ZANZIBAR INSURANCE CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER, 2015

1.0 INTRODUCTION

The Directors have pleasure in presenting their report together with the audited financial statements of Zanzibar Insurance Corporation for the year ended 31st December, 2015, which disclose the state of affairs of the Corporation. The audited financial statements are set out on pages 10 to 35.

2.0 BACKGROUND

Zanzibar Insurance Corporation was established in 1969 under the Zanzibar Public Enterprises Decree of 1966 (Legal Notice No. 11 of 1969). Following subsequent changes it is now operating under the Public Investment Act No. 4 of 2002. The Corporation is a parastatal organization owned by the Revolutionary Government of Zanzibar through the Ministry of Finance and Economic Affairs.

3.0 MAIN OBJECTIVES

The main objective of the Corporation is to transact in all forms of non life insurance business as provided for under the Insurance Act (No. 10) of 2009. The Corporation operates its business through its Head Office in Zanzibar and its branches of Chake Chake in Pemba and Dar es Salaam, Mwanza, Arusha, Mbeya and Dodoma in Tanzania Mainland. The Corporation is an active member of various international bodies involved in the insurance business in the region; these include the African Insurance Organization (AIO), Organization of Eastern and Southern African Insurers (OESAI) and the Federation of African and Asian Insurers and Re-insurers (FAIR), Association of Tanzania Insurers (ATI) and the Institute of Insurance Tanzania (IIT).

4.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

As required under the provisions of the Insurance Act (No.10) of 2009, the Directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of the profit and loss of the Corporation for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonably and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31st December, 2015. The Directors also confirm that applicable accounting standards, the International Financial Reporting Standards, have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of fraud, errors and other irregularities. The Directors are also responsible for the maintenance of an adequate system of internal controls.

5.0 PRINCIPAL ACTIVITIES

The principal activities of the Corporation during the year were underwriting of all major classes of non life insurance business.

6.0 BUSINESS DEVELOPMENT

The net premium grew from TZS 19,034,933,963 in the year 2014 to TZS 17,604,479,000 in the year 2015.

7.0 STATEMENT OF SOLVENCY

The Corporation's state of affairs as at 31st December, 2015 is set out on pages 10 to 13 of these financial statements.

As provided under the conventional accounting, the Directors consider the Corporation to be solvent as at 31st December, 2015. The assets of the Corporation exceed the total liabilities.

However, under the Insurance Act (No. 10) of 2009 where solvency is viewed from ratios calculated from the statement of admissible assets, the Corporation has the solvency margins required of positive figure. As at 31st December, 2015 the Corporation's position on the required margin of solvency was TZS 49,074,000 (2014: 1,176,819,000).

8.0 COMPOSITION OF THE BOARD OF DIRECTORS

The Chairman of the Board is appointed by the President of the Revolutionary Government of Zanzibar. The appointment of the rest of the Board members is done by the Minister for Finance and Economic Affairs as per Public Investment Act (No.4) of 2002. The tenure of office for the Board is normally three years following the appointment date. Shown in the table below is the list of the Directors of the Board of Zanzibar Insurance Corporation for the year under review.

Name	Position	Nationality	Date of Appointment
Mr. Jumbe Said Ibrahim	Chairperson	Tanzanian	11-06-2014
Mr. Abass Juma Muhunzi	Vice Chairperson	Tanzanian	18-06-2014
Mr. Saleh Sadiq Osman	Director	Tanzanian	18-06-2014
Mrs. Salama Kombo Ahmed	Director	Tanzanian	18-06-2014
Mr. Said Aboud Mohammed	Director	Tanzanian	18-06-2014
Mr. Shamim Khamis Machano	Director	Tanzanian	18-06-2014
Mrs. Abdulnaasir A. Abdulrahman	Director	Tanzanian	18-06-2014

Mrs. Safia Hija Abrass is the Secretary to the Board.

The Board of Directors held six meetings during the year under review.

9.0 DIRECTORS' INTERESTS

The Directors do not hold any interest in the issued and paid up share capital of the Corporation.

10.0 EMPLOYEES WELFARE

The Corporation had a staff compliment of 84 employees as at 31st December, 2015. They include professionals in various fields related to the Corporation's business.

The Corporation offers benefits that are competitive by comparison with the rest in the insurance market. The prevailing management working system encourages an atmosphere of freedom of expression and openness.

The Corporation provides training, transport facilities and loans to its staff. Members of staff are also covered against accident full time a day.

Management and staff relationships have been cordial and there are no unresolved complaints.

11.0 CORPORATE GOVERNANCE

The Board of Directors consists of seven Directors other than the Executive Director. No other Director holds executive position in the Corporation. The Board of Directors takes overall responsibility for the Corporation, including responsibility of identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of the management business plan and the budget.

The Board is also responsible for ensuring that comprehensive system of internal control policies and procedure is operative and for compliance with sound corporate governance principles.

The Board of Directors is required to meet at least four times a year. The Board delegates the day to day management of the Board to Managing Director assisted by Senior Management. Senior Management is invited to attend Board meetings and facilitates the effective control of all the Board's operational activities, acting as a medium of communication and coordination between all the various business units.

The Board of Directors is committed to the principles of effective corporate governance. The Board of Directors also recognizes the importance of integrity, transparency and accountability.

During the year the Board of Zanzibar Insurance Corporation had the following **Board sub-committees** to ensure a high standard of corporate governance throughout the Board.

Investment Committee: This committee is responsible for the definition and implementation of investment policy and authorization of the placement of investment funds. The following were members of the committee as at year-end:

Name	Position	Date of Appointment
Mr. Said Aboud Mohamed	-Chairperson	12-07-2014
Mr. Shamim Khamis Machano	-Member	12-07-2014
Mr. Abasi Juma Muhunzi	-Member	12-07-2014
Mrs. Khadija Issa Saidi	-Member	12-07-2014
Mr. Said A. Basleym	-Member	12-07-2014
Mr. Imam Ali Makame	-Member	12-07-2014
Mr. Faki Mwadini Faki	- Member	01-12-2014
Mrs. Safia Hija Abrass	Secretary to Committee	12-07-2014

The Audit Committee: This committee is responsible for all matters relating to policy implementations, internal controls, internal and external audit processes. The following were members of the committee as at year-end:

Name	Position	Date of Appointment
Mrs. Salama Kombo Ahmed	Chairperson	12-07-2014
Mr. Abass Juma Muhunzi	Member	12-07-2014
Mr. Saleh Sadiq Osman	Member	12-07-2014
Mr. Faki Mwadini Faki	Member	01-12-2014
Mr. Abdulnasir A. Abdulrahman	Member	12-07-2014
Mrs. Salma Y. Mwinyi	Member	12-07-2014
Mr. Khamis Mgeni Juma	Member	12-07-2014
Mrs. Safia Hija Abrass	Secretary to Committee	12-07-2014

12.0 MANAGEMENT OF ZANZIBAR INSURANCE CORPORATION

The management of ZIC is under the Managing Director and is organized in the following directorates and units.

1. **Directorates**
   (i) Directorate of Insurance
   (ii) Directorate of Marketing and Research
   (iii) Directorate of Finance and Administration
   (iv) Directorate of Zones

2. **Units**
   (i) Internal Audit Unit
   (ii) Information Communication Technology Unit
   (iii) Legal Unit

13.0 PERSONS WITH DISABILITIES

The Corporation does not discriminate persons with disabilities Persons with disabilities are recruited for those vacancies that they are able to fill. All necessary assistance is availed to them.

14.0 RELATED PARTY TRANSCTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial decisions. The Corporation is controlled by the Revolutionary Government of Zanzibar, which owns 100% of ordinary shares. All transactions with the Government ministries and Government owned institutions are considered to be transactions with related parties. These are as disclosed below:-

Compensation of Members of the Board of Directors

The remuneration of Members of the Board during the year was as follows:	**2015 TZS**	2014 TZS
Board members remuneration	**23,040,000**	19,200,000

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:		
Management remuneration	**939,298,272**	853,907,520

Loans to related parties

Loans to Board Members	**11,000,000**	5,000,000
Loans to Agents	**85,600,000**	81,000,000
Loans to Brokers	**0**	0
Total	**96,000,000**	86,000,000

The Corporation holds **127,670** shares in the Preferential Trade Area Company (PTARE) and **269,369** Shares in the Tanzania National Reinsurance Company. All business transactions with these companies are conducted at arm's length in line with the provisions of the Insurance Act (No. 10) 2009.

15.0 FUTURE DEVELOPMENT PLANS - ZIC FOCUS FOR 2016.

The activities for 2016 will among others focus to achieve the following targets:

(i) Provide modern and best services,

(ii) Introduction Takaful (i.e. Islamic insurance concept which is grounded in Islamic *muamalat* (Islamic banking), observing the rules and regulations of Islamic law,

(iii) Increase market share by 5%,
(iv) Increase revenue by 15%,
(v) Provide conducive working environment so as to retain professional and competent staff,
(vi) Reduce management expense ratio gradually from the current 31% to 20% by the year 2017,
(vii) Participate more in corporate social responsibility.

16.0 RISK MANAGEMENT AND INTERNAL FINANCIAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the organization. It is the task of Management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding to:-

(i) The effectiveness and efficiency of operations;
(ii) The safeguarding of the Corporation's assets;
(iii) Compliance with applicable laws and regulations;
(iv) The reliability of accounting records;
(v) Business sustainability under normal as well as adverse conditions;
(vi) Responsible behaviors towards all stakeholders.

Members of the Board of Directors are responsible for the Corporation's system of internal financial controls. Whilst no system of internal control can provide absolute assurance against material misstatement or loss, the Corporation's system is designed to provide the Board of Directors with reasonable assurance that the procedures in place are operating effectively. The key elements of the system of internal control are:

- **Delegation**

  The overall financial objectives of the Corporation are agreed by the Board of Directors, which delegates the day to day operations to the management for execution. There is a clear organizational structure, detailing different lines of authority.

- **Budgets**

  Detailed annual budgets are prepared by management for review by Audit Committee of the Board of Directors and for approval by the Board. The annual budgets are derived from the Board's approved corporate plan.

- **Competence**

  Staff skills are maintained both by formal recruitment process and a performance appraisal system, which identifies training needs. Training, both in house and outside helps to consolidate existing staff and competence.

17.0 INDEPENDENT AUDITORS

The Controller and Auditor General (Zanzibar) is the Statutory Auditor of Zanzibar Insurance Corporation by virtue of Section 29 of the Public Investment Act, 2002 and Article 112(3) of the Constitution of Zanzibar as amplified under section 26 of the Public Finance Act of 2005. However, the Acts empowers the Controller and Auditor General to authorise an independent qualified auditor to audit on her behalf. The audit of Zanzibar Insurance Corporation for the year ended 31st December, 2015 was carried out jointly by the Controller and Auditor General and M/s TAC ASSOCIATES Certified Public Accountants of 114 Maliki Road Upanga, a firm of independent auditors.

……………………………	………………………………..
Mr. Jumbe Said Ibrahim	**Mr. Abdulnasir A.Abdulrahman**
Chairperson	**Director**
Date……………….	**Date……………….**

ZANZIBAR INSURANCE CORPORATION

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

Chairperson of Board of Directors,
Zanzibar Insurance Corporation,
P. O. Box 432,
ZANZIBAR

Introduction

We have audited the accompanying financial statements of Zanzibar Insurance Corporation, which comprise the statement of financial position as at 31st December,2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Corporation are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unqualified Opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of the Corporation as at 31st December, 2015 and its financial performance and cash flows for the year then ended in accordance with Internal Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In view of our responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes we reviewed as part of this audit, we state that the Zanzibar Insurance Corporation has generally complied with the Public Procurement Act No. 9 of 2005 and its related Regulations of 2005.

TAC ASSOCIATES ***(Certified Public Accountants)***

S. F. SAYORE – FCCA
MANAGING PARTNER

DAR ES SALAAM

DATE……………………

ZANZIBAR INSURANCE CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2015

	NOTE	31/12/2015 TZS'000	31/12/2014 TZS'000
ASSETS			
Non –Current Assets			
Property and Equipment	6	**1,017,144**	1,757,009
Capital Work In Progress	7	**-**	60,000
Investment Takaful		**164,161**	-
Investment Properties	8	**6,217,000**	4,507,059
Available for Sale Unquoted Equity Investments	9	**393,664**	338,707
Total Non – Current Assets		**7,791,969**	6,662,775
Current Assets			
Held to Maturity Government Securities	10	**3,591,960**	2,919,980
Loans and Receivables	11	**1,986,755**	1,859,517
Due from Agents and Brokers	12	**511,907**	333,997
Inventories		**217,494**	135,654
Tax Recoverable		**(2,539)**	(2,539)
Reinsurers' share of Insurance liabilities	13	**1,095,260**	1,237,665
Prepayments		**150,963**	98,169
Bank Fixed Deposits Held to Maturity	14	**2,517,907**	2,462,129
Cash and Bank Balances	15	**6,488,440**	3,454,015
Total Current Assets		**16,558,147**	12,498,587
TOTAL ASSETS		**24,350,116**	19,161,362
EQUITY, FUNDS AND LIABILITIES			
LIABILITIES			
Deferred Tax Asset/Liability	16	**(28,552)**	(28,552)
Unearned Premium Reserve	17	**9,193,415**	8,510,377
Outstanding Claims and Provisions	18	**1,344,206**	580,346
Due to Reinsurers	19	**987,755**	1,070,841
Payables and Accruals	20	**2,514,908**	667,387
TOTAL LIABILITIES		**14,011,732**	10,800,399
EQUITY AND FUNDS			
Share Capital	21	**2,500,000**	2,500,000
Capital Reserve		**78,401**	78,401
Revaluation Reserve	22	**2,632,606**	1,719,324
General Reserve/Accumulated Profit	23	**1,916,683**	1,423,592
Advance Towards Share Capital		**36,710**	36,710
Contingency Reserve	24	**3,173,984**	2,602,936
TOTAL EQUIY AND FUNDS		**10,338,384**	8,360,963
TOTAL EQUITY, FUNDS AND LIABILITIES		**24,350,116**	19,161,362

NOTES ON PAGE 14 TO 35 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 8 TO 9.

……………………………	………………………………..
Mr. Jumbe Said Ibrahim	**Mr. Abdulnasir A.Abdulrahman**
Chairperson	**Director**
Date………………..	**Date………………..**

ZANZIBAR INSURANCE CORPORATION

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2015

	NOTE	2015 TZS'000	2014 TZS'000
Gross Written Premium	25	**19,034,933**	17,604,479
Outward Reinsurance	25	**(2,424,364)**	(2,450,356)
Net Written Premium		**16,610,569**	15,154,123
Change in Gross Unearned Premium Reserve (UPR)	25	**(683,038)**	(3,004,210)
Reinsurers' Share of UPR	25	**(218,790)**	207,343
Net Earned Premium		**15,708,741**	12,357,256
Commissions Earned	25	**394,367**	561,149
Other Income	26	**1,239,742**	683,760
Foreign Exchange Gain/(Loss)		**415,632**	30,189
Net Income		**17,758,482**	13,632,354
CLAIMS AND OTHER OPERATING EXPENSES			
Claims Incurred		**7,606,793**	5,740,268
Commission Incurred		**2,506,795**	1,522,096
Staff Costs	27	**1,934,974**	1,643,715
Directors 'Remuneration		**145,263**	160,560
Depreciation and Amortization		**295,326**	304,250
Auditors' Remuneration		**45,692**	104,947
Provision for Impairment losses		**-**	185,492
Operating and Other Expenses	28	**3,428,468**	3,544,116
TOTAL EXPENSES		**15,963,311**	13,205,444
Pretax Profit		**1,795,171**	426,910
Tax Expense		**(352,016)**	(117,942)
Profit For the Year		**1,443,155**	308,968
Proposed/Paid Dividend		**(185,246)**	-
Total Comprehensive Income		**1,257,909**	308,968

NOTES ON PAGE 14 TO 35 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 8 TO 9.

……………………………	………………………………..
Mr. Jumbe Said Ibrahim	**Mr . Abdulnasir A.Abdulrahman**
Chairperson	**Director**
Date………………..	**Date………………..**

ZANZIBAR INSURANCE CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2015

	2015 TZS.'000	2014 TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit Before Taxation	**1,795,171**	426,910
Adjustment for:		
Depreciation / Amortization	**295,326**	304,250
Provision for bad debts		185,492
Non cash item (Bonus share)	**(79,351)**	
(Gain)/Loss on Disposal of PPE (Note 26)	**(7,461)**	27,815
Operating Profit/(Loss) Before Working Capital Changes	**2,003,685**	944,467
(Increase)/Decrease in Loans and Advances	**(127,238)**	(1,004,128)
(Increase)/Decrease in Prepayments	**(52,794)**	(156,444)
(Increase) / Decrease in Stocks of Stationery	**(81,840)**	47,821
(Increase)/Decrease in Dues from Agents and Brokers	**(177,910)**	395,117
Increase/(Decrease) in Provision for Outstanding Claims	**763,860**	(233,962)
Increase/(Decrease) in Unearned Premium Reserve	**683,038**	3,004,791
(Increase) /Decrease Reinsurers' share of Insurance liabilities	**142,405**	(191,767)
Increase/(Decrease) in Creditors and Accruals	**1,847,520**	(937,641)
Increase/(Decrease) in Due to / from Re-Insurers	**(83,086)**	-
Revaluation adjustment	**(42,059)**	-
	4,875,582	1,868,254
Tax Paid	**(352,016)**	(231,320)
Prior Period Payments	**(193,770)**	0
NET CASH FLOWS FROM OPERATING **ACTIVITIES (A)**	**4,329,796**	1,636,934
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) / Decrease in Treasury Bills	**(671,980)**	(1,249,580)
Investment Takaful	**(164,161)**	
Acquisition of Property & Equipment (Note 6)	**(250,855)**	(469,272)
Proceeds from Sale of Assets (Note 6)	**32,649**	24,929
NET CASH FLOWS FROM INVESTING ACTIVITIES (B)	**(1,054,347)**	(1,693,923)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Long Term Finance	-	-
CASH FLOWS FROM FINANCING ACTIVITIES (C)		
Dividend Paid	**(185,246)**	0
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(185,246)**	0
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT(A+B+C) EQUIVALENT (A+B+C)	**3,090,203**	(56,989)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	**5,916,144**	5,973,133
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (NOTE 33)	**9,006,347**	5,916,144

NOTES ON PAGE 14 TO 35 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 8 TO 9.

……………………………	………………………………..
Mr. Jumbe Said Ibrahim	**Mr . Abdulnasir A.Abdulrahman**
Chairperson	**Director**
Date………………..	**Date………………..**

ZANZIBAR INSURANCE CORPORATION

STATEMENT OF CHANGES IN EQUITY

PARTICULRAS	SHARE CAPITAL TZS'000	CAPITAL RESERVE TZS'000	REVALUATION RESERVE TZS'000	GENERAL RESERVE TZS'000	ADVANCE TOWARDS SHARE CAPITAL TZS'000	CONTI-NGENCY RESERVE TZS'000	TOTAL TZS'000
Balance as at 01.01.2014	2,500,000	16,608	1,719,324	1,631,041	36,710	2,148,312	8,051,995
Profit for the Year				308,968			308,968
Transfer to statutory reserve		61,793	-	(516,417)	-	454,624	-
Balance as at 31.12.2014	**2,500,000**	**78,401**	**1,719,324**	**1,423,592**	**36,710**	**2,602,936**	**8,360,963**
Balance as at 01.01.2015	**2,500,000**	**78,401**	**1,719,324**	**1,423,592**	**36,710**	**2,602,936**	**8,360,963**
Profit for the Year	-	-	-	1,443,155	-	-	1,443,155
Proposed Dividend	-	-	-	(185,246)	-	-	(185,246)
Revaluation Surplus	-	-	913,282	-	-	-	913,282
Adjustments for the year	-	-	-	(193,770)	-	-	(193,770)
Appropriation of Profits	-	-	-	(571,048)	-	571,048	-
Balance as at 31.12.2015	**2,500,000**	**78,401**	**2,632,606**	**1,916,683**	**36,710**	**3,173,984**	**10,338,384**

NOTES ON PAGE 14 TO 35 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 8 TO 9.

……………………………	**……………………………….**
Mr. Jumbe Said Ibrahim	**Mr . Abdulnasir A.Abdulrahman**
Chairperson	**Director**
Date……………….	**Date……………….**

NOTES ON THE FINANCIAL STATEMENTS

1.0 GENERAL INFORMATION

The Zanzibar Insurance Corporation was established vide Legal Notice Number 11 of 1969 on 20th June, 1969 under the Public Enterprises Decree of 1966. However, following subsequent changes the Corporation is now operating under the Public Investment Act (No. 4) of 2002. The Corporation underwrites non-life insurance risks, such as those associated with death, disability, health, property and liability. The Corporation does business in Zanzibar and Tanzania Mainland. The address of its registered office is Post Office Box 432, Zanzibar. It has branches in Zanzibar, Pemba, Dar es Salaam, Mwanza, Arusha, Mbeya and Dodoma.

2.0 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, the Insurance Act, 2009 and Insurance Regulations, 2009.

They have been prepared under the historical cost convention as modified by the revaluation of land and buildings, investment properties and equipment.

3.0 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with the requirements of International Financial Reporting Standards requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trend and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Corporation's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

(a) classification of insurance contracts (note 4.1);
(b) provision for premium due but unpaid (note 4.4)
(c) provision for outstanding claims (including IBNR) (note 4.5);
(d) Provision for Legal Claims (Note 4.23)
(e) accounting for staff retirement benefits (note 4.19);

(f) classification of investments (note 4.13);
(g) determining the residual values and useful lives of PPE and investment properties (note 4.17 and 4.18);
(h) allocation of management expenses (note 4.27);
(i) recognition of taxation and deferred tax (note 4.20);
(j) segment reporting (note 4.28);
(k) impairment (note 4.14); and
(l) Provision for pension obligations (note 4.19).
(m) Estimates of salvage value (note 4.24)

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year:

4.1 Insurance contracts

Insurance contracts are those contracts under which the Corporation as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property
- Marine, aviation
- Motor
- Miscellaneous

These contracts are normally one year insurance. These contracts are provided to all types of customers based on assessment of insurance risk by the Corporation. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

Fire and property insurance contracts mainly compensate the Corporation’s customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine Insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, personal accident, worker compensation, etc.

The Corporation also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Corporation as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts except.

4.2 Reinsurance contracts held

These are contracts entered into by the Corporation with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Corporation recognizes the entitled benefits under the contracts as various reinsurance assets.

4.3 Provision for unearned premium

The provision for unearned portion of premiums is calculated by applying twenty fourths' method as prescribed by Regulation 22(2) (a) of the Insurance Regulations, 2009. The unearned portion of premium income is recognized as liability.

The deferred portion of reinsurance premium is recognized as a prepayment. The deferred portion of reinsurance premium ceded is calculated by using twenty fourths' method.

4.4 Receivables and payables related to insurance contracts

(i) Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

(ii) If there is an objective evidence that any premium due but unpaid is impaired, the Corporation reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

(iii) Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

4.5 Provision for outstanding claims including Incurred but Not Reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred as at the balance sheet date which represents the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

In conformity with Insurance Regulation Part VI Section 27(2) the provision for outstanding claims is equal to the total of estimated amount of all outstanding claims with a further amount representing 20% of the estimated amount of outstanding claims to cover for claims incurred but not reported (IBNR) at the end of the year

Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

4.6 Foreign Currency Translations

Functional and Presentation Currency

Items included in the financial statements are measured in Tanzania shillings, which is the Corporation's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into Tanzania Shilling, the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary items, such as equities classified as available for-sale financial assets, are included in the fair value reserve in equity. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss

4.7 Premium income

Premiums including administrative surcharge under a policy are recognized as revenue at the time of issuance of insurance policy.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability.

Reinsurance premium is recognized as expense after taking into account the proportion of deferred premium expense which is calculated using twenty fourths method. The deferred portion of premium expense is recognized as a prepayment.

4.8 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue.

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

4.9 Rental income

Rental income from investment properties is recognized on accrual basis.

4.10 Investment income

Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.

- Dividend income is recognized when the Corporation's right to receive the payment is established.
- Gain / loss on sale of available-for-sale investments is included in income currently.
- Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis taking into account the effective yield on the investments.
- Return on bank deposits is recognized on a time proportion basis taking into account the effective yield

4.11 Capital Grants

Capital grants received in form of fixed assets are deferred to capital grants account and released to income over the expected useful lives of relevant fixed assets.

4.12 Stationery and Supplies

Stocks of stationery and supplies are stated at the lower of acquisition cost and net realizable value. Cost is determined using the First-in, First-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4.13 Investment Securities

- **Short Term Investments**

Held-to-maturity investments are basically investments in Treasury Bills with fixed or determinable payments and fixed maturities that the Corporation’s management has the positive intention and ability to hold to maturity. Where the Corporation decides to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. Treasury bills are carried at amortized cost using the effective interest method less impairment loss. Interest calculated using the effective interest method is recognized in the income statement.

- **Available-for-sale**

  Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

  Quoted

  Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value

  Unquoted

  Unquoted investments are recorded at cost less accumulated impairment losses, if any.

4.14 Impairment of Assets

Impairment of Financial Assets Carried at Amortized Cost

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

Impairment of Financial Assets Carried at Fair Value

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

Impairment of Other Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's fair value exceeds its recoverable amount. The recoverable is the higher of assets fair value less costs to sell and value in use.

4.15 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.16 Intangible Assets

Acquired 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 using a straight-line method over the expected useful life of five years. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

4.17 Property, Plant and Equipment (PPE)

Property, plant and equipment are stated at historical cost/professional valuation less subsequent accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Assets Particulars	Estimated Useful Life
Buildings	40 Years
Furniture, Fittings and Equipment	5 Years
Motor Vehicles	4 Years
Computers	3 Years
Bicycles	2 Years

The asset’s residual values and useful lives are, reviewed, and adjusted if appropriate, at the date of each statement of financial position. In practice, the residual values of assets are insignificant and therefore immaterial in the calculation of the depreciable amount.

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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

4.18 Investment Properties

Property held for long-term rental yield that is not occupied by either the Corporation or the Government is classified as investment property.

Investment property comprises of freehold land and buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary for any differences in the nature, location or condition of the specific asset. If this information is not available the Corporation uses the alternative valuation methods such as discounted cash flow projections or recent prices on less active markets. These valuations are reviewed annually by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair value are recorded in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

4.19 Employees Benefits

Retirement Benefit Obligation

Staff at the Corporation are members of the Zanzibar Social Security Fund (ZSSF), National Social Security Fund (NSSF) or Parastatal Pensions Fund (PPF). All these funds are state owned pension schemes. ZSSF was set up in 1998 and the Fund will bear all pension obligations for a period after July, 1998. Staff contributes five percent of their monthly salary to the Funds. The Corporation contributes ten percent of the salary for each staff to the scheme and the amount is charged to income statement when due. The Corporation has no legal or constructive obligations to pay further contributions if the Funds have no sufficient assets to pay all employees the benefits relevant to employees' service in the current and prior periods.

Employees who have been with the Corporation for more than 10 years are entitled to terminal benefits and pension based on a prescribed formula in the Government regulations for granting of pensions, gratuities and other allowances to officers. According to management the obligations prior to July, 1998 will be borne by the Corporation and it has in practice been paying terminal benefits to retiring employees. Provision for terminal benefits and pension obligations has been made in the financial statements for the period prior to July, 1998.

Other Long Term Employees Benefits

Entitlements to annual leave are recognized when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued on reporting date. Liability on long term employees benefits, such as endowment scheme benefits, long service awards and gratuity, is provided in the financial statements based on past service cost on a straight line basis over the average period until the benefit becomes payable.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes these termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

4.20 Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss it is not accounted for. Deferred income tax is determined using tax rates that have been enacted and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized.

4.21 Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdraft.

4.22 Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

4.23 Provisions

Provisions for legal claims are recognized when: the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Currently, the provision is estimated at a rate of 20% of the total legal claims lodged with courts of law.

4.24 Salvage Disbursement

Insurance contracts permit the Corporation to sell salvage property acquired in settling a claim. Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property

4.25 Dividend Distribution

Dividend distribution to the Corporation's shareholders is recognized as a liability in the Corporation's financial statements in the period in which the dividends are approved by the Corporation's shareholders. If dividends are declared after the date of the statement of financial position but before the financial statements are authorized for issue the dividends are not recognized as a liability at the date of the financial position instead they are disclosed in the notes.

4.26 Insurer's Reserves

The Corporation is required by Section 27(1) of the Insurance Act, 2009 to establish and maintain in respect of each class of insurance business the following reserves:

a) Reserve for unexpired risks
b) Reserves for outstanding claims; and
c) Capital Reserve known as Contingency reserves to cover fluctuations in securities and variation in statistical estimates.

Furthermore, the Corporation is required by Section 27(2) of the Insurance Act, 2009 to maintain with respect of to non-life insurance business the following reserves:

a) In case of reserves for outstanding claims, the reserves shall be equal to the total estimated amount of all outstanding claims together with a further amount representing 20% of the estimated amount of outstanding claims in respect of claims incurred but not reported at the end of the last preceding year; and
b) In case of contingency reserves, reserves which shall not be less than 3% of the total premium or 20% of the net profits whichever is greater and that amount shall accumulate until it reaches the minimum paid up capital or 50% of the net premium whichever is greater.

Section 27(3) requires the Corporation to maintain with respect to long term insurance, the following reserves:

a) general reserves fund which shall be credited with an amount equal to the net liabilities on policies in force at the time of the actuarial valuation; and
b) Contingency reserves, which shall be credited with an amount equal to 1% of the premiums.

4.27 Expenses of management

Expenses of management have been allocated to various classes of business as deemed equitable by management. Normally, they are allocated to various classes of insurance proportionate to gross premium.

Expenses not allocable to the underwriting business are charged under general and administration expenses.

4.28 Segment reporting

Based on its classification of insurance contracts issued, the Corporation has four primary business segments for reporting purposes namely fire, marine, motor, and miscellaneous. Classification of this Insurance are detailed more in Note 4.1.

5.0 Management of Insurance and Financial Risks

The Corporation issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Corporation manages them.

5.1 Insurance Risk

This 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. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the established estimate.

Experience has shown that show 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 across the board by a change in any subset of the portfolio.

The Corporation has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within which each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

5.2 Casualty Insurance Risk

Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors. The Corporation manages this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Corporation has the right not to renew individual policies; it can impose deductibles and has the right to reject payment of fraudulent claims.

5.3 Financial Risk

The Corporation is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance contracts. The most important components of the financial risk are interest rate risk, equity price risk, currency risk and credit risk.

a) Interest Rate Risk

The Corporation is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position cash flows.

c) Currency Risk

The Corporation takes on exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows.

d) Credit Risk

The Corporation takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Corporation’s portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

Exposure to credit risk is managed through regular analysis of the ability of brokers and agents and potential borrowers to meet repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

ZANZIBAR INSURANCE CORPORATION

NOTE: 6 PROPERTY, PLANT AND EQUIPMENT

	LAND TZS,000	BUILDING TZS,000	MOTOR VEHICLES TZS ,000	COMPUTER EQUIPMENT TZS,000	FURNITURE AND EQUIPMENT TZS,000	GENERATOR TZS ,000	TOTAL AS AT 31/12/2015 TZS ,000	TOTAL AS AT 31/12/2014 TZS ,000
As at 01-01-2015								
Cost/Valuation	**60,000**	**1,205,121**	**584,377**	**291,684**	**364,812**	**26,294**	**2,532,289**	2.039,661
Disposals		**-**	**(78,750)**	**-**	**-**	**-**	**(78,750)**	(45,800)
Additions		**-**	**15,000**	**79,075**	**120,179**	**36,601**	**250,855**	409,273
Adjustment		**(1,759,000)**	**-**	**(53,991)**	**51,291**	**-**	**(1,761,700)**	0
Revaluation Adjustment	7,000	**711,222**	**202,707**	**(24,336)**	**22,465**	**43,283**	**962,341**	0
Book Amount (31-12-2015)	**67,000**	**157,343**	**723,334**	**292,432**	**558,747**	**106,178**	**1,905,035**	2,403,134
Depreciation Accumulated Depreciation		**80,278**	**196,692**	**146,712**	**205,331**	**17,112**	**646,125**	387,675
Disposals		**-**	**(53,562)**	**-**	**-**	**-**	**(53,562)**	(45,800)
Depreciation Charge for the year		**15,846**	**127,168**	**64,709**	**75,841**	**11,763**	**295,327**	304,250
Accumulated Depreciation (31-12-2015)	**-**	**96,124**	**270,298**	**211,421**	**281,172**	**28,875**	**887,890**	646,125
Accumulated Book Value As At 31/12/2015	**67,000**	**61,219**	**453,036**	**81,011**	**277,575**	**77,303**	**1,017,144**	1,757,009
TOTAL AS AT 31/12/2014	**-**	**1,124,842**	**318,532**	**144,972**	**159,481**	**9,182**	**1,757,009**	

NOTE:7 CAPITAL WORKS IN PROGRESS

	2015 TZS'000	2014 TZS'000
Cost/Valuation		
As at 01-01-2015	60,000	60,000
Fair Value Gains /(loss)	7,000	-
Transfer to land	(67,000)	-
As at 31-12-2015	**-**	**60,000**

NOTE:8 INVESTMENT PROPERTY

Investment Properties are valued using the valuation model. The investment properties were revalued (along with other property and equipment) in June 2015 giving rise to fair value gains.

	As at 31.12.2015 TZS'000	As at 31.12.2014 TZS'000
Opening Net Book Amount	4,507,059	4,507,059
Fair Value Gains /(loss)	(49,059)	-
Transfer from Building	1,759,000	-
Closing Net Book Amount	**6,217,000**	4,507,059

Rental income amounting to TZS. 290,584,497 from investment properties have been recognized in the income statement. (TZS. 206,165,000 in 2014).

NOTE:9 AVAILABLE FOR SALE UNQUOTED EQUITY INVESTMENTS

	31.12.2015 TZS'000	31.12.2014 TZS'000
269,936 Ordinary Shares of TAN RE of Tshs 1,000/- each	**269,936**	214,979
127,670 Ordinary Shares of PTA RE of USD 1/- each	**123,728**	123,728
Total	**393,664**	338,707

NOTE:10 TREASURY BILLS HELD TO MATURITY

	31.12.2015 TZS'000	31.12.2014 TZS'000
Maturing After 365 days	**3,591,960**	2,919,980
Total	**3,591,960**	2,919,980

The Corporation is required by Regulation 20 of the Insurance Regulations, 2009 to maintain, at the Bank of Tanzania, a security deposit of at least fifty percent of the prescribed minimum paid up capital of the Corporation.

NOTE:11 LOANS AND RECEIVABLES

	31.12.2015 TZS '000	31.12.2014 TZS'000
Staff Advances and Imprest	**300,794**	307,265
Interest Receivable	**464,834**	259,415
Agency Loans	**169,043**	185,020
Policy Loans	**12,900**	12,900
Rent Receivable	**102,136**	102,136
Deferred Commission receivable	**922,253**	881,530
Withholding Tax on Interest	**35,708**	-
Other Debtors	**164,053**	111,251
	2,171,721	1,859,517
Provision for Impairment Loss	**(184,966)**	-
Total	**1,986,755**	1,859,517

NOTE:12 DUE FROM AGENTS AND BROKERS

Due from Agents and Brokers	**895,057**	902,113
Provision for Impairment Loss	**(383,150)**	(568,116)
Total	**511,907**	333,997

NOTE:13 REINSURER'S SHARE OF INSURANCE LIABILITIES

	31.12.2015 TZS'000	31.12.2014 TZS'000
Claim	134,421	58,034
Share of Unearned Premium Reserve :-	-	
Fire	153,375	166,180
Miscellaneous	118,611	140,703
Motor	616,381	841,581
Marine	72,472	31,167
Total	**1,095,260**	1,237,665

NOTE:14 BANK FIXED DEPOSITS HELD TO MATURITY

Fixed Deposits	**2,517,907**	2,462,129

NOTE:15 CASH AND BANK BALANCE

Cash at bank	**6,488,440**	3,454,015

NOTE:16 DEFERRED TAX ASSET / (LIABILITY)

Deferred Tax	**(28,552)**	(28,552)
	-	

The carrying amount of property, plant and equipment for the purpose of deferred tax calculation includes the revaluations of assets done from year to year.

NOTE:17 UNEARNED PREMIUM RESERVE	**31.12.2015 TZS'000**	31.12.2014 TZS'000

Motor	**8,136,335**	7,697,041
Fire	**515,950**	193,932
Marine	**163,996**	42,150
Miscellaneous	**377,134**	577,254
Total	**9,193,415**	8,510,377

UPR has been calculated using the twenty fourths method as per Regulation 22 (2) (a) of the Insurance Regulations, 2009.

NOTE:18 OUTSTANDING CLAIMS AND PROVISIONS

	31.12.2015	31.12.2014
	TZS'000	TZS'000
Motor	**504,127**	560,258
Miscellaneous	**9,550**	20,088
	513,677	**580,346**
Add: Incurred but Not Reported (IBNR)	**830,529**	-
Balance as at 31st December	**1,344,206**	**580,346**

In conformity with the Regulation Part VI Section 27 (2) (a)

NOTE:19 DUES TO REINSURERS

	31.12.2015	31.12.2014
	TZS'000	TZS'000
Treaty Outward Control	**890,745**	968,468
Facultative Outward Control	**97,010**	102,373
Total	**987,755**	1,070,841

Due to reinsurers are reported at net of claims already paid by the Corporation on contracts that are ceded.

NOTE:20 PAYABLES AND ACCRUALS

	31.12.2015	31.12.2014
	TZS '000	TZS '000
Depositors	**23,366**	23,366

Audit Fees Payable	**60,000**	98,788
Life department account	**-**	13,414
Intercompany transfer	**-**	(146,028)
Sundry Creditors	**172,446**	
Retirement Pension Obligation	**229,186**	150,345
Withholding Tax Payable	**24,701**	24,701
Dividend payable	**-**	106,762
Premium Levy Payable	**128,449**	166,853
VAT Payable	**1,643,974**	
Commission Payable	**232,786**	229,186
TOTAL	**2,514,908**	667,387

NOTE:21 SHARE CAPITAL

	TZS '000	TZS'000
Authorized		
300,000 Ordinary shares of TZS 10,000 each	**3,000,000**	3,000,000
Issued and Paid Up	**2,500,000**	2,500,000

NOTE:22 REVALUATION RESERVE

The Corporations' fixed assets were revalued in June 2015 and realized the fair value gain of 952,835,001. The valuation method used was market value for buildings and depreciated replacement cost for other assets.

	31.12.2015 TZS '000	31.12.2014 TZS'000
Balance as at 01.01.2015	**1,719,324**	1,719,324
Fair Value Gains 30.06.2015	**913,282**	-
Balance as at 31.12.15	**2,632,606**	1,719,324

NOTE:23 GENERAL RESERVE

	31.12.2015	31.12.2014
	TZS'000	TZS'000

Balance as at 1st January	**1,423,592**	1,423,592
Profit / (Loss) for the Year	**1,257,909**	-
Adjustments		
Adjustment (inter transfer)	**(146,028)**	-
Adjustment (life department)	**13,414**	-
Adjustment (Pemba bank account)	**(16,082)**	-
Adjustment (Dividend receivable)	**(17,199)**	-
Adjustment (Agency loan)	**(27,875)**	-
Contingency Reserve	**(571,048)**	-
Balance as at 31st December	**1,916,683**	1,423,592

NOTE:24 CONTINGENCY RESERVE

	As at 1.1.2015 TZS'000	**Provision during the year TZS'000**	**As at 31.12.2015 TZS'000**	**31.12.2014 TZS'000**
Motor	2,343,694	482,497	2,826,191	2,343,694
Fire	103,062	41,312	144,374	103,062
Marine	29,146	25,627	54,773	29,146
Miscellaneous	127,034	21,612	148,646	127,034
	2,602,936	**571,048**	**3,173,984**	**2,602,936**

NOTE: 25 REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2015

INCOME	MOTOR TZS'000	FIRE TZS'000	MARINE TZS'000	MISCELLA NEOUS TZS'000	TOTAL 2015 TZS'000	TOTAL 2014 TZS'000
Gross Premium	16,083,232	1,377,053	854,220	720,428	19,034,933	17,604,479
Less: Reinsurance Premium	1,535,410	468,419	201,478	219,057	2,424,364	2,450,356
Net Premium Written	**14,547,822**	**908,634**	**652,742**	**501,371**	**16,610,569**	**15,154,123**
Change in Unearned Premium	(439,294)	(322,019)	(121,846)	200,121	(683,038)	(3,004,210)
Change Reinsurers' share of UPR	(225,199)	(12,805)	41,305	(22,091)	(218,790)	207,343
NET EARNED PREMIUM	**13,883,329**	**573,810**	**572,201**	**679,401**	**15,708,741**	**12,357,256**
Commission on Reinsurance	182,850	90,295	64,046	57,176	394,367	561,149
TOTAL NET INCOME	**14,066,179**	**664,105**	**636,247**	**736,577**	**16,103,108**	**12,918,405**
CLAIMS AND EXPENSES						
Paid Claims	7,381,136	14,506	99,120	18,810	7,513,572	6,495,775
Change in Outstanding Claims	671,261	45,432	32,637	14,531	763,861	(156,443)
Incurred Claims	**8,052,397**	**59,938**	**131,757**	**33,341**	**8,277,433**	**6,339,332**
Change in Reinsurers' share of Claims	(630,524)	(5,253)	(3,264)	(31,599)	(670,640)	(599,064)
Commission paid	2,615,739	283,060	167,338	362,911	3,429,048	2,403,626
Deferred Commission Cost	(890,878)	(69,405)	75,045	(37,011)	(922,249	(881,530)
Operating Expenses	4,942,621	423,190	262,515	221,398	5,849,724	5,943,081
TOTAL CLAIMS AND EXPENSES	**14,089,355**	**691,530**	**633,391**	**549,040**	**15,963,316**	**13,205,445**
UNDERWRITING SURPLUS/(DEFICIT)	**(23,176)**	**(27,425)**	**2,856**	**187,537**	**139,792**	**(287,040)**

NOTE:26 OTHER INCOME

	2015	2014
	TZS '000	TZS'000
Interest Income	**878,947**	442,287
House Rent	**290,584**	206,165
Sub Total	**1,169,531**	648,452
Miscellaneous Income	**62,750**	35,307
Fair Value Gain (Investment Property)	**0**	0
Sale of Assets	**7,461**	0
Sub Total	**70,211**	35,307
Grand Total	**1,239,742**	683,759

NOTE:27 STAFF COSTS

Salaries and Overtime	**1,756,764**	1,510,939
Leave Passage	**39,854**	37,550
Staff Uniforms	**37,802**	0
Social Security Benefits	**100,554**	95,226
Total	**1,934,974**	1,643,715

NOTE:28 OPERATING AND OTHER EXPENSES

Travel and Accommodation	**877,683**	606,883
Maintenance of Motor Vehicles	**236,949**	282,626
Training Expenses	**54,246**	33,873
Entertainment	**124,624**	71,801
Rent and Electricity	**446,839**	533,025
Advertisement	**285,257**	185,589
Stationeries	**181,140**	348,651
Newspapers and Journals	**6,291**	7,078
Maintenance of Office Buildings	**142,121**	114,226
Telephone and Postage	**121,157**	109,600
Cleaning Material	**60,945**	46,281
Donations	**72,278**	30,926
Insurances	**54,948**	25,310
Other Expenses	**213,655**	514,328
Consultancy Fees	**138,365**	234,382
Revenue Stamps	**38,529**	34,493
Seminars	**99,011**	95,875
Premium Levy	**152,330**	207,433
Subscriptions	**36,662**	8,820
Maintenance of Office Machines	**62,337**	40,494
Maintenance of Diplomatic Houses	**1,352**	-
Maintenance of Maisara Estate	**8,996**	12,422
Valuation Expenses	**12,753**	-
Total	**3,428,468**	3,544,116

NOTE:29 CAPITAL COMMITMENTS

Management certifies that there were no capital commitments as at 31st December 2015.

NOTE:30 CONTINGENCY LIABILITIES

As at 31st December, 2015 the corporation had some un matured cases of claims which are in court, whenever the cases going to be materialized the corporation will be liable to pay such liability as per judgment or outside the court agreement.

NOTE:31 SOLVENCY MARGIN TEST

Under the Insurance Act No.10 of 2009 where solvency is viewed from the ratios calculated from the statement of admissible assets, the Corporation has the solvency margins required of positive figure. The solvency margin test for the Corporation during the year under review is as viewed below-

Solvency **Description**	**2015** **TZS'000**	2014 TZS'000
1. Admitted Assets (from Exhibit B.7)	15,365,403	11,447,829
2. Total liabilities (from Exhibit B.1)	11,994,215	9,593,824
3. Solvency margin		
General companies **(an amount prescribed in regulation 21(1))**	**3,322,114**	**3,030,824**
4. Total Margin Requirement (Row 2 + Row 3)	15,316,329	12,624,648
5. Excess (deficient) admitted assets (Row 1 – Row 4)	**49,074**	**(1,176,819)**

Preparation of Solvency Margin is as per TIRA regulations section 25(1) and Insurance Act section 20(1).

NOTE: 32 COMPARATIVE FIGURES

Previous years' figures have been regrouped whenever considered necessary in order to make them comparable with those of the current year.