to the Group entities.

**(d) Critical accounting judgments**

In the process of applying the entities' accounting policies, the entities' management do make certain judgments, that are continuously assessed based on prior experience and other determinants, including expectations of future events, that, under the circumstances are deemed to be reasonable, as described below:

**(i) Government securities**

The government securities are classified as held-to-maturity as the entity does not have any intention to sell them before the maturity date. This is also demonstrated based on the entity's past events of the preceding two years.

**(ii) Deferred acquisition costs**

For general business commission costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as deferred acquisition costs (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts using the 1/365 method and tested for impairment at each statement of financial position date. Any amount not recoverable is expensed in the statement of comprehensive income.

Deferred acquisition costs are derecognised when the related contracts are settled or disposed off.

**(e) Underwriting results**

The underwriting results for general business are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned portion of premiums, net of reinsurance, as follows:

**General insurance business**

**(i) Premiums written** relates to risks assumed during the year and includes estimates of premiums due but not yet received, less an allowance for cancellations and less unearned premiums. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Revenue from risks underwritten comprises the fair value of the consideration received or receivable for underwriting the risk in the ordinary course of business less rebates and discounts. The entities recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for the entities' activities. The amount of revenue is not considered to be reliably measured until all contingencies relating to the underwriting of the risks have been resolved. The Group entities base their estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

**(ii) Unearned premiums** represents the proportion of the premiums written (gross of reinsurance) in periods up to the accounting date which related to the unexpired terms of policies in force at the statement of financial position date and are calculated using the 1/365 method.

**(iii) Claims incurred** comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that year or earlier years.

**General insurance business (continued)**

(iv) **Provision for outstanding claims** represents the best judgment estimate of cost of settling all claims arising from incidents occurring up to the statement of financial position date. Provision for outstanding claims are computed on the basis of the best available information at the time the records for that year are closed and include provisions for claims incurred but not reported (IBNR), calculated at 20% of the outstanding claims or 5% of net premium earned, as prescribed in regulations 27 (2) (a) of The Insurance Regulations, 2009.

(v) **Expenses and commissions** are allocated to the relevant revenue accounts as incurred in the management of each class of business. Commissions received and paid are shown gross. Certain expenses of general insurance business being depreciation, provision for impairment of premium receivable and audit fees, are not allocated to the revenue account but charged directly to the statement of comprehensive income.

(f) **Commission received**

The entities do earn commission in respect of the business ceded to re-insurers. Commission is recognized over the life of the contract.

(g) **Liability adequacy test**

At each reporting date the Group entities perform a liability adequacy test on their insurance liabilities less related deferred acquisition costs and intangible assets to ensure that the carrying values are adequate, using current estimates of future cash flows, taking into account the relative investment return. If the assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense to the income statement initially by writing off the intangible assets and subsequently by recognising an additional liability for claims provisions or recognising a provision for unexpired risks. The unexpired risks provision is assessed in aggregate for business classes which are managed together.

(h) **Salvage and subrogation reimbursements**

Some insurance contracts permit insurers to sell (usually damaged) property acquired in settling a claim (for example, salvage). The entities may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Re-imbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(i) **Reinsurance arrangements**

Contracts entered into by the Group entities with reinsurers under which the entities are compensated for losses on one or more contracts issued by the entities and that meet the classification requirements for insurance contracts are classified as reinsurance arrangements. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by a Group entity under which the contract holder is another insurer (inwards reinsurance) are included within insurance arrangements. The benefits to which the entity is entitled under its reinsurance contracts held are recognised as reinsurance assets.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

**(j) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Tanzania Shillings (the functional currency), at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Tanzania Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the year in which they arise.

**(k) Property and equipment**

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to a Group entity and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decrease that offset previous increase of the same asset are charged to other comprehensive income; all other decrease are charged to profit or loss.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

<b><u>Asset description</u></b>	<b><u>Rate %</u></b>
Buildings	5.00
Exim Tower interior renovation	20.00
Motor vehicles	20.00
Furniture and fittings	10.00
Office equipment	25.00
Computer equipment	33.33

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining profit before tax.

**(l) Intangible assets**

**Computer software**

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives which are estimated to be 5 years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by a Group entity, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives which are estimated to be 5 years.

**(m) Financial assets and liabilities**

**Measurement methods**

**Amortised cost and effective interest rate**

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

**Interest income**

Interest income is recognised using the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

**Initial recognition and measurement**

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Group exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

**Classification and subsequent measurement of financial assets**

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- (i) Fair value through profit or loss (FVPL);
- (ii) Fair value through other comprehensive income (FVOCI); or
- (iii) Amortised cost.

The classification requirements for debt and equity instruments are described below:

**Debt instruments**

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and premiums payable.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 35 using the effective interest method



**(m) Financial assets and liabilities**

**Debt instruments (continued)**

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income. Interest income from these financial assets is included in 'Special commission income' using the effective interest rate method.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair

**Business model:**

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Group as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

**Solely payments of principal and interest:**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Group considers whether the contractual cash flows are consistent with the lending agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

**Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income as 'Dividend income' when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net gains on investments mandatorily measured at fair value through profit or loss' line in the statement of income.

**(n) Trade receivables**

Trade receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. At each reporting date, the Group assesses whether there is any indication that a trade receivables asset may be impaired by applying the expected credit losses ('ECL') model. Any resulting impairment loss is recorded in the statement of comprehensive income. On derecognition of a premium receivable asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of comprehensive income.

**(o) Accounting for leases**

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

**A Group entity as a lessee**

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note ) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the group is a lessee are presented in note Leases (group as lessee).

**Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement
- the amount expected to be payable by the group under residual value guarantees;
- the exercise price of purchase options, if the group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

**(m) Financial assets and liabilities**

**Impairment**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Group applies the expected credit losses ('ECL') on its debt instruments measured at amortised cost and FVOCI, which are in the scope of IFRS 9 for impairment. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 35 provides more detail of how the expected credit loss allowance is measured.

Financial liabilities are derecognised when, and only when, the entities' obligations are discharged, cancelled or expired.

**Derecognition of financial assets**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

**Classification and subsequent measurement of financial liabilities**

Financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss: this classification is applied to financial liabilities designated as fair value through profit or loss at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income;

**Derecognition of financial liabilities**

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

**Impairment of non-financial assets**

The entity assesses annually whether there is any indication that any of its assets have been impaired, if such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the smallest cash generating unit to which the asset is allocated. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised immediately in profit or loss, unless the asset is carried to a revalued amount, in which case the impairment loss is recognised as revaluation decrease.

Impairment losses recognised in prior years are assessed at each reporting date for any indicators that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine, net of depreciation or amortisation, if no impairment loss has been recognised. An impairment loss in respect of goodwill is not recognised

### **Lease liability (continued)**

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### **Right-of-use assets**

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

**(p) Employee entitlements**

Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the statement of financial position date.

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

**(q) Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in equity. In this case, the tax is also recognised in equity.

**Current tax**

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

**Deferred tax**

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of temporary differences is controlled by the Group and it is probable that temporary differences will not reverse in the foreseeable future.

**(r) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and financial assets with maturities of less than 3 months, net of bank overdrafts and money market lines.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

Restricted cash balances are those balances that Group entities cannot use for working capital purposes as they have been placed under lien to secure borrowings or as per the requirements of the Insurance Act, 2009.

**(s) Retirement benefit obligations**

The Group entities and their employees contribute to the National Social Security Fund (NSSF). The are statutory defined contribution scheme is registered under the National Social Security Fund Act, 1997. The entities' contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

**(t) Share capital**

Ordinary shares are classified as equity.

**(u) Dividends**

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as liabilities in the year in which they are approved by the Group shareholders.

**(v) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(All amounts in Tzs. 'millions' unless otherwise stated)

# 1. Gross earned premiums

The Company is organised into two main divisions, general insurance which is written by Alliance Insurance Corporation Limited ('the Company') and life assurance which is written by the Company and its subsidiary. Life assurance business relates to the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a term dependent on the termination or continuance of the life of an insured person. General insurance business relates to all other categories of short term insurance business written by the company, analysed into several sub-classes of business based on the nature of the assumed risks. As required by Insurance Act 2009, a new company, Alliance Life Assurance Limited ('Subsidiary') was incorporated for transacting life insurance business in the financial year 2010 and the Company is holding 70% shares. The subsidiary commenced operations from 1 July 2010. Prior to 1 July 2010, both general and life insurance businesses were being written by the Company. In year 2012, the company opened a branch in Comoros for transacting general insurance business. In year 2013, the company promoted and incorporated a new company, Alliance Africa General Insurance Limited ("foreign subsidiary") in Uganda with 99% shareholding for transacting general insurance business. The foreign subsidiary commenced operations from December 2014.

During the year 2017, the company has started transacting health insurance business.

The gross premium income of the Alliance Company net of unearned premiums can be analysed between the main classes of business as shown below:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>Gross earned premium</b>	<b>Gross earned premium</b>
<b>General insurance business</b>		
Fire	20,846	17,343
Motor	52,127	42,859
Marine	11,210	10,606
Miscellaneous	17,445	13,094
Engineering	5,644	3,880
Health	1,613	1,333
Comoros operations	-	-
<b>Gross written premium</b>	<b>108,885</b>	<b>89,115</b>
Less: Movement in unearned premium	(6,492)	(7,218)
<b>Gross earned premium</b>	<b>102,393</b>	<b>81,897</b>
<b>Life assurance business</b>		
Ordinary life	969	429
Company life	32,792	19,898
	<b>33,761</b>	<b>20,327</b>
<b>Total</b>	<b>136,154</b>	<b>102,224</b>

	<b>Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>Gross earned premium</b>	<b>Gross earned premium</b>
<b>General insurance business</b>		
Fire	17,995	15,247
Motor	45,981	38,516
Marine	9,392	9,053
Miscellaneous	10,304	9,263
Engineering	5,024	2,821
Health	1,613	1,333
Comoros operations	-	-
<b>Gross written premium</b>	<b>90,309</b>	<b>76,233</b>
Less: Movement in unearned premium	(5,491)	(6,637)
<b>Gross earned premium</b>	<b>84,818</b>	<b>69,596</b>

## 2. Premiums ceded out to reinsurers

	Group	
	2022 Net Reinsurance premiums	2021 Net Reinsurance premiums
<b>General insurance business</b>		
Fire	16,691	14,068
Motor	7,313	5,315
Marine	7,969	7,298
Miscellaneous	13,571	10,543
Engineering	4,235	2,616
Health	-	-
<b>Gross ceded premium</b>	49,779	39,840
Less: Movement in reinsurer's portion of unearned premium	(2,140)	(3,206)
<b>Net reinsurance premium</b>	47,639	36,634
<b>Life assurance business</b>		
Ordinary life	112	92
Group life	12,081	6,879
	12,193	6,971
<b>Total</b>	<b>59,832</b>	<b>43,605</b>

	Company	
	2022 Net Reinsurance premium	2021 Net Reinsurance premium
<b>General insurance business</b>		
Fire	14,140	12,333
Motor	7,069	5,300
Marine	7,151	6,653
Miscellaneous	8,097	7,890
Engineering	3,646	1,546
Health	-	-
<b>Gross ceded premium</b>	40,103	33,722
Less: Movement in reinsurer's portion of unearned premium	(2,140)	(3,206)
<b>Net reinsurance premium</b>	<b>37,963</b>	<b>30,516</b>

	2022 Group	2021	2022 Company	2021
<b>3. Investment income</b>				
Interest from government securities:				
- 'amortised cost'	2,985	2,549	2,626	2,225
Interests from fixed deposits				
- amortised cost'	3,050	3,157	1,949	1,997
Interest on loan to subsidiary	-	-	153	153
Dividends income:				
- 'financial assets designated at fair value through other comprehensive income'	581	434	581	434
Foreign exchange gain/(loss)	279	(85)	65	66
	<b>6,895</b>	<b>6,055</b>	<b>5,374</b>	<b>4,875</b>

(All amounts in Tzs. 'millions' unless otherwise stated)

	2022 Group	2021	2022 Company	2021
<b>4. Commission received</b>				
Gross commissions received	11,763	8,816	8,540	6,279
Movement in deferred acquisition costs	18	27	-	-
	<b>11,781</b>	<b>8,843</b>	<b>8,540</b>	<b>6,279</b>
<b>5. Other income</b>				
Loss/profit on disposal of property and equipment	2	(1)	2	(1)
Miscellaneous Income	25	16	-	-
	<b>27</b>	<b>15</b>	<b>2</b>	<b>(1)</b>
<b>6. Claims and policyholders benefits payable</b>				
	<b>Group</b>			
	<b>Gross</b>	<b>Reinsurance share</b>	<b>2022 Net</b>	<b>2021 Net</b>
<b>General insurance business</b>				
Fire	6,241	(4,937)	1,304	875
Motor	20,369	(2,829)	17,540	14,436
Marine	3,895	(2,655)	1,240	1,082
Miscellaneous	3,537	(2,623)	914	700
Engineering	1,610	(994)	616	416
Health	1,451	-	1,451	1,370
	<b>37,103</b>	<b>(14,038)</b>	<b>23,065</b>	<b>18,879</b>
<b>Change in liabilities</b>				
Change in claims in IBNR Provision	3,014	(2,554)	460	(174)
Change in claims provisions	15,959	(14,518)	1,441	(866)
	<b>18,973</b>	<b>(17,072)</b>	<b>1,901</b>	<b>(1,040)</b>
<b>Total general insurance business</b>	<b>56,076</b>	<b>(31,110)</b>	<b>24,966</b>	<b>17,839</b>
<b>Life assurance business</b>				
Company life	15,932	(7,707)	8,225	4,892
<b>Total</b>	<b>72,008</b>	<b>(38,817)</b>	<b>33,191</b>	<b>22,731</b>
	<b>Company</b>			
	<b>Gross</b>	<b>Reinsurance share</b>	<b>2022 Net</b>	<b>2021 Net</b>
<b>General insurance business</b>				
Fire	5,736	(4,550)	1,186	841
Motor	18,538	(2,741)	15,797	12,807
Marine	3,277	(2,259)	1,018	926
Miscellaneous	2,351	(1,797)	554	376
Engineering	1,007	(456)	551	335
Health	1,451	-	1,451	1,370
	<b>32,360</b>	<b>(11,803)</b>	<b>20,557</b>	<b>16,655</b>
<b>Change in liabilities</b>				
Change in claims in IBNR Provision	2,970	(2,554)	416	(174)
Change in claims provisions	15,535	(14,518)	1,017	(866)
	<b>18,505</b>	<b>(17,072)</b>	<b>1,433</b>	<b>(1,040)</b>
<b>Total general insurance business</b>	<b>50,865</b>	<b>(28,875)</b>	<b>21,990</b>	<b>15,615</b>



	2022 Group	2021	2022 Company	2021
<b>7. Commission expenses</b>				
Gross commission expenses	28,642	19,937	15,088	11,150
Movement in deferred acquisition costs	(299)	919	(377)	741
	<b>28,343</b>	<b>20,856</b>	<b>14,711</b>	<b>11,891</b>
<b>8. Profit before tax</b>				
The following items have been charged in arriving at operating profit before tax:				
Staff costs (Note 9)	9,402	8,588	6,246	5,062
Auditors' remuneration	144	107	49	49
Depreciation on plant and equipment (Note 18)	453	569	216	325
Amortisation (Note 19)	250	244	216	208
Net foreign exchange loss/(gain)	(279)	85	(65)	(66)
<b>9. Staff costs</b>				
Staff costs include the following:				
Salaries and wages	7,734	6,979	5,135	4,059
NSSF, SDL and WCF	1,082	970	749	604
Other staff cost	586	639	362	399
	<b>9,402</b>	<b>8,588</b>	<b>6,246</b>	<b>5,062</b>
<b>10. Tax charge</b>				
Current income tax	3,675	3,327	3,114	2,900
Tax charge for prior years	-	64	-	64
Final withholding tax on dividend income	56	48	25	23
Deferred tax charge/(credit) (Note 20)	(188)	(452)	(78)	(470)
	<b>3,543</b>	<b>2,987</b>	<b>3,061</b>	<b>2,517</b>
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:				
Profit before tax	12,379	10,958	10,398	10,145
Less: Profit from Long Term Business	-	-	-	-
Profit as restated for effective tax charge	12,379	10,958	10,398	10,145
Tax calculated at a tax rate of 30%	3,714	3,287	3,119	3,044
Tax effect of:				
- tax effect of income not subject to tax	(12,860)	(3,632)	(211)	(531)
- expenses not deductible for tax purposes	12,689	3,332	154	4
- Prior year tax charge	-	-	-	-
Foreign tax relief	-	-	-	-
Tax charge	<b>3,543</b>	<b>2,987</b>	<b>3,061</b>	<b>2,517</b>

# 11. Earning per share

Earnings per share is calculated by dividing the consolidated profit for the year attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Profit for the year attributable to equity shareholders (Tzs millions)	8,623	7,967
Weighted average number of ordinary shares	230,000	230,000
Earnings per share- basic (in Tzs)	37,492	34,638

There were potentially no diluted shares outstanding as at 31 December 2022 and 31 December 2021.

# 12. Dividends

The recommended dividend is 50% of company profit after tax to the shareholders for the year 2022 (2021: Tzs 3.184 billion).

In accordance with the Tanzanian Companies Act (2002), these financial statements reflect this dividend paid/payable which is accounted for in shareholders' funds as an appropriation of retained profits in the year ended 31 December 2022.

The directors have not paid interim dividend for the year ended 31.12.2022 (2021: Tzs nil).

# 13. Share capital

## Authorised

1,000,000 ordinary shares of Tzs. 50,000 each	50,000	50,000
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## Issued and fully paid

230,000 ordinary shares of Tzs. 50,000 each	11,500	11,500
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# 14. Statutory reserves

The statutory reserve represents capital reserve and contingency reserves transferred as required by Insurance Regulations whose distribution is subject to restrictions imposed by the Insurance Act, 2009. Movements in the statutory reserve are shown in the statement of changes in equity on pages 14 and 15.

In accordance with regulation 27(3)(b) of the Insurance Regulations, 2009, a contingency reserve at the rate of 1% of the premium has been created for long term business and 3% of the premium for general business in accordance with regulation 27(2)(b).

# 15. Revaluation reserves

Movements in the fair value reserve are shown in the note 38.

# 16. Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the company. The movements are shown on pages 14 and 15.

**17. Insurance contract liabilities**

	2022	2021	2022	2021
	Group		Company	
<b>(i) Long term insurance contracts</b>				
- actuarial value of long term liabilities	9,804	8,027	89	89
- claims reported and claims handling expenses	2,222	1,352	502	502
<b>Total long term</b>	<b>12,026</b>	<b>9,379</b>	<b>591</b>	<b>591</b>
<b>(ii) Short term insurance contracts</b>				
<b>Non-life</b>				
- claims reported and claims handling expenses	39,003	22,709	36,456	20,921
- claims incurred but not reported	9,911	4,618	9,482	4,184
<b>Total non-life</b>	<b>48,914</b>	<b>27,327</b>	<b>45,938</b>	<b>25,105</b>
<b>Total</b>	<b>60,940</b>	<b>36,706</b>	<b>46,529</b>	<b>25,696</b>

**Actuarial value of policy holder liabilities**

The annual actuarial valuation of the Life Fund was carried out by the Consulting Actuaries, ARCH Actuarial Consulting CC as at 31 December 2022, there was no transfer made to the shareholders funds in the year 2022 (2022: Tzs. nil).

**Short term insurance contracts**

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation.

The company uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The table below illustrates how the company's estimate of total claims outstanding for each accident year has changed at successive year ends.

Estimate of ultimate claims costs	Prior years	2017	2018	2019	2020	2021	2022	Total
At end of Accident Year	73,116	11,755	9,348	7,616	20,230	23,011	47,626	192,703
One year later	88,238	13,826	8,792	9,293	25,501	26,031		171,682
Two years later	92,356	12,328	8,505	9,909	25,078			148,176
Three years later	86,912	11,432	8,824	8,453				115,621
Four years later	86,326	11,480	8,382					106,188
Five years later	86,692	11,212						97,904
Six years later	85,366							85,366
Current estimate of cumulative claims	<b>85,366</b>	<b>11,336</b>	<b>11,480</b>	<b>8,824</b>	<b>9,909</b>	<b>25,501</b>	<b>23,011</b>	175,428
Less: Cumulative payments to date	(72,590)	(10,729)	(11,095)	(7,475)	(7,665)	(22,535)	(12,696)	(144,785)
Liability in the statement of financial position	1,396	93	418	561	1,287	5,030	27,670	36,455
Liability in respect of IBNR	870	19	84	112	257	1,206	7,526	10,074
Total Gross Liability included in the statement of financial position	2,449	984	1,396	1,891	4,104	2,838	7,670	46,529
<b>Total</b>	<b>2,449</b>	<b>984</b>	<b>1,396</b>	<b>1,891</b>	<b>4,104</b>	<b>2,838</b>	<b>7,670</b>	<b>46,529</b>

**18. Property and equipment**

	Group								Total
	Buildings	Leasehold improve- -ments	Exim Tower Expenses	Motor Vehicles	Furniture and Fittings	Office Equip- -ments	Other Equip- -ments	Computer Equip- -ments	
<b>Cost</b>									
At 1 January 2021	7,004	139	730	802	653	308	57	798	10,491
Additions	-	-	-	-	3	157	-	67	226
Disposals	-	-	-	(13)	-	-	-	(3)	(16)
Foreign exchange difference	-	-	-	7	3	-	-	1	11
<b>At 31 December 2021</b>	<b>7,004</b>	<b>139</b>	<b>730</b>	<b>796</b>	<b>659</b>	<b>465</b>	<b>57</b>	<b>862</b>	<b>10,712</b>
At 1 January 2022	7,004	139	730	796	659	465	57	862	10,712
Additions	-	-	-	-	-	14	-	50	64
Disposals	-	-	-	-	(5)	-	-	-	(5)
Foreign exchange difference	-	-	-	(1)	(4)	-	-	(4)	(9)
<b>At 31 December 2022</b>	<b>7,004</b>	<b>139</b>	<b>730</b>	<b>795</b>	<b>650</b>	<b>479</b>	<b>57</b>	<b>908</b>	<b>10,762</b>
<b>Depreciation</b>									
At 1 January 2021	2,673	139	616	656	450	294	57	640	5,526
Charge for the year									
- on cost	292	-	112	23	37	52	-	53	569
- on revaluation	58	-	-	-	-	-	-	-	58
Disposals/write off	-	-	-	(6)	-	-	-	(1)	(7)
<b>At 31 December 2021</b>	<b>3,022</b>	<b>139</b>	<b>728</b>	<b>673</b>	<b>487</b>	<b>346</b>	<b>57</b>	<b>692</b>	<b>6,145</b>
At 1 January 2022	3,022	139	728	673	487	346	57	692	6,145
Charge for the year									
- on cost	292	-	-	19	33	52	-	57	453
- on revaluation	58	-	-	-	-	-	-	-	58
Disposals/write off	-	-	-	-	(2)	-	-	-	(2)
<b>At 31 December 2022</b>	<b>3,372</b>	<b>139</b>	<b>728</b>	<b>692</b>	<b>518</b>	<b>398</b>	<b>57</b>	<b>749</b>	<b>6,653</b>
<b>Net book value</b>									
<b>At 31 December 2021</b>	<b>3,981</b>	<b>-</b>	<b>2</b>	<b>123</b>	<b>172</b>	<b>119</b>	<b>-</b>	<b>171</b>	<b>4,567</b>
<b>At 31 December 2022</b>	<b>3,631</b>	<b>-</b>	<b>2</b>	<b>103</b>	<b>132</b>	<b>81</b>	<b>-</b>	<b>159</b>	<b>4,109</b>

The building was revalued in December 2019 by independent professional valuers named Property Consultancy and Services Limited on the basis of market value for buildings. The book value of building was adjusted to the revaluation and the surplus net of deferred tax was credited to the revaluation reserve in shareholders' equity.

**18.(a) Property and equipment (continued)**

	Company						
	Buildings TZS.	Exim Tower Expenses TZS.	Motor Vehicles TZS.	Furniture and Fittings TZS.	Office Equipment TZS.	Computer Equipment TZS.	Total TZS.
<b>Year 2021</b>							
<b>Cost</b>							
At 1 January 2021	2,664	734	477	381	231	530	5,016
Revaluation	-	-	-	-	-	-	-
Additions	-	-	-	1	157	43	201
Other adjustments	-	-	-	(8)	-	-	(8)
Transfers	-	-	-	-	-	-	-
Disposals	-	-	(7)	-	-	-	(7)
<b>At 31 December 2021</b>	<b>2,664</b>	<b>734</b>	<b>470</b>	<b>374</b>	<b>388</b>	<b>573</b>	<b>5,202</b>
<b>Depreciation</b>							
At 1 January 2021	1,245	620	471	274	213	492	3,314
Charge for the year							
- on cost	107	112	2	21	48	35	325
- on revaluation	26	-	-	(8)	-	-	18
Other adjustments	-	-	-	-	-	-	-
Depreciation on disposal	-	-	(6)	-	-	-	(6)
<b>At 31 December 2021</b>	<b>1,378</b>	<b>732</b>	<b>467</b>	<b>287</b>	<b>261</b>	<b>527</b>	<b>3,651</b>
<b>Year 2022</b>							
<b>Cost</b>							
At 1 January 2022	2,664	734	470	374	388	573	5,202
Revaluation	-	-	-	-	-	-	-
Additions	-	-	-	-	14	36	50
<b>At 31 December 2022</b>	<b>2,664</b>	<b>734</b>	<b>470</b>	<b>374</b>	<b>402</b>	<b>609</b>	<b>5,252</b>
<b>Depreciation</b>							
At 1 January 2022	1,378	732	467	287	261	527	3,651
Charge for the year							
- on cost	107	-	2	19	49	39	216
- on revaluation	26	-	-	-	-	-	26
<b>At 31 December 2022</b>	<b>1,511</b>	<b>732</b>	<b>469</b>	<b>306</b>	<b>310</b>	<b>566</b>	<b>3,893</b>
<b>Net book value</b>							
<b>At 31 December 2021</b>	<b>1,286</b>	<b>2</b>	<b>2</b>	<b>86</b>	<b>127</b>	<b>45</b>	<b>1,551</b>
<b>At 31 December 2022</b>	<b>1,153</b>	<b>2</b>	<b>0</b>	<b>67</b>	<b>92</b>	<b>42</b>	<b>1,359</b>

The building was revalued in December 2019 by independent professional valuers named Property Consultancy and Services Limited on the basis of market value for buildings. The book value of building was adjusted to the revaluation and the surplus net of deferred tax was credited to the revaluation reserve in shareholders' equity.

	2022 Group	2021	2022 Company	2021
<b>18 (b). Investment property</b>				
At start of year	815	815	815	815
Additions	1	-	1	-
At the end of year	<b>816</b>	<b>815</b>	<b>816</b>	<b>815</b>

**19. Intangible assets**

**Softwares**

**Cost**

At start of year	1,550	1,120	967	751
Additions	44	430	44	216
Foreign exchange difference	(8)	-	-	-
At the end of year	<b>1,586</b>	<b>1,550</b>	<b>1,011</b>	<b>967</b>

**Depreciation**

At start of year	599	355	556	348
Charge for the year	250	244	216	208
At end of year	<b>849</b>	<b>599</b>	<b>772</b>	<b>556</b>

**Net book value**

<b>737</b>	<b>951</b>	<b>239</b>	<b>411</b>
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**20. Deferred tax**

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred tax account is as follows:

At start of year	(2,335)	(2,362)	(2,138)	(2,162)
Income Statement (credit)/charge	(188)	(452)	(78)	(470)
Charge to equity (Revaluation Reserve)	438	478	392	494
At end of year	<b>(2,086)</b>	<b>(2,335)</b>	<b>(1,824)</b>	<b>(2,138)</b>

Deferred tax (assets) and liabilities, deferred tax charge/(credit) in the statement of profit or loss and other comprehensive income are attributable to the following items:

	Group		
	At start of year	Charge/ (Credit) to PLOCI	At end of year
<b>Year ended 31 December 2022</b>			
<b>Deferred tax liabilities</b>			
Excess capital allowances	64	(26)	38
Unrealised exchange differences	(21)	(57)	(78)
	<b>43</b>	<b>(83)</b>	<b>(40)</b>
<b>Deferred tax assets</b>			
Provision for staff leave	-	-	-
Provisions for bad debts	(1,137)	(68)	(1,205)
Other temporary difference	(1,241)	400	(841)
	<b>(2,378)</b>	<b>332</b>	<b>(2,046)</b>
<b>Deferred tax liability/(asset)</b>	<b>(2,335)</b>	<b>250</b>	<b>(2,086)</b>

(All amounts in Tzs. 'millions' unless otherwise stated)

## 20. Deferred tax (continued)

	2022 Group	2021 Group
Deferred tax asset	(2,086)	(2,335)
Deferred tax liability	-	-
<b>Net deferred tax liability/(asset)</b>	<b>(2,086)</b>	<b>(2,335)</b>

	Company		
	At start of year	Charge/ (Credit) to PLOCI	At end of year
<b>Year ended 31 December 2022</b>			
<b>Deferred tax liabilities</b>			
Excess capital allowances	37	(43)	(6)
Unrealised exchange differences	(20)	-	(20)
	17	(43)	(26)
<b>Deferred tax assets</b>			
Provision for staff leave	-	-	-
Provision for impairment loss	(900)	(7)	(907)
Other temporary differences	(1,255)	364	(891)
	(2,155)	357	(1,798)
<b>Net deferred tax liability/(asset)</b>	<b>(2,138)</b>	<b>314</b>	<b>(1,824)</b>

## 21(a) Financial assets designated at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise Equity securities that is quoted and unquoted which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.

	2022 Group	2021	2022 Company	2021
(i) <u>Listed securities</u>	10,152	9,192	10,098	8,787
(ii) <u>Unlisted securities</u>	1,475	1,420	1,154	1,131
	11,627	10,612	11,252	9,918

## 21(b) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fixed deposits and Corporate bonds	58,373	52,007	39,719	36,822
Treasury bonds	16,761	15,754	13,208	13,446
	75,134	67,760	52,927	50,268
Less: loss allowance for investments at amortised cost	(588)	(535)	(498)	(473)
	74,546	67,225	52,429	49,795

The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

(All amounts in Tzs. 'millions' unless otherwise stated)

## 22. Investments accounted for using the equity method

	Country of Incorporation	Holdings	2022 Company	2021 Company
<b>Shares at fair value</b>				
Alliance Life Assurance Limited	Tanzania	70.00%	4,436	4,436
Dar es Salaam Properties Limited	Tanzania	99.90%	56	56
Alliance Africa General Insurance Limited	Uganda	99.90%	4,586	3,421
			<u>9,078</u>	<u>7,913</u>

### Alliance Life Assurance Limited (Subsidiary)

On 18th May 2016, the issued and paid up capital was increased from Tzs. 3,000,000,000 to 4,300,000,000 by an issue for cash of 13,000 ordinary shares at a price of Tzs. 100,000 per share.

Alliance Insurance Corporation Limited paid 70% for its share by cash amounting to Tzs. 910,000,000 for 9,100 ordinary shares at a price of Tzs. 100,000 per share.

### Alliance Africa General Insurance Limited (Foreign subsidiary)

In year 2013, the company promoted and incorporated a new company, Union Insurance Limited in Uganda which was renamed as Alliance Africa General Insurance Limited on 7th November 2014. The authorised and paid up share capital of the subsidiary was US\$ 4 billion divided into 4,000 ordinary shares of US\$ 1,000,000 each. The company paid for 99% of its share by cash amounting to Tzs. 2,608 million for 3,998 ordinary shares at a price of Tzs. 652,000 (equivalent to US\$ 1,000,000) per share.

On 13th September 2015, the authorised, issued and paid up capital was increased from US\$ 4,000,000,000 to US\$ 4,130,000,000 by an issue for cash of 130 ordinary shares at a price of US\$ 1,000,000 per share.

On 19th October 2016, the authorised, issued and paid up capital was increased from US\$ 4,130,000,000 to US\$ 5,030,000,000 by an issue for cash of 900 ordinary shares at a price of US\$ 1,000,000 per share.

On 13 September 2022, the authorised, issued and paid up capital was increased from US\$ 6,000,000,000 to US\$ 7,785,000,000 by an issue for cash of 1,785 ordinary shares at a price of US\$ 1,000,000 per share. Alliance Insurance Corporation Limited was allotted 7,783 shares.

## 23. Receivables arising out of direct insurance arrangements

	2022 Group	2021	2022 Company	2021
Gross receivables arising out of direct insurance arrangements	16,222	14,041	10,124	8,333
Less: provision for impairment	(3,424)	(3,252)	(2,527)	(2,527)
Net receivables arising out of direct insurance	<u>12,798</u>	<u>10,788</u>	<u>7,597</u>	<u>5,806</u>
<b>Movement in provision for impairment</b>				
At start of year	3,252	3,331	2,527	2,527
Movement during the year	171	(79)	-	-
	<u>3,424</u>	<u>3,252</u>	<u>2,527</u>	<u>2,527</u>

The Company's credit risk arises primarily from receivables arising out of direct insurance arrangements. The directors are of the opinion that the company's exposure is limited because the debt is widely held.

## 24. Reinsurers' share of insurance contract liabilities

Reinsurers' share of:

- unearned premium	20,678	17,576	16,726	14,586
- reinsurance share of IBNR	6,755	1,915	6,512	1,630
- notified claims outstanding	25,318	9,937	22,967	8,449
	<u>52,751</u>	<u>29,428</u>	<u>46,205</u>	<u>24,665</u>

Amounts due from reinsurers in respect of claims already paid by the Company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements on the statement of financial position.



	2022 Group	2021	2022 Company	2021
<b>25. Deferred acquisition costs</b>				
At start of year	2,928	3,800	2,282	3,023
Net increase/(decrease)	291	(872)	377	(741)
At end of year	3,219	2,928	2,659	2,282
<b>26. Other receivables</b>				
Prepayments	507	312	93	37
Other advances	1,892	1,449	1,209	1,186
	2,400	1,762	1,302	1,223
<b>27(a). Cash and cash equivalents</b>				
Cash and bank balances	5,414	(455)	312	(1,290)
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:				
Cash and bank balances	6,154	4,498	1,052	3,452
Bank overdraft (Note 27(b))	(740)	(4,953)	(740)	(4,742)
	5,414	(455)	312	(1,290)
The company's cash and bank balances are held with a major Tanzanian financial institution and, in so far as the directors are able to measure any credit risk to these assets, it is deemed to be limited.				
The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:				
Tanzania Shillings	4,426	473	849	180
US Dollar	529	3,370	203	3,272
Comoros Francs	-	-	-	-
Uganda Shillings	1,199	655	-	-
	6,154	4,498	1,052	3,452
<b>27(b). Borrowings</b>				
The borrowings is made up as follows:				
Bank overdraft	740	4,953	740	4,742
	740	4,953	740	4,742
<b>28 Leases</b>				
<b>Right-of-use assets</b>				
As at 01 January	2,595	506	-	-
Additions	-	2,490	-	-
Foreign exchange movements	(7)	8	-	-
Depreciation	(359)	(408)	-	-
As at 31 December	2,229	2,595	-	-
<b>Lease liability</b>				
As at 01 January	2,664	560	-	-
Additions	-	2,488	-	-
Covid-19 concession	-	-	-	-
Foreign exchange movements	(8)	8	-	-
Lease payments	(523)	(503)	-	-
Lease liability interest expense	197	110	-	-
<b>Total lease liability as at 31 December</b>	2,330	2,664	-	-

(All amounts in Tzs. 'millions' unless otherwise stated)

## 29. Provisions for unearned premium and unexpired risks

These provisions represent the liability for short term business contracts where the company's obligations are not expired at the year end. Movements in the reserve is shown below:

	Group					
	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year (restated)	39,716	(15,959)	23,757	31,688	(12,753)	18,935
Increase during the year (net)	6,492	(2,140)	4,352	7,218	(3,206)	4,012
At end of year	46,208	(18,099)	28,109	38,906	(15,959)	22,947

  

	Company					
	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At start of year	32,322	(14,585)	17,737	25,685	(11,379)	14,306
Increase during the year (net)	5,491	(2,140)	3,351	6,637	(3,206)	3,431
At end of year	37,813	(16,725)	21,088	32,322	(14,585)	17,737

## 30. Other payables

	2022		2021	
	Group		Company	
Accrued expenses	6,764	4,033	5,611	3,394
Stale and cancelled cheques	413	326	413	326
Withholding tax	519	1,143	357	444
Payables to related party (Note 32(b))	-	211	9	10
Other payables	2,601	1,172	85	85
	10,297	6,886	6,475	4,260

In the opinion of the directors, the carrying amounts of other payables approximate to their fair value.

## 31. Contingent liabilities

In common with the insurance industry in general, the company is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that these litigations will not have a material effect on the financial position or profits of the company.

The company is subject to solvency regulations in respect of its insurance and investment contracts, and had complied with those regulations as at 31 December 2022

## 32. Reconciliation of profit before tax to cash generated from operations:

	2022	2021	2022	2021
	Group		Company	
Profit before tax	12,379	10,958	10,398	10,145
<b>Adjustments for:</b>				
Impairment is assets property and equipment	-	-	-	-
Impairment loss	255	(128)	25	4
(Loss)/Gain on property and equipment	(2)	1	(2)	1
Prior year adjustments	4	(40)	4	(40)
Write of financial assets designated at fair value through other comprehensive income	-	(288)	-	(1,350)
Net foreign exchange losses/(gains) (Note 7)	(279)	85	(65)	(66)
Interest income (Note 3)	(6,035)	(5,706)	(4,728)	(4,375)
Depreciation and amortization (Note 18)	703	813	432	533
Depreciation of right-of-use assets	359	408	-	-
Dividend income (Note 3)	(581)	(434)	(581)	(434)
<b>Changes in working capital:</b>				
- Insurance contract and other payables	34,947	8,601	28,540	6,593
- Reinsurance arrangement creditors	(1,277)	(1,639)	(3,810)	(1,672)
- Insurance contracts and other receivables	(2,939)	(2,380)	(2,250)	(535)
- Reinsurance arrangement debtors	(272)	(1,366)	234	(1,215)
- Reinsurance share of insurance contract liabilities	(23,323)	(3,905)	(21,540)	(2,810)
<b>Cash generated from/(used in) operations</b>	<b>13,939</b>	<b>4,980</b>	<b>6,657</b>	<b>4,779</b>

### 33. Related party transactions and balances

The company Alliance Insurance Corporation Limited is controlled by Union Trust Investment Limited incorporated in Tanzania, which owns 65% and the balance 35% is held by MAC Company. The company has 70% investment in Alliance Life Assurance Limited, 99% in Dar-es-Salaam Properties Limited and 99% in Alliance Africa General Insurance Limited.

In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

	2022 Group	2021	2022 Company	2021
<b>(a) Transactions with related parties</b>				
<i>Gross earned premium:</i>				
Union Trust Investment Limited	8	16	8	16
MAC-UTI Properties Limited	11	66	11	66
The Heritage Insurance Company Tanzania Limited	629	886	629	886
Strategis Insurance (Tanzania) Limited	1,710	1,590	1,710	1,590
Alliance Life Assurance Limited	6	6	6	6
Exim Bank Tanzania Limited	3,081	591	3,081	591
<i>Net claims incurred:</i>				
Union Trust Investment Limited	-	10	-	10
The Heritage Insurance Company Tanzania Limited	19	49	19	49
Strategis Insurance (Tanzania) Limited	1,451	1,378	1,451	1,378
Exim Bank Tanzania Limited	899	34	899	34
<i>Commission earned</i>				
The Heritage Insurance Company Tanzania Limited	142	91	142	91
Strategis Insurance (Tanzania) Limited	47	62	47	62
<i>Commission paid</i>				
The Heritage Insurance Company Tanzania Limited	155	258	155	258
Strategis Insurance (Tanzania) Limited	210	318	210	318
Exim Bank Limited	418	244	418	244
<i>Service from related party:</i>				
MAC-UTI Properties Limited	554	543	110	119
Strategis Insurance (Tanzania) Limited	36	196	-	182
Alliance Life Assurance Limited	-	-	37	83
Dar es Salaam Properties Limited	-	-	245	245
<b>(b) Outstanding balances with related parties</b>				
<i>Payables to related parties:</i>				
Alliance Life Assurance Limited	-	-	9	10
				10
<b>(c) Loan to subsidiary</b>				
Dar es Salaam Properties Limited	-	-	3,050	3,050
The loan to Dar es Salaam Properties Limited is unsecured and interest bearing, and have no specific dates for repayments.				
<b>(d) Investment in equity</b>				
Alliance Life Assurance Limited	-	-	4,436	4,436
Dar es Salaam Properties Limited	-	-	56	56
Alliance Africa General Insurance Limited	-	-	4,586	3,421
	-	-	9,078	7,913
<b>(e) Directors' remuneration</b>				
- Directors' fees	393	422	89	149
<b>(f) Key management compensation</b>				
Salaries	2,709	3,101	1,339	1,398
Social security benefit cost	271	310	134	140
	2,980	3,411	1,473	1,538

**34. Disclosure of fair value of financial assets**

**(a) Fair values of financial assets**

<b>Group 2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets				
A. Quoted investments	10,152	-	-	10,152
B. Unquoted investments	-	-	1,475	1,475
	<b>10,152</b>	<b>-</b>	<b>1,475</b>	<b>11,627</b>
<b>Company 2022</b>				
Financial assets				
A. Quoted investments	10,098	-	-	10,098
B. Unquoted investments	-	-	1,154	1,154
	<b>10,098</b>	<b>-</b>	<b>1,154</b>	<b>11,252</b>

	<b>2022 Group</b>	<b>2021</b>	<b>2022 Company</b>	<b>2021 Company</b>
<b>(b) Reconciliation of Level 3 fair values</b>				
At start of year	1,420	1,259	1,003	1,003
Additions	-	-	-	-
Total gains/losses in:				
- other comprehensive income	55	161	-	-
<b>At end of year</b>	<b>1,475</b>	<b>1,420</b>	<b>1,003</b>	<b>1,003</b>

**35. Risk management objectives and policies**

**(a) Insurance risk management**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The underwriting department attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew certain policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the company to pursue third parties for payment for some or all costs.

Since the insurance industry could result in unpredictable events resulting in huge claims, the company enters into reinsurance arrangements. The company's reinsurance arrangements include treaty reinsurance which covers excess of loss, catastrophe coverage and surplus treaties. Facultative reinsurance locally is undertaken with other insurance companies when treaty limits are exhausted. The effect of such reinsurance arrangements is that the company is able to spread its risks and hence not suffer the entire loss in case of claims.

Claims on insurance contracts are payable on an occurrence basis. The company is liable for all insured events that occurred during the term of the contract, even if the loss is reported after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). The management ensures that adequate provisions are made in the financial statements for these amounts.

### 35. Risk management objectives and policies (continued)

#### Sensitivity to Insurance risk

#### Change in assumptions and sensitivity analysis

##### General insurance

The risks associated with General insurance contracts are complex and subject to a number of variables which complicate quantitative analysis. The company uses several statistical and actuarial techniques based on claims experience. This includes indications such as average claims costs, ultimate claims numbers, and expected loss ratios. The key methods used by the company in estimating liabilities are;

- Chain ladder
- Bench marking and
- Expected loss ratio

The company considers that the liability for general insurance claims shown on the statement of financial position is adequate. However actual experience will differ from the expected income.

Some results of sensitivity testing are set out next page showing the impact on profit before tax and shareholders' equity gross and net of reinsurance. For each sensitivity the impact of a change in a single factor is shown with other assumptions unchanged.

##### General insurance (continued)

	2022 Group	2021	2022 Company	2021
<b>Impact on pre-tax profit</b>				
5 % increase in loss ratios				
Gross	(5,120)	(4,095)	(4,241)	(3,480)
Net	(2,738)	(2,263)	(2,343)	(1,954)
5% decrease in loss ratios				
Gross	5,120	4,095	4,241	3,480
Net	2,738	2,263	2,343	1,954
10% increase in expenses				
Gross	(2,097)	(1,917)	(1,365)	(1,258)
Net	(2,097)	(1,917)	(1,365)	(1,258)
<b>Impact on equity</b>				
5 % increase in loss ratios				
Gross	(3,584)	(2,866)	(2,969)	(2,436)
Net	(1,916)	(1,584)	(1,640)	(1,368)
5% decrease in loss ratios				
Gross	3,584	2,866	2,969	2,436
Net	1,916	1,584	1,640	1,368
10% increase in expenses				
Gross	(1,468)	(1,342)	(955)	(880)
Net	(1,468)	(1,342)	(955)	(880)

### 35. Risk management objectives and policies (continued)

#### Concentration of insurance risk

Concentration of insurance based on claims incurred by class of business before and after reinsurance are shown on Note 6.

#### General Insurance

The concentration of insurance risk before and after reinsurance in relation to the type of general insurance risk accepted is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts.

	Group				
	Before Reinsurance Claims	Reinsurance Recoveries	2022 Net Outstanding Claims	% Outstanding percentage	2021 Net Outstanding Claims
Short term Business					
Fire	(108,617)	(110,441)	1,824	10.2%	2,159
Motor	(499,656)	(511,852)	12,196	68.4%	10,509
Marine	(97,281)	(99,303)	2,022	11.3%	2,115
Engineering	(34,032)	(34,880)	848	4.8%	513
Miscellaneous	(179,911)	(180,633)	722	4.0%	805
Health	219	-	219	1.2%	58
	(919,277)	(937,109)	17,831	100%	16,159

  

	Company				
	Before Reinsurance Claims	Reinsurance Recoveries	2022 Net Outstanding Claims	% Outstanding percentage	2021 Net Outstanding Claims
Short term Business					
Fire	18,883	17,230	1,653	10.0%	2,140
Motor	13,491	1,980	11,511	69.6%	10,040
Marine	7,388	5,506	1,882	11.4%	1,995
Engineering	1,692	892	800	4.8%	457
Miscellaneous	2,074	1,595	479	2.9%	634
Health	219	-	219	1.3%	58
Comoros operations	-	-	-	0.0%	-
	43,747	27,203	16,544	100%	15,324

#### Life insurance

The table below presents the concentration of insured benefits across two bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

	Group				
	Before Reinsurance Claims	Reinsurance Recoveries	2022 Net Outstanding Claims	% Outstanding percentage	2021 Net Outstanding Claims
Business					
Ordinary life	-	-	-	0	-
Company life	8,392	645	7,747	100%	7,747
	8,392	645	7,747	100%	7,747

(All amounts in Tzs. 'millions' unless otherwise stated)

### 35. Risk management objectives and policies (continued)

#### Concentration of insurance risk (continued)

##### Life insurance (continued)

Business	Company			
	Before Reinsurance Claims	Reinsurance Recoveries	2022 Net Outstanding Claims	2021 Net Outstanding Claims
Ordinary life	-	-	-	-
Company life	592	298	294	294
	592	298	294	294

#### (b) Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk) and credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads.

##### (i) Market Risk

###### - Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The risk arises from future transactions, assets and liabilities in the statement of financial position.

At 31 December 2022, if the Tanzania Shilling had weakened by 10 per cent against the US dollar with all other variables held constant, post-tax profit for the year would have been Tzs. 78m (2021: Tzs.83 m) higher. Conversely, if the Tanzania Shilling had strengthened 10 per cent against the US dollar with all other variables held constant, post-tax profit would have been Tzs.78m (2021: Tzs.83m) lower.

###### - Interest rate risk

The table below summarises the effect on post tax profit, had interest rates on investments and borrowings increased by 100 basis points.

	2022 Group	2021	2022 Company	2021
Effect on post tax profit				
Government securities increase	117	110	97	97
Deposits with banks increase	409	364	204	193
Net effect on post tax profit	526	474	301	290

Had the interest rates reduced by 100 basis points, then the effect would have been the opposite.

###### - Price risk

The company is exposed to equity securities price risk because of investments held by the company, classified on the statement of financial position as 'Available-for-sale'.

The company's investments in equity of other entities are publicly traded on the Dar es Salaam Stock Exchange (DSE).

The table below summarises the impact of increases of the DSE on the company's equity. The analysis is based on the assumption that the equity indexes had decreased by 5% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the index:

	Group	Company
Effect on the post tax profit		
- Decrease	(581)	(531)
	(563)	(496)

### 35. Risk management objectives and policies (continued)

#### (b) Financial risk management (continued)

##### (ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

##### Credit risk measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- a. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- b. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- c. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- d. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- e. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 :

##### Credit risk measurement

##### Significant increase in credit risk

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met.

##### Quantitative criteria:

- Downward movement in the external credit rating by two notches;
- Downward movement in the external credit rating by one notch if the revised external credit rating becomes below "investment grade";
- Contractual payments are more than 7 days past due;

##### Qualitative criteria:

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its obligations to the Company;
- A group company of the counterparty has defaulted and in the Company's opinion repayment capacity of the counterparty would also be significantly impacted.

##### Definition of default and credit-impaired assets

The Company defines a financial instruments as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

##### Quantitative criteria:

- Contractual payments are more than 90 days past due;
- Counterparty's refusal to pay the amounts due.

##### Qualitative criteria:

- Information about the bankruptcy of the counterparty;
- Legal case on recovery proceedings;



### 35. Risk management objectives and policies (continued)

#### (b) Financial risk management (continued)

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal risk management purposes. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Based on the detailed analysis of the Companies exposures to the credit risk, the management of the Company have opted to benefit from the practical expedient in calculating the expected credit losses provided by IFRS 9 for financial assets with low credit risk. The management of the Company measures impairment using 12-month expected credit losses for its financial assets subject to impairment. The low credit risk financial assets of the Company meet the following requirements of IFRS 9 to measure impairment using 12-month expected credit losses:

- Low credit
- The counterparties have a strong capacity to meet their obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil their contractual cash flow obligations.

The Company uses external credit risk ratings of well-known and reputable rating agencies to assess the probability of default of individual counterparties

#### Credit risk measurement

The Company does not recognise lifetime expected credit losses on a financial instrument simply because it was considered to have low credit risk in the previous reporting period and is not considered to have low credit risk at the reporting date. In such a case, the Company will determine whether there has been a significant increase in credit risk since initial recognition and thus whether lifetime expected credit losses are required to be recognised.

#### Measuring expected credit losses

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation.
  - EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or
- lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the exposure.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate.

### 35. Risk management objectives and policies (continued)

#### (b) Financial risk management (continued)

##### Credit risk measurement (continued)

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the exposures. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

a) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below also represents the Company's maximum exposure to credit risk on these assets.

	31 December 2022			31 December 2021	
Financial statement line item	Stage 12 month ECL	Stage Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Bank balances and cash	1,052	-	-	1,052	3,452
Held-to-maturity investments/ Financial assets at amortised cost	52,927	-	-	52,927	50,268
Receivables arising out of direct insurance arrangements	10,124	-	-	10,124	8,333
Reinsurance arrangement debtors	2,956	-	-	2,956	3,190
Gross carrying amount	67,059	-	-	67,059	65,243
Loss allowance	(3,025)	-	-	(3,025)	(3,000)
Carrying amount	64,034	-	-	64,034	62,243

Maximum exposure to credit risk – financial instruments subject to ECL

	31 December 2022			31 December 2021	
Credit grade	Stage 12 month ECL	Stage Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Investment grade	52,927	-	-	52,927	50,268
Non-investment grade	14,132	-	-	14,132	14,975
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	67,059	-	-	67,059	65,243
Loss allowance	(3,025)	-	-	(3,025)	(3,000)
Carrying amount	64,034	-	-	64,034	62,243

The Company's exposures to credit risk are not collateralised.

#### b) Loss allowance

The loss allowance recognised in the period may be impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;

### 35. Risk management objectives and policies (continued)

#### Credit risk measurement (continued)

##### b) Loss allowance (continued)

- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period. The following tables explain the change in the loss allowance between the beginning and the end of the annual period due to these factors.

	Stage 12 month	Stage Lifetime ECL	Stage 3 Lifetime ECL	2022 Total	2021 Total
Loss allowance as at 1 January	0	-	-	0	2,630
Movements with the statement of income impact					
Transfers:					
<b>Transfer from stage 1 to stage 2</b>	-	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-	-
New financial assets originated or purchased	25	-	-	25	392
Net remeasurement of loss allowance	-	-	-	-	-
Financial assets derecognised during the year	-	-	-	-	(22)
Write-offs	-	-	-	-	-
Total loss allowance for the year	25	-	-	25	370
Loss allowance as at 31 December	<b>3,025</b>	-	-	<b>3,025</b>	<b>3,000</b>

##### a) Credit risk

The analysis of the credit ratings of the investment portfolio (IFRS 9) is as follows:

	2022	2021
Moody's' equivalent (B2)	52,927	50,268
Non-graded investments	14,132	14,975
	<b>67,059</b>	<b>65,243</b>

##### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

The table below summarises the maturity analysis of financial liabilities

	Group			
	0 to 1 month	1 to 3 months	3 to 12 months	Total
<b>Year ended 31 December 2022</b>				
Payables arising from reinsurance arrangements	7,989	1,350	828	10,167
Other payables	6,845	2,451	1,001	10,297
	<b>14,834</b>	<b>3,801</b>	<b>1,829</b>	<b>20,464</b>
<b>Year ended 31 December 2021</b>				
Payables arising from reinsurance arrangements	8,568	1,286	1,590	11,444
Other payables	3,654	1,256	1,976	6,886
	<b>12,222</b>	<b>2,542</b>	<b>3,566</b>	<b>18,330</b>

35. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Year ended 31 December 2022

	Company			Total
	0 to 1 month	1 to 3 months	3 to 12 months	
Payables arising from reinsurance arrangements	5,564	542	387	6,493
Other payables	4,456	1,121	898	6,475
	10,020	1,663	1,285	12,968

Year ended 31 December 2021

Payables arising from reinsurance arrangements	7,865	1,391	1,047	10,303
Other payables	3,568	399	293	4,260
	11,433	1,790	1,340	14,563

Due to the dynamic nature of claims, it is impracticable to assign a maturity analysis and determine when exactly they shall be paid.

Unearned premiums are transferred on a monthly basis to the income statement based on the company policy as disclosed in accounting policy (e (ii)) of the financial statements.

36 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

*Determination of fair value and fair value hierarchy*

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

*Determination of fair value and fair value hierarchy*

As at 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income – Quoted securities	10,152	-	-	10,152
Financial assets at fair value through other comprehensive income – Unquoted securities	-	-	1,475	1,475
Total	10,152	-	1,475	11,627

As at 31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income – Quoted securities	9,192	-	-	9,192
Financial assets at fair value through other comprehensive income – Unquoted securities	-	-	1,420	1,420
Total	9,192	-	1,420	10,612

### 36 Fair value of financial instruments (continued)

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the year ended 31 December 2022, there were no transfers between the levels of fair value hierarchies during the year.

The fair value increase of Tzs 1,490 million (2021: increase of 1,669 million) in respect of FVOCI equity investments was recorded in statement of other comprehensive income.

### 37. Capital management

The company's objectives when managing capital are:

#### Externally imposed capital requirements

- to comply with the insurance capital requirements required by the Insurance Act, 2009;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

The Insurance Act, 2009 requires the following:

- issued and fully paid up share capital must be Tzs 2,248 million and
- a solvency margin (admitted assets less admitted liabilities) of 20% of Net Premium or One Thousand Thirty Two Million Eight Hundred and Ninety Seven Thousand Three Hundred and Ninety Shillings, whichever is higher.

The company's share capital and solvency margins are above the minimum limits prescribed in the Insurance Act, 2009.

### 38. Movement in revaluation reserve

	2022 Group	2021	2022 Company	2021
Property and equipment - Buildings	457	498	231	249
Available-for-sale financial assets	7,384	6,341	4,004	3,070
<b>Total revaluation reserve</b>	<b>7,841</b>	<b>6,839</b>	<b>4,235</b>	<b>3,319</b>
Property and equipment- Buildings				
At start of year	498	539	249	267
Revaluation surplus/(charge) (net)	-	-	-	-
Deferred tax on (gain)/charge (net)	-	-	-	-
Depreciation charge on revaluation part of property	(58)	(58)	(26)	(26)
Reversal of deferred tax charge on gain on revaluation of property	17	17	8	8
At end of year	457	498	231	249
Financial assets				
At start of year	6,341	5,173	3,070	1,900
Fair value gain/(charge)	1,490	1,669	1,334	1,672
Sale of UTT Shares	-	-	-	-
Deferred tax on (gain)/charge	(447)	(501)	(400)	(502)
At end of year	7,384	6,341	4,004	3,070

The revaluation reserve arose upon the revaluation of property and financial assets carried at fair value. The reserve is not distributable.

**39. Country of incorporation**

The company is incorporated in Tanzania under the Companies Act 2002 as a private limited liability company and is domiciled in Tanzania.

**40. Impact of COVID 19**

As a result of the pandemic outbreak, we are continuously assessing the impact of COVID 19 on the company's strategies together with internal policies for managing principal risks and as on the date of this report, we are confident that the outbreak has no material quantitative (or financial) or qualitative impact on the entity's finance and operations activities.

**41. Group Companies**

The financial statements for the following companies are included in consolidated financial statements:

- Alliance Insurance Corporation Limited
- Alliance Life Assurance Limited, Tanzania
- Dar es Salaam Properties Limited, Tanzania
- Alliance Africa General Insurance Limited, Uganda (Foreign subsidiary)

**42. Presentation Currency**

The financial statements are presented in Millions of Tanzania Shillings (Tzs) unless otherwise stated.

**Consolidated life assurance business revenue account 2022**

	Ordinary Life Business	Group Life Business	Total 2022	Total 2021
Gross earned premium	969	32,792	33,761	20,327
Reinsurance premium ceded	(112)	(12,081)	(12,193)	(6,971)
<b>Net earned premium</b>	<b>857</b>	<b>20,711</b>	<b>21,568</b>	<b>13,356</b>
Investment income	34	1,136	1,170	1,216
Other Income	20	686	706	489
<b>Total Income</b>	<b>911</b>	<b>22,533</b>	<b>23,444</b>	<b>15,061</b>
Policy holders' benefit:				
Life and health claims	406	13,748	14,154	12,307
Change in actuarial value of policyholder benefits	51	1,727	1,778	22
Less: amounts recoverable from reinsurers	(71)	(7,636)	(7,707)	(7,436)
<b>Net claims and policyholder benefits payable</b>	<b>386</b>	<b>7,839</b>	<b>8,225</b>	<b>4,893</b>
Operating and other expenses	137	4,619	4,756	3,773
Commissions expense	88	9,405	9,493	6,070
<b>Total expenses</b>	<b>611</b>	<b>21,863</b>	<b>22,474</b>	<b>14,736</b>
<b>Net profit before tax – life business</b>	<b>300</b>	<b>670</b>	<b>970</b>	<b>325</b>
Tax charge	(81)	(182)	(263)	(313)
<b>Life business profit after tax</b>	<b>219</b>	<b>488</b>	<b>707</b>	<b>12</b>
Policyholders				
- actuarial liabilities	386	9,419	9,805	8,026