

TAC ASSOCIATES

(Centre for Quality Professional Services)



FINANCIAL STATEMENTS OF ZANZIBAR INSURANCE CORPORATION FOR THE YEAR ENDED 31ST DECEMBER, 2016

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September, 2017

ZANZIBAR INSURANCE CORPORATION

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ZANZIBAR INSURANCE CORPORATION

ABBREVIATION LIST

ZIC	Zanzibar Insurance Corporation
CAG	Controller and Auditor General Zanzibar
IAS	International Accounting Standards
ISA	International Standards on Auditing
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
PPE	Property, Plant and Equipment
TIRA	Tanzania Insurance Regulatory Authority
TRA	Tanzania Revenue Authority
PTARE	Preferential Trade Area Reinsurance Company
TANRE	Tanzania National Reinsurance Corporation Ltd
VAT	Value Added Tax
TZS	Tanzania Shilling
USD	United States Dollar
PPA	Public Procurement Act No.9 of Zanzibar of 2005
PPR	Public Procurement Regulation of Zanzibar of 2005
PAA	Public Audit Act
FDR	Fixed Deposit Receipt
PMU	Procurement Management Unit
AIO	African Insurance Organization
OESAI	Organization of Eastern and Southern African Insurers
FAIR	Federation of African and Asian Insurers and Re insurers
ATI	Association Of Tanzania Insurers
IIT	Institute of Insurance Tanzania

ZANZIBAR INSURANCE CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER, 2016

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, 2016, which disclose the state of affairs of the Corporation. The audited financial statements are set out on pages 11 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, 2016. 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.

ZANZIBAR INSURANCE CORPORATION

5.0 PRINCIPAL ACTIVITIES

The principal activities of the Corporation during the year were underwriting of all major classes of non life insurance risks as mandated under Act (No.10) of 2009. The business is divided into the following business classes:

- Motor
- Fire
- Marine
- Miscellaneous

6.0 RESULTS AND DIVIDEND FOR THE YEAR

The profit for the year ended 31st December, 2016 was TZS 900,206,000 (2015:TZS 1,257,909,000) has been transferred to General reserves. The Directors recommend the payment of a dividend of TZS 187,875,000 and proposed amount of TZS 125,500,000.

7.0 STATEMENT OF SOLVENCY

The Corporation's state of affairs as at 31st December, 2016 is set out on pages 11 to 14 of these financial statements.

As provided under the conventional accounting, the Directors consider the Corporation to be solvent as at 31st December, 2016. 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 positive solvency margins as required by the Act. As at 31st December, 2016 the Corporation's position on the required margin of solvency was TZS 469,899,000 (2015: TZS 49,074,000).

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. Abdulnasir A. Abdulrahman	Director	Tanzanian	18-06-2014
Mr. Faki Mwadini Faki	Director	Tanzanian	18-06-2014
Mrs. Safia Hija Abrass is the Secretary to the Board.			

ZANZIBAR INSURANCE CORPORATION

The Board of Directors held eight 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 85 employees as at 31st December, 2016. 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:

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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

Audit Committee: This committee is responsible for all matters relating to policy implementation, 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
- (iv) Procurement Unit
- (v) Investment 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.

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14.0 RELATED PARTY TRANSCCTIONS

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:	2016 TZS	2015 TZS
Board members remuneration	<u>164,578,000</u>	<u>145,263,000</u>

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

Management remuneration	<u>940,753,608</u>	<u>939,298,000</u>
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Loans to related parties

Loans to Board Members	3,000,000	11,000,000
Loans to Agents	145,000,000	85,600,000
Loans to Brokers	0	0
Total	<u>148,000,000</u>	<u>96,000,000</u>

The Corporation holds **130,215** 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 2017.

The activities for 2017 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 to 20% by the year 2017,
- (vii) Participate more in corporate social responsibility.

ZANZIBAR INSURANCE CORPORATION

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 behaviours towards all stakeholders.

Members of the Board of Directors are responsible for the Corporation's system of internal 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.

ZANZIBAR INSURANCE CORPORATION

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 empower 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, 2016 was carried out jointly by the Controller and Auditor General and M/s TAC ASSOCIATES Certified Public Accountants of 10 Maliki Road Upanga, a firm of certified public accountants in public practice.

.....
Mr. Jumbe Said Ibrahim

Chairperson

Date.....

.....
Mr. Abdulnasir A. Abdulrahman

Managing Director

Date.....

ZANZIBAR INSURANCE CORPORATION

DECLARATION OF THE HEAD OF FINANCE/ACCOUNTING OF ZANZIBAR INSURANCE CORPORATION (ZIC)

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/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Management on behalf of the Board of Directors 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 under the Board of Director’s Responsibility statement above.

I **Salma.Y.Mwinyi** being the Head of Finance/Accounting of Zanzibar Insurance Corporation hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2016 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 the ZIC as on that date and that they have been prepared based on properly maintained financial records.

Signed by:

Position: Director of Finance and Administration

NBAA Membership No

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

Opinion

We have audited the accompanying financial statements of Zanzibar Insurance Corporation, which comprise the statement of financial position as at 31st December, 2016, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31st December, 2016 and its financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards (IFRSs).

Basis for Opinion (Unqualified Opinion)

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 auditors of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities that are relevant to our audit of the financial statements in accordance with the IESBA Code.

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

Key Audit Matters

There are no key audit matters to be communicated in our report.

Responsibilities of Management and Those Charged with Governance 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 for the Audit of the Financial Statements

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

ZANZIBAR INSURANCE CORPORATION

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.

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**

**M. KAVALO – ACPA
ENGAGEMENT PARTNER**

DAR ES SALAAM

DATE.....

ZANZIBAR INSURANCE CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2016

	NOTE	31/12/2016 TZS'000	31/12/2015 TZS'000
ASSETS			
Non –Current Assets			
Property and Equipment	6	1,021,130	950,144
Land	7	2,236,990	67,000
Investment Takaful		191,533	164,161
Investment Properties	8	6,175,000	6,217,000
Available for Sale Unquoted Equity Investments	9	<u>554,272</u>	<u>393,664</u>
Total Non – Current Assets		<u>10,178,925</u>	<u>7,791,969</u>
Current Assets			
Held to Maturity Government Securities	10	4,805,400	3,591,960
Loans and Receivables	11	2,144,695	1,986,755
Due from Agents and Brokers	12	2,191,417	511,907
Inventories		212,451	217,494
Tax Recoverable		(599,752)	(2,539)
Reinsurers' Share of Insurance Liabilities	13	1,688,866	1,095,260
Prepayments		174,470	150,963
Bank Fixed Deposits Held to Maturity	14	4,419,613	2,517,907
Cash and Cash Equivalents	15	<u>1,713,734</u>	<u>6,488,440</u>
Total Current Assets		<u>16,750,894</u>	<u>16,558,147</u>
TOTAL ASSETS		<u>26,929,819</u>	<u>24,350,116</u>
EQUITY, FUNDS AND LIABILITIES			
LIABILITIES			
Deferred Tax Asset/Liability	16	-	(28,552)
Unearned Premium Reserve	17	9,577,482	9,193,415
Outstanding Claims and Provisions	18	2,203,970	1,344,206
Due to Reinsurers	19	286,103	987,755
Payables and Accruals	20	<u>1,383,133</u>	<u>2,514,908</u>
TOTAL LIABILITIES		13,450,688	14,011,732
EQUITY AND FUNDS			
Share Capital	21	2,500,000	2,500,000
Capital Reserve		78,401	78,401
Revaluation Reserve	22	2,614,340	2,632,606
General Reserve/Accumulated Profit	23	2,387,075	1,916,683
Advance Towards Share Capital		2,196,710	36,710
Contingency Reserve	24	<u>3,702,605</u>	<u>3,173,984</u>
TOTAL EQUITY AND FUNDS		<u>13,479,131</u>	<u>10,338,384</u>
TOTAL EQUITY, FUNDS AND LIABILITIES		<u>26,929,819</u>	<u>24,350,116</u>

NOTES ON PAGE 15 TO 35 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 9 TO 10.

.....
Mr. Jumbe Said Ibrahim

Chairperson

Date.....

.....
Mr. Abdulnasir A. Abdulrahman

Managing Director

Date.....

ZANZIBAR INSURANCE CORPORATION

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

	NOTE	2016 TZS'000	2015 TZS'000
Gross Written Premium	25	17,620,710	19,034,933
Outward Reinsurance	25	<u>(3,179,397)</u>	<u>(2,424,364)</u>
Net Written Premium		14,441,313	16,610,569
Change in Gross Unearned Premium Reserve (UPR)	25	(384,068)	(683,038)
Reinsurers' Share of UPR	25	<u>507,628</u>	<u>(218,790)</u>
Net Earned Premium		14,564,873	15,708,741
Other Income	26	1,679,102	1,239,742
Foreign Exchange Gain/(Loss)		195,122	394,367
Commissions Earned		<u>325,804</u>	<u>415,632</u>
Net Income		<u>16,764,901</u>	<u>17,758,482</u>
 CLAIMS AND OTHER OPERATING EXPENSES			
Claims Incurred		5,987,067	7,606,793
Commission Incurred		2,241,127	2,506,795
Staff Costs	27	1,826,155	1,934,974
Directors' Remuneration		164,578	145,263
Depreciation and Amortization		305,562	295,326
Auditors' Remuneration		94,678	45,692
Premium Tax and License		214,456	152,330
Operating and Other Expenses	28	<u>3,226,520</u>	<u>3,276,138</u>
TOTAL EXPENSES		<u>14,060,143</u>	<u>15,963,311</u>
Pretax Profit		2,704,758	1,795,171
Tax Expense		<u>(1,491,176)</u>	<u>(352,016)</u>
Profit For the Year		1,213,582	1,443,155
Proposed/Paid Dividend		<u>(313,375)</u>	<u>(185,246)</u>
Total Comprehensive Income		<u>900,207</u>	<u>1,257,909</u>

NOTES ON PAGE 15 TO 35 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 9 TO 10.

.....
Mr. Jumbe Said Ibrahim

Chairperson

Date.....

.....
Mr. Abdulnasir A. Abdulrahman

Managing Director

Date.....

ZANZIBAR INSURANCE CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2016

	2016 TZS.'000	2015 TZS.'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit Before Taxation	2,704,758	1,795,171
Adjustment for:		
Depreciation / Amortization	305,562	295,326
Provision for Bad Debts		
Non Cash Item (Bonus share)	0	(79,351)
(Gain)/Loss on Disposal of PPE (Note 26)	<u>39,300</u>	<u>(7,461)</u>
Operating Profit/(Loss) Before Working Capital Changes	3,049,620	2,003,685
(Increase)/Decrease in Loans and Advances	(157,940)	(127,238)
(Increase)/Decrease in Prepayments	(23,507)	(52,794)
(Increase) / Decrease in Inventories	5,043	(81,840)
(Increase)/Decrease in Dues from Agents and Brokers	(1,679,510)	(177,911)
Increase/(Decrease) in Provision for Outstanding Claims	859,764	763,860
Increase/(Decrease) in Unearned Premium Reserve	384,067	683,038
(Increase) /Decrease in Reinsurers' Share of Insurance Liabilities	(593,605)	142,405
Increase/(Decrease) in Payables and Accruals	(532,023)	1,847,520
Increase/(Decrease) in Due to / from Re-Insurers	(701,653)	(83,086)
Revaluation Adjustment	<u>(18,266)</u>	<u>(42,059)</u>
Tax Paid	591,989	4,875,581
Prior Period Payments	(1,491,176)	(352,016)
	<u>126,251</u>	<u>(193,770)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	<u>(772,935)</u>	<u>4,329,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) / Decrease in Treasury Bills	(1,213,440)	(671,980)
Investment Takaful	(27,373)	(164,161)
Acquisition of Property & Equipment (Note 6)	(387,969)	(250,855)
Proceeds from Sale of Assets (Note 6)	(160,608)	
Increase in Investment in PTA	<u>2,700</u>	<u>32,649</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES (B)	<u>(1,786,690)</u>	<u>(1,054,347)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Long Term Finance	-	-
CASH FLOWS FROM FINANCING ACTIVITIES (C)		
Dividend Paid	<u>(313,375)</u>	<u>(185,246)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(313,375)</u>	<u>(185,246)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C)	(2,873,000)	3,090,203
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>9,006,347</u>	<u>5,916,144</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 14 & 15)	<u>6,133,347</u>	<u>9,006,347</u>

NOTES ON PAGE 15 TO 35 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 9 TO 10.

.....
Mr. Said Aboud Mohamed

Chairperson

Date.....

.....
Mr. Abdulnasir A. Abdulrahman

Managing Director

Date.....

ZANZIBAR INSURANCE CORPORATION

STATEMENT OF CHANGES IN EQUITY

PARTICULARS	SHARE CAPITAL	CAPITAL RESERVE	REVALUATIO N RESERVE	GENERAL RESERVE	ADVANCE TOWARDS SHARE CAPITAL	CONTI- NGENCY RESERVE	TOTAL
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	<u>2,500,000</u>	<u>78,401</u>	<u>2,632,606</u>	<u>1,916,683</u>	<u>36,710</u>	<u>3,173,984</u>	<u>10,338,384</u>
Balance as at 01.01.2016	2,500,000	78,401	2,632,606	1,916,683	36,710	3,173,984	10,338,384
Profit for the Year	-	-	-	900,207	-	-	900,207
Fair Value Revaluation	-	-	-	-	2,160,000	-	2,160,000
Transfer to General Reserve	-	-	(25,600)	25,600	-	-	-
Adjustments for the Year	-	-	7,334	73,206	-	-	80,540
Appropriation of Profits	-	-	-	(528,621)	-	528,621	-
Balance as at 31.12.2016	<u>2,500,000</u>	<u>78,401</u>	<u>2,614,340</u>	<u>2,387,075</u>	<u>2,196,710</u>	<u>3,702,605</u>	<u>13,479,131</u>

NOTES ON PAGE 15 TO 35 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 9 TO 10.

.....
Mr. Said Aboud Mohamed

Chairperson
Date.....

.....
Mr . Abdulnasir A. Abdulrahman

Managing Director
Date.....

ZANZIBAR INSURANCE CORPORATION

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);

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- (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.

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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.

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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 reporting 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 statement of profit or loss and other comprehensive income. 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.

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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 statement of profit or loss and other comprehensive income 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 statement of profit or loss and other comprehensive income 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 PPE are deferred to capital grants account and released to income over the expected useful lives of relevant 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

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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 statement of profit or loss and other comprehensive income.

- **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 reporting 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 reporting 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 statement of profit or loss and other comprehensive income. Impairment losses recognized in the statement of profit or loss and other comprehensive income on equity instruments are not reversed through this 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 this statement.

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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 statements of financial position 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 the 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 statement of profit or loss and other comprehensive income 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

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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 statement of profit or loss and other comprehensive income.

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 statement of profit or loss and other comprehensive income.

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 statement of profit or loss and other comprehensive income 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 formula prescribed in the Government

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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 reporting 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 statement of cash flows, 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.

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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 statement of profit or loss and other comprehensive income 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 relevant year end.

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 Reserve 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

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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 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.

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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 reporting 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 reporting 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

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NOTE: 6 PROPERTY, PLANT AND EQUIPMENT

	BUILDINGS	MOTOR VEHICLES	COMPUTER EQUIPMENT	FURNITURE AND EQUIPMENT	GENERATOR	TOTAL AS AT 31/12/2016	TOTAL AS AT 31/12/2015
	TZS,000	TZS ,000	TZS,000	TZS,000	TZS ,000	TZS ,000	TZS ,000
Cost/Valuation AS AT 01-01-2016	157,343	723,334	292,432	558,747	106,178	1,838,034	2,472,288
Disposals	-	-	-	-	-	-	(78,750)
Additions	-	151,680	32,050	183,369	20,870	387,969	250,855
Adjustment /Disposals	(95,343)	(204,503)	(196,354)	(249,307)	(20,181)	(765,688)	(1,761,700)
Revaluation Adjustment	0		(3,660)	(8,224)	0	(11,884)	955,341
Balance AS AT 31-01-2016	62,000	670,511	124,468	484,585	106,867	1,448,431	1,838,034
Accumulated Depreciation AS AT 01-01-2016	96,124	270,298	211,421	281,172	28,875	887,890	646,125
Disposals /Adjustment	(95,343)	(204,503)	(196,816)	(249,307)	(20,181)	(766,150)	(53,562)
Depreciation Charge for the Year	1,550	162,647	38,108	85,175	18,081	305,562	295,327
Accumulated Depreciation AS AT 31-12-2016	2,331	228,442	52,713	117,040	26,775	427,301	887,890
Net Book Value AS AT 31/12/2016	59,669	442,069	71,292	368,007	80,093	1,021,130	950,144
Net Book Value AS AT 31/12/2015	61,219	453,036	81,011	277,575	77,303	950,144	-

Note: Land has been reclassified and reported separately under Note 7.

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NOTE:7 LAND

	31.12.2016	31.12.2015
	TZS'000	TZS'000
Cost/Valuation		
As at 01-01-2016	67,000	60,000
Fair Value Gains /(loss)	<u>2,169,990</u>	<u>7,000</u>
As at 31-12-2016	<u>2,236,990</u>	<u>67,000</u>

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 2016 giving rise to fair value gains.

	As at 31.12.2016	As at 31.12.2015
	TZS'000	TZS'000
Opening Net Book Amount	6,217,000	4,507,059
Fair Value Gains /(Loss)	(42,000)	(49,059)
Transfer from Building	<u>-</u>	<u>1,759,000</u>
Closing Net Book Amount	<u>6,175,000</u>	<u>6,217,000</u>

Rental income amounting to TZS. 516,118,642 from investment properties have been recognized in the statement of profit or Loss and other comprehensive income (TZS. 157,694,242 in 2015).

NOTE:9 AVAILABLE FOR SALE UNQUOTED EQUITY INVESTMENTS

	31.12.2016	31.12.2015
	TZS'000	TZS'000
269,936 Ordinary Shares of TAN RE of Tshs 1,000/- each	269,936	269,936
123,728 Ordinary Shares of PTA RE of USD 1 each	<u>284,336</u>	<u>123,728</u>
Total	<u>554,272</u>	<u>393,664</u>

NOTE:10 TREASURY BILLS HELD TO MATURITY

	31.12.2016	31.12.2015
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	TZS'000	TZS'000
Maturing After 90 days	<u>4,805,400</u>	<u>3,591,960</u>

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

	31.12.2016	31.12.2015
	TZS '000	TZS '000
Staff Advances and Imprest	315,216	300,794
Interest Receivable	491,272	464,834
Agency Loans	238,006	169,043
Policy Loans	-	12,900
Rent Receivable	102,136	102,136
Deferred Commission Receivable	665,709	922,253
Withholding Tax on Interest	70,118	35,708
Other Receivables	<u>447,204</u>	<u>164,053</u>
	2,329,661	2,171,721
Provision for Impairment Loss	<u>(184,966)</u>	<u>(184,966)</u>
Total	<u><u>2,144,695</u></u>	<u><u>1,986,755</u></u>

NOTE:12 DUE FROM AGENTS AND BROKERS

Due from Agents and Brokers	2,874,567	895,057
Provision for Impairment Loss	<u>(383,150)</u>	<u>(383,150)</u>
Total	<u><u>2,191,417</u></u>	<u><u>511,907</u></u>

NOTE:13 REINSURER'S SHARE OF INSURANCE LIABILITIES

Claims	220,397	134,421
Share of Unearned Premium Reserve :-		
Fire	520,135	153,375
Miscellaneous	65,157	118,611
Motor	529,194	616,381
Marine	<u>353,983</u>	<u>72,472</u>
Total	<u><u>1,688,866</u></u>	<u><u>1,095,260</u></u>

NOTE:14 BANK FIXED DEPOSITS HELD TO MATURITY

	31.12.2016	31.12.2015
	TZS '000	TZS '000

ZANZIBAR INSURANCE CORPORATION

Fixed Deposits	<u>4,419,613</u>	<u>2,517,907</u>
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NOTE:15 CASH AND CASH EQUIVALENTS

Cash at Bank	<u>1,713,734</u>	<u>6,488,440</u>
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NOTE:16 DEFERRED TAX ASSET / (LIABILITY)

Deferred Tax	=	<u>(28,552)</u>
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NOTE:17 UNEARNED PREMIUM RESERVE(UPR)

Motor	7,669,560	8,136,335
Fire	607,318	515,950
Marine	596,452	163,996
Miscellaneous	<u>704,152</u>	<u>377,134</u>
Total	<u>9,577,482</u>	<u>9,193,415</u>

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

	31.12.2016	31.12.2015
	TZS'000	TZS'000
Motor	1,404,097	504,127
Miscellaneous	64,606	9,550
Marine	12,602	=
Fire	<u>600</u>	<u>-</u>
	1,481,905	513,677
Add: Incurred But Not Reported (IBNR)	<u>722,065</u>	<u>830,529</u>
TOTAL	<u>2,203,970</u>	<u>1,344,206</u>

Outstanding claims provisions (Note 18) is in conformity with the Insurance Regulations of 2009 Part VI Section 27 (2) (a).

NOTE:19 DUES TO REINSURERS

	31.12.2016	31.12.2015
	TZS'000	TZS'000
Treaty Outward Control	157,539	890,745
Facultative Outward Control	<u>128,564</u>	<u>97,010</u>
Total	<u>286,103</u>	<u>987,755</u>

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

NOTE:20 PAYABLES AND ACCRUALS	31.12.2016	31.12.2015
	TZS '000	TZS '000
Depositors	0	23,366
Audit Fees Payable	60,000	60,000
Sundry Creditors	513,139	172,446
Retirement Pension Obligation	175,167	229,186
Withholding Tax Payable	4,185	24,701
Premium Levy Payable	69,548	128,449
VAT Payable	271,202	1,643,974
Commission Payable	<u>289,892</u>	<u>232,786</u>
TOTAL	<u>1,383,133</u>	<u>2,514,908</u>

NOTE:21 SHARE CAPITAL

	TZS '000	TZS'000
Authorized		
300,000 Ordinary Shares of TZS 10,000 each	<u>3,000,000</u>	<u>3,000,000</u>
Issued and Paid Up 250@10,000	<u>2,500,000</u>	<u>2,500,000</u>

NOTE:22 REVALUATION RESERVE

The Corporations' PPE were revalued in June, 2015 and realized the fair value gain of 913,282,535 being TZS 711,221,830 for building, TZS 202,707,100 for motor vehicles, TZS (24,336,494) for computers, TZS 22, 465,358 for furniture and equipment, TZS 43,283,491 for generator, TZS 7,000,000 for Land and TZS (49,058,750) for investment building. The valuation method used was market value for buildings and depreciated replacement cost for other assets.

	31.12.2016	31.12.2015
	TZS '000	TZS'000
Balance as at 01.01.2015	2,632,606	1,719,324
Fair Value Gains 30.06.2015	0	913,282
Transfer to General Reserves	(25,600)	0

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Adjustments	<u>7,334</u>	<u>0</u>
Balance as at 31.12.16	<u>2,614,340</u>	<u>2,632,606</u>

NOTE: 23 GENERAL RESERVES

Balance as at 1st January	1,916,683	1,423,592
Profit / (Loss) for the Year	900,207	1,257,909
Adjustments		
Adjustment (Inter Transfer)	0	(146,028)
Adjustment (Life Department)	0	13,414
Adjustment (Pemba Bank Account)	0	(16,082)
Adjustment (Dividend Receivable)	0	(17,199)
Adjustment (Agency Loan)	0	(27,875)
Transfer from Revaluation Reserves	25,600	0
Adjustment	73,206	0
Contingency Reserve	<u>(528,621)</u>	<u>(571,048)</u>
Balance as at 31st December,2016	<u>2,387,075</u>	<u>1,916,683</u>

NOTE:24 CONTINGENCY RESERVE

	As At 1.1.2016 TZS'000	Provision During the Year TZS'000	As At 31.12.2016 TZS'000	As At 31.12.2015 TZS'000
Motor	2,826,191	452,675	3,278,866	2,826,191
Fire	144,374	23,785	168,159	144,374
Marine	54,773	28,871	83,644	54,773
Miscellaneous	<u>148,646</u>	<u>23,290</u>	<u>171,936</u>	<u>148,646</u>
Total	<u>3,173,984</u>	<u>528,621</u>	<u>3,702,605</u>	<u>3,173,984</u>

ZANZIBAR INSURANCE CORPORATION

NOTE: 25 REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2016

INCOME	MOTOR TZS'000	FIRE TZS'000	MARINE TZS'000	MISCELLA NEOUS TZS'000	TOTAL 2016 TZS'000	TOTAL 2015 TZS'000
Gross Premium	15,089,179	792,833	962,357	776,341	17,620,710	19,034,933
Less: Reinsurance Premium	1,386,349	707,569	630,727	454,752	3,179,397	2,424,364
Net Premium Written	13,702,830	85,264	331,630	321,589	14,441,313	16,610,569
Change in Unearned Premium	466,774	(91,368)	(432,456)	(327,018)	(384,068)	(683,038)
Change Reinsurers' Share of UPR	(87,188)	366,760	281,511	(53,455)	507,628	(218,790)
NET EARNED PREMIUM	14,082,416	360,656	180,685	(58,884)	14,564,873	15,708,741
Commission on Reinsurance	102,345	183,084	14,489	25,886	325,804	394,367
TOTAL NET INCOME	14,184,761	543,740	195,174	(32,998)	14,890,677	16,103,108
CLAIMS AND EXPENSES						
Paid Claims	5,874,735	-	38,841	147,095	6,060,671	7,513,572
Change in Outstanding Claims	980,872	(36,025)	(191)	49,529	994,185	763,861
Change in Reinsurers' Share of Claims	(1,018,051)	(2,486)	(2,918)	(44,334)	(1,067,789)	(670,640)
Incurred Claims	5,837,556	(38,511)	35,732	152,290	5,987,067	7,606,793
Change in Commission Paid	1,471,608	279,281	53,396	436,842	2,241,127	2,506,795
Operating Expenses	4,994,085	262,405	318,512	256,947	5,831,949	5,849,723
TOTAL CLAIMS AND EXPENSES	12,303,249	503,175	407,640	846,079	14,060,143	15,963,311
UNDERWRITING SURPLUS/(DEFICIT)	1,881,512	40,565	(212,466)	(879,077)	(830,534)	139,797

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NOTE:26 OTHER INCOME

	2016	2015
	TZS '000	TZS '000
Interest Income	879,360	878,947
House Rent	<u>516,119</u>	<u>290,584</u>
Sub Total	1,395,479	1,169,531
Miscellaneous Income	322,923	62,750
Fair Value Gain (Investment Property)	0	0
Sale of Assets	<u>(39,300)</u>	<u>7,461</u>
Sub Total	<u>283,623</u>	<u>70,211</u>
Grand Total	<u>1,679,102</u>	<u>1,239,742</u>

NOTE:27 STAFF COSTS

Salaries and Overtime	1,663,501	1,756,764
Leave Passage	24,612	39,854
Staff Uniforms	42,216	37,802
Social Security Benefits	<u>95,826</u>	<u>100,554</u>
Total	<u>1,826,155</u>	<u>1,934,974</u>

NOTE:28 OPERATING AND OTHER EXPENSES

Travel and Accommodation	780,624	877,683
Maintenance of Motor Vehicles	212,099	236,949
Training Expenses	47,254	54,246
Entertainment	87,428	124,624
Rent and Electricity	675,910	446,839
Advertisement	325,266	285,257
Stationeries	263,438	181,140
Newspapers and Journals	11,209	6,291
Maintenance of Office Buildings	126,857	142,121
Telephone and Postage	161,210	121,157
Cleaning Material	65,995	60,945
Donations	93,354	72,278
Insurances	72,912	54,948
Other Expenses	52,805	213,655
Consultancy Fees	53,077	138,365
Revenue Stamps	-	38,529
Seminars	70,883	99,011
Subscriptions	14,747	36,662
Maintenance of Office Machines	91,163	62,337
Maintenance of Diplomatic Houses	3,200	1,352
Maintenance of Maisara Estate	11,671	8,996
Valuation Expenses	<u>5,418</u>	<u>12,753</u>
Total	<u>3,226,520</u>	<u>3,276,138</u>

NOTE: 29 CAPITAL COMMITMENTS

ZANZIBAR INSURANCE CORPORATION

Management certifies that there were no capital commitments as at 31st December 2016.

NOTE: 30 CONTINGENCY LIABILITIES

As at 31st December, 2016 the Corporation had some un-matured cases of claims which are in the courts of law, hence should claimants win cases the Corporation will be liable to pay liabilities 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	2016	2015
Description	TZS'000	TZS'000
1. Admitted Assets (from Exhibit B.7)	15,719,736	15,365,403
2. Total Liabilities (from Exhibit B.1)	12,361,574	11,994,215
3. Solvency Margin General Companies (an amount prescribed in Regulation 21(1))	2,888,263	3,322,114
4. Total Margin Requirement (Row 2 + Row 3)	15,249,837	15,316,329
5. Excess (Deficient) Admitted Assets (Row 1 – Row 4)	469,899	49,074

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.