

**FINANCIAL STATEMENTS OF THE ZANZIBAR INSURANCE
CORPORATION FOR THE YEAR ENDED 31ST DECEMBER, 2020**

GOVERNANCE REPORT FOR THE YEAR ENDED 31st DECEMBER, 2020

1.0 INTRODUCTION

The Board of Directors hereby submit their report together with the audited financial statements for the year ended 31st December 2020, which disclose the state of affairs of the Corporation.

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 in Dar es Salaam, Mwanza, Arusha, Mbeya and Dodoma, its sales office in ChakeChake Pemba, Kijitonyama and Mtwara. 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 or 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, 2020. 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 Company underwrites all classes of non-life insurance risks as mandated under Insurance 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 of TZS 804,467,250(2019: 2,112,943,313.) has been transferred to General reserves. The Directors recommended the payment of a dividend of TZS 804,497,250.

7.0 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 Planning as per Public Investment Act (No.4) of 2002. The tenure of office for the Board is normally three years following the appointment date.

Board Meetings

The Board of Directors held 8 meetings (4 extra ordinary and 4 ordinary) during the year under review.

8.0 DIRECTORS' INTERESTS

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

9.0 EMPLOYEES WELFARE

The Corporation had a staff compliment of 106 employees as at 31st December, 2020. 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.

10.0 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 the 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 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.

1. **Investment Committee:**

2. **The Audit Committee:**

11.0 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 Business and Investment
- (iii) Directorate of Human Resources and Administration
- (iv) Directorate of Zones

2. Units

- (i) Internal Audit Unit
- (ii) Information and Communication Technology Unit
- (iii) Legal Unit
- (iv) Procurement Unit

12.0 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.

13.0 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: | 2020 TZS | 2019 TZS |
|---|---------------|-------------|
| Board members remuneration | 144,497,750 | 183,901,354 |
| Compensation of key management personnel The remuneration of directors and other members of key management during the year was as follows: | | |
| Management remuneration | 1,259,315,651 | 991,450,620 |

Loans to related parties;-

| | | |
|------------------------|---------------------------|---------------------------|
| Loans to Board Members | 2,000,000 | 4,000,000 |
| Loans to Agents | <u>286,754,423</u> | <u>250,920,000</u> |
| Total | <u>288,754,423</u> | <u>276,000,000</u> |

The Corporation holds 130,215 shares in the Preferential Trade Area Company (PTARE) and 269,936 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.

14.0 FUTURE DEVELOPMENT PLANS - ZIC FOCUS FOR YEAR 2021

The activities for year 2020 will among others focus to achieve the following targets:

- i. Strengthen Institutional Capacity
- ii. Enhance Image and Visibility
- iii. Improve the quality of services and customer satisfaction
- iv. Increase Customer base and Market coverage
- v. Maintain and enhance organizational sustainability
- vi. Strengthen Internal Control systems
- vii. Support National Agenda

15.0 RISK MANAGEMENT AND INTERNAL FINANCIAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Corporation. 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.

16.0 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 (R.E 2016). However, the Acts empowers the Controller and Auditor General to authorise an independent qualified auditor to audit on his behalf. The audit of Zanzibar Insurance Corporation for the year ended 31st December, 2020 was carried out jointly by the Office of the Controller and Auditor General and M/s TAC ASSOCIATES Certified Public Accountants of 10 Maliki Road Upanga, a firm of independent auditors.

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 **Juma Alawi Makame** 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, 2020 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.

Chief Accountant

NBAA Membership No. 5053

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

Chairperson of the Board of Directors,

Zanzibar Insurance Corporation,
P. O. Box 432,
ZANZIBAR

Unqualified Opinion

We have audited the accompanying financial statements of Zanzibar Insurance Corporation, which comprise the statement of financial position as at 31st December, 2020, 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, 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Emphasis of Matter

Without qualifying my opinion I draw your attention to the following;

Note 32 to the financial statements (Solvency Margin Test) which indicates that the Corporation had sustained deficit trend for four (4) years consecutively contrary to Insurance Act No.10 of 2009 and its Regulations .

Lower solvency margin means inability of the Corporation to meet its contractual obligations and in a state of bankruptcy or closure of the business. Hence, there is a great possibility for the Corporation to be burned by TIRA to operate in insurance industry.

Basis for 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 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. 11 of 2016.

Dr. Othman Ali Abas
Controller and Auditor General
Zanzibar

| | NOTE | 31/12/2020 TZS'000 | 31/12/2019 TZS'000 |
|--|------|--------------------------|--------------------------|
| ASSETS | | | |
| Non –Current Assets | | | |
| Property and Equipment | 6 | 1,044,618 | 1,200,301 |
| Land | 7 | 3,062,515 | 3,062,515 |
| Computer Software | 8 | 1,578,786 | 1,157,404 |
| Investment in Properties | 9(a) | 6,757,516 | 6,651,374 |
| Investment | 9(b) | 926,462 | 476,462 |
| Work in Progress | 10 | 157,519 | 115,016 |
| Available for Sale-Unquoted Equity Investments | 11 | <u>568,935</u> | <u>568,935</u> |
| Total Non – Current Assets | | <u>14,096,351</u> | <u>13,232,007</u> |
| Current Assets | | | |
| Held to Maturity Government Securities | 12 | 4,554,121 | 6,179,025 |
| Loans and Receivables | 13 | 3,869,290 | 4,701,803 |
| Due from Agents and Brokers | 14 | 2,172,791 | 1,306,675 |
| Inventories | | 260,986 | 192,516 |
| Reinsurers' Share of Insurance Liabilities | 15 | 2,774,321 | 2,597,906 |
| Prepayments | | 299,946 | 276,072 |
| Bank Fixed Deposits Held to Maturity | 16 | 3,300,000 | 4,972,490 |
| Cash and Cash Equivalents | 17 | <u>1,467,714</u> | <u>3,330,511</u> |
| Total Current Assets | | <u>18,699,169</u> | <u>23,556,998</u> |
| TOTAL ASSETS | | <u>32,795,520</u> | <u>36,789,005</u> |
| EQUITY, FUNDS AND LIABILITIES | | | |
| LIABILITIES | | | |
| Unearned Premium Reserve | 18 | 6,872,941 | 12,110,844 |
| Outstanding Claims and Provisions | 19 | 1,109,422 | 1,391,053 |
| Due to Reinsurers | 20 | 3,809,182 | 3,587,339 |
| Payables and Accruals | 21 | <u>4,542,259</u> | <u>5,133,769</u> |
| TOTAL LIABILITIES | | 16,333,804 | 22,223,005 |
| EQUITY AND FUNDS | | | |
| Share Capital | 22 | 4,450,000 | 3,750,000 |
| Capital Reserve | | 78,401 | 78,401 |
| Revaluation Reserve | 23 | 3,775,079 | 3,775,079 |
| General Reserve/Accumulated Profit | 24 | 1,710,112 | 385,078 |
| Advance Towards Share Capital | | 246,710 | 946,710 |
| Contingency Reserve | 25 | <u>6,201,414</u> | <u>5,630,732</u> |
| TOTAL EQUITY AND FUNDS | | <u>16,461,716</u> | <u>14,566,000</u> |
| TOTAL EQUITY, FUNDS AND LIABILITIES | | <u>32,795,520</u> | <u>36,789,005</u> |

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

| | NOTE | 2020 TZS'000 | 2019 TZS'000 |
|--|------|------------------------------|--------------------------------|
| Gross Written Premium | 26 | 19,022,715 | 23,185,279 |
| Reinsurance Premium Inward | | 0 | 136,233 |
| Outward Reinsurance | 26 | <u>(3,918,852)</u> | <u>(4,729,487)</u> |
| Net Written Premium | | 15,103,863 | 18,592,025 |
| Change in Gross Unearned Premium Reserve (UPR) | 26 | 5,237,903 | (1,214,485) |
| Reinsurers' Share of UPR | 26 | <u>(1,369,824)</u> | <u>712,496</u> |
| Net Earned Premium | | 18,971,942 | 18,090,036 |
| Other Income | 27 | 814,887 | 1,316,426 |
| Foreign Exchange Gain/(Loss) | | 13,817 | (8,824) |
| Commissions Earned | | <u>219,907</u> | <u>455,844</u> |
| Net Income | | <u>20,020,553</u> | <u>19,853,482</u> |
| CLAIMS AND OTHER OPERATING EXPENSES | | | |
| Claims Incurred | 26 | 5,385,699 | 6,683,702 |
| Commission Incurred | 26 | 3,064,941 | 2,285,514 |
| Staff Costs | 28 | 3,514,917 | 2,615,075 |
| Directors' Remuneration | | 144,497 | 183,901 |
| Depreciation and Amortization | | 330,026 | 281,404 |
| Auditors' Remuneration | | 80,000 | 60,000 |
| Premium Tax and License | | 208,722 | 265,538 |
| Operating and Other Expenses | 29 | <u>4,932,816</u> | <u>4,539,335</u> |
| TOTAL EXPENSES | | <u>17,661,618</u> | <u>16,914,469</u> |
| Pretax Profit | | <u>2,358,935</u> | <u>2,939,013</u> |
| Tax Expense | | <u>(750,000)</u> | <u>(420,000)</u> |
| Profit For the Year | | <u>1,608,935</u> | <u>2,519,013</u> |
| Proposed/Paid Dividend | | <u>(804,467)</u> | <u>(406,069)</u> |
| TOTAL COMPREHENSIVE INCOME | | <u><u>804,468</u></u> | <u><u>2,112,944</u></u> |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2020

2020

2019

| | TZS.'000 | TZS.'000 |
|--|--------------------|--------------------|
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | |
| Net Profit Before Taxation | 2,358,935 | 2,939,013 |
| Adjustment for: | | |
| Depreciation / Amortization | 330,026 | 281,404 |
| (Gain)/Loss on Disposal of PPE (Note 26) | <u>0</u> | <u>0</u> |
| Operating Profit/(Loss) Before Working Capital Changes | 2,688,961 | 3,220,417 |
| | 0 | |
| (Increase)/Decrease in Loans and Advances | 832,513 | (1,529,692) |
| (Increase)/Decrease in Prepayments | (23,877) | (3,415) |
| (increase)/Decrease in stocks of stationery | (68,470) | 63,475 |
| (Increase)/Decrease in Dues from Agents and Brokers | (866,115) | (220,642) |
| Increase/(Decrease) in Provision for Outstanding Claims | (281,631) | (1,297,150) |
| Increase/(Decrease) in Unearned Premium Reserve | (5,237,903) | 1,214,485 |
| Increase /(Decrease) in Reinsurers' Share of Insurance Liabilities | (176,414) | (582,780) |
| Increase/(Decrease) in Payables and Accruals | (591,509) | 2,179,867 |
| Increase/(Decrease) in Due to / from Re-Insurers | <u>221,842</u> | <u>2,350,571</u> |
| | (3,502,603) | 5,395,136 |
| Tax Paid | (750,000) | (420,000) |
| Prior Period Adjustments | <u>1,099,631</u> | <u>(2,651,604)</u> |
| NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (A) | <u>(3,152,972)</u> | <u>2,323,532</u> |
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | |
| (Increase) / Decrease in Treasury Bills | 1,624,904 | (3,010,065) |
| (Increase)/Decrease in Investment | (450,000) | (0) |
| Acquisition of Property & Equipment (Note 6) | (182,725) | (311,372) |
| (Increase)/ Decrease in Investment in PTA | (0) | (0) |
| (Increase)/ Decrease Work in Progress | (42,503) | (36,003) |
| Increase in Investment Properties | (106,142) | (168,067) |
| Acquisition of Intangible Assets | (421,382) | (1,128,528) |
| Revaluation Adjustment | <u>0</u> | <u>(24,143)</u> |
| NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES (B) | <u>422,152</u> | <u>(4,678,178)</u> |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | |
| Increase/(Decrease) in Long Term Finance | 0 | 0 |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES (C) | 0 | 0 |
| Dividend Paid | (804,467) | (406,069) |
| Revaluation Reserve | <u>0</u> | <u>24,143</u> |
| NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES (C) | <u>(804,467)</u> | <u>(381,926)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C) | (3,535,287) | (2,736,572) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>8,303,001</u> | <u>11,039,573</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 15 & 16) | <u>4,767,714</u> | <u>8,303,001</u> |

STATEMENT OF CHANGES IN EQUITY

| PARTICULRAS | SHARE CAPITAL | CAPITAL RESERVE | REVA- LUATION RESERVE | GENERAL RESERVE | ADVANCE TOWARDS SHARE CAPITAL | CONTI- NGENCY RESERVE | TOTAL |
|---------------------------------|--------------------------|----------------------------|--------------------------------------|----------------------------|--|--------------------------------------|--------------------------|
| Balance as at 01.01.2019 | 3,750,000 | 78,401 | 3,750,936 | 1,619,296 | 946,710 | 4,935,174 | 15,080,517 |
| Profit for the Year | 0 | 0 | 0 | 2,112,944 | 0 | 0 | |
| Transfer to General Reserve | 0 | 0 | 24,143 | 0 | 0 | 0 | 24,143 |
| Adjustments for the Year | 0 | 0 | 0 | (2,651,604) | 0 | 0 | (2,651,604) |
| Appropriation of Profits | <u>0</u> | <u>0</u> | <u>0</u> | <u>(695,558)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Balance as at 31.12.2019 | <u>3,750,000</u> | <u>78,401</u> | <u>3,775,079</u> | <u>385,078</u> | <u>946,710</u> | <u>5,630,732</u> | <u>14,566,000</u> |
| Balance as at 01.01.2020 | 3,750,000 | 78,401 | 3,775,079 | 385,078 | 946,710 | 5,630,732 | 14,566,000 |
| Profit for the Year | 0 | 0 | 0 | 804,467 | 0 | 0 | 804,467 |
| Transfer to General Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustments for the Year | 700,000 | 0 | 0 | 1,099,631 | (700,000) | 0 | 1,091,250 |
| Appropriation of Profits | <u>0</u> | <u>0</u> | <u>0</u> | <u>(570,681)</u> | <u>0</u> | <u>570,681</u> | <u>0</u> |
| Balance as at 31.12.2020 | <u>4,450,000</u> | <u>78,401</u> | <u>3,775,079</u> | <u>1,710,112</u> | <u>246,710</u> | <u>6,201,413</u> | <u>16,461,717</u> |

NOTES TO 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, Dar es Salaam, Mwanza, Arusha, Mbeya and Dodoma and its sales offices in ChakeChake Pemba, Mtwara and Kijitonyama.

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 of 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.

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 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.

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 are included in income.
- 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 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.

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 statement 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 |

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 of the Corporation are members of the Zanzibar Social Security Fund (ZSSF) and National Social Security Fund (NSSF). 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. Following amendments made to ZSSF Act of 1998 for enactment of new Act No.10 of 2016 staff members contributing to this Fund contribute seven (7) percent of their monthly salary. The Corporation contributes thirteen (13) 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 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.

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.

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 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 allocated 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 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.

b. Currency Risk

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

c. 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 guarantee.

NOTE: 6 PROPERTY, PLANT AND EQUIPMENT

| | Motor Vehicles | Computer Equipment | Furniture And Equipment | Plant and Machinery | Three Wheelers | Office Equipment | Total As At 31.12.2020 | Total As At 3.1.12.2019 |
|--|----------------|--------------------|-------------------------|---------------------|----------------|------------------|------------------------|-------------------------|
| | TZS '000' | TZS '000' | TZS '000' | TZS '000' | TZS '000' | TZS'000' | TZS '000' | TZS '000' |
| Cost As At 01.01.2020 | 557,267 | 368,385 | 481,368 | 74,685 | 0 | 0 | 1,481,705 | 1,146,190 |
| Additions | 0 | 102,606 | 56,740 | 0 | | 23,379 | 182,725 | 311,372 |
| Reclassification Adjustment | (1,667) | 352 | (298,981) | 0 | 1,667 | 298,981 | 352 | 0 |
| Adjustment | | | (8,699) | | | | (8,699) | |
| Revaluation Adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,143 |
| COST AS AT 31.12.2020 | 555,600 | 471,343 | 230,428 | 74,685 | 1,667 | 322,360 | 1,656,083 | 1,481,705 |
| Accumulated Depreciation AS AT 01.01.2020 | 111,676 | 99,895 | 60,835 | 8,998 | 0 | 0 | 281,404 | 0 |
| Reclassification adjustments | (556) | 0 | (29,181) | 0 | 556 | 29,181 | 0 | 0 |
| Adjustment | 0 | 35 | 0 | 0 | 0 | 0 | 35 | 0 |
| Depreciation Charge for the Year | 117,776 | 127,282 | 39,218 | 14,692 | 556 | 30,502 | 330,026 | 281,404 |
| Revaluation Adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated Depreciation AS AT 31.12.2020 | 228,896 | 227,212 | 70,872 | 23,690 | 1,112 | 59,683 | 611,465 | 281,404 |
| NET BOOK VALUE AS AT 31.12.2020 | 326,704 | 244,131 | 159,556 | 50,995 | 555 | 262,677 | 1,044,618 | 1,200,301 |
| NET BOOK VALUE AS AT 31.12.2019 | 445,591 | 268,490 | 420,533 | 65,687 | 0 | 0 | 1,200,301 | 0 |

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

| | | | |
|---------------|-------------------------|-------------------------|-------------------------|
| NOTE:7 | LAND | 31.12.2020 | 31.12.2019 |
| | | TZS'000 | TZS'000 |
| | Cost/Valuation | | |
| | As at 01-01-2020 | 3,062,515 | 3,062,515 |
| | Adjustment | <u>0</u> | <u>0</u> |
| | AS AT 31-12-2020 | <u>3,062,515</u> | <u>3,062,515</u> |

NOTE: 8 COMPUTER SOFTWARE

| | | |
|-------------------------|-------------------------|-------------------------|
| | As At 31.12.2020 | As At 31.12.2019 |
| | TZS | TZS |
| Balance as at 1.01.2020 | 1,157,404 | 1,157,404 |
| Additional Cost | <u>421,382</u> | <u>0</u> |
| As At 31.12.2020 | <u>1,578,786</u> | <u>1,157,404</u> |

NOTE:9(a) INVESTMENT PROPERTY

Investment Properties are valued using the valuation model. The investment properties were revalued (along with other property and equipment) in December, 2020 giving rise to fair value gains.

| | | |
|--------------------------------|-------------------------|-------------------------|
| | As at | As at |
| | 31.12.2020 | 31.12.2019 |
| | TZS'000 | TZS'000 |
| Opening Net Book Amount | 6,651,374 | 6,483,307 |
| Additions | <u>106,142</u> | <u>168,067</u> |
| CLOSING NET BOOK AMOUNT | <u>6,757,516</u> | <u>6,651,374</u> |

Rental income amounting to TZS.137,124,583 from investment properties have been recognized in the statement of profit or Loss and other comprehensive income (TZS. 446,779,792 in 2019)

NOTE:9(b) Investment

| | | |
|-------------------------|-------------------------|-------------------------|
| | As at 31.12.2020 | As at 31.12.2019 |
| | TZS | TZS |
| Investment in Takaful | 215,462 | 215,462 |
| Investment in Zafico | 261,000 | 261,000 |
| Investment in Mwani | <u>450,000</u> | <u>0</u> |
| As at 31.12.2020 | <u>926,462</u> | <u>476,462</u> |

NOTE: 10 CAPITAL WORK IN PROGRESS

| | As at 31.12.2020 | As at 31.12.2019 |
|---------------------------|-----------------------|-----------------------|
| | TZS'000 | TZS'000 |
| Cost /Valuation | 115,016 | 79,013 |
| Additions During the Year | <u>42,503</u> | <u>36,003</u> |
| TOTAL | <u>157,519</u> | <u>115,016</u> |

Capital Work In Progress is in respect of ZIC Pemba Office which is under construction.

**NOTE:11 AVAILABLE FOR SALE UNQUOTED
EQUITY INVESTMENTS**

| | 31.12.2020 | 31.12.2019 |
|--|-----------------------|-----------------------|
| | TZS'000 | TZS'000 |
| 269,936 Ordinary Shares of TANRE (Tanzania National Reinsurance) of Tzs 1,000/- each | 269,936 | 269,936 |
| 130,215 Ordinary Shares of PTARE (Preferential Trade Area Reinsurance Company)of USD 1 each | <u>298,999</u> | <u>298,999</u> |
| TOTAL | <u>568,935</u> | <u>568,935</u> |

NOTE:12 TREASURY BILLS HELD TO MATURITY

| | | |
|------------------------|------------------|------------------|
| Maturing After 36 Days | <u>4,554,121</u> | <u>6,179,025</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:13 LOANS AND RECEIVABLES

| | 31.12.2020 | 31.12.2019 |
|------------------------------------|------------|------------|
| | TZS '000' | TZS '000' |
| Staff Advances and Imprest | 641,505 | 537,894 |
| Interest Receivable | 134,809 | 464,242 |
| Agency Loans | 286,755 | 269,440 |
| Rent Receivable | 0 | 409,893 |
| Deferred Commission Receivable/UCP | 645,873 | 1,446,726 |
| Withholding Tax on Interest | 147,037 | 86,475 |
| Direct Debtor Premium | 425,580 | 534,189 |
| Sundry Receivables | 1,697,707 | 1,054,410 |
| Advance to board Members | 2,000 | 10,510 |

| | | |
|-------------------------------------|-------------------------|-------------------------|
| Less: Provision for Impairment Loss | <u>(111,976)</u> | <u>(111,976)</u> |
| TOTAL | <u>3,869,290</u> | <u>4,701,803</u> |

NOTE:14 DUE FROM AGENTS AND BROKERS

| | | |
|-------------------------------|-------------------------|-------------------------|
| Due from Agents and Brokers | 2,637,207 | 1,771,760 |
| Due from Fac Inward | 668,500 | 0 |
| Provision for Impairment Loss | <u>(465,085)</u> | <u>(465,085)</u> |
| TOTAL | <u>2,172,791</u> | <u>1,306,675</u> |

NOTE: 15 REINSURER'S SHARE OF INSURANCE LIABILITIES

| | 31.12.2020 TZS '000' | 31.12.2019 TZS '000' |
|--------------------------------------|-------------------------|-------------------------|
| Claims | 139,105 | 139,105 |
| Share of Unearned Premium Reserve :- | | |
| Fire | 101,800 | 676,167 |
| Miscellaneous | 70,071 | 50,267 |
| Motor | 2,292,092 | 690,338 |
| Marine | <u>310,358</u> | <u>1,042,029</u> |
| TOTAL | <u>2,774,321</u> | <u>2,597,906</u> |

NOTE:16 BANK FIXED DEPOSITS HELD TO MATURITY

| | | |
|--------------|-------------------------|-------------------------|
| PBZ | 2,350,000 | 3,450,000 |
| TPB | 450,000 | 622,490 |
| TIB | 350,000 | 800,000 |
| AZANIA | 0 | 100,000 |
| BOA | <u>150,000</u> | <u>0</u> |
| TOTAL | <u>3,300,000</u> | <u>4,972,490</u> |

NOTE:17 CASH AND CASH EQUIVALENTS

| | | |
|---------------|----------|-----------|
| PBZ | 117,935 | 483,391 |
| CRDB | 695,116 | 1,005,594 |
| BARCLAYS/ABSA | (96,873) | 0 |
| FBME | 90,830 | 84,681 |
| BOA | 161,608 | 88,502 |
| NMB | 83,375 | 141,279 |
| NBC | 176,272 | 0 |
| TPB | 45,963 | 625,564 |
| TIB | 0 | 800,000 |
| AZANIA | 0 | 100,000 |

| | | |
|------------------------|-------------------------|-------------------------|
| CASH IN HAND | 1,500 | 1,500 |
| DIRECT CASH COLLECTION | 191,988 | 0 |
| TOTAL | <u>1,467,714</u> | <u>3,330,511</u> |

NOTE:18 UNEARNED PREMIUM RESERVE(UPR)

| | | |
|---------------|-------------------------|--------------------------|
| Motor | 6,079,287 | 9,593,742 |
| Fire | 177,901 | 796,329 |
| Marine | 440,104 | 1,201,059 |
| Miscellaneous | 175,650 | 519,714 |
| TOTAL | <u>6,872,941</u> | <u>12,110,844</u> |

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

NOTE:19 OUTSTANDING CLAIMS AND PROVISIONS

| | 31.12.2020 | 31.12.2019 |
|---------------------------------------|-------------------------|-------------------------|
| | TZS'000 | TZS'000 |
| Motor | 437,760 | 468,263 |
| Miscellaneous | 38,204 | 0 |
| Marine | 0 | 0 |
| Fire | 12,000 | 0 |
| | 487,964 | 468,263 |
| Add: Incurred But Not Reported (IBNR) | 621,458 | 922,790 |
| TOTAL | <u>1,109,422</u> | <u>1,391,053</u> |

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

NOTE:20 DUES TO REINSURERS

| | | |
|-----------------------------|-------------------------|-------------------------|
| Treaty Outward Control | 3,463,123 | 2,832,091 |
| Due to insurer | 345,682 | 0 |
| Facultative Outward Control | 376 | 755,248 |
| TOTAL | <u>3,809,181</u> | <u>3,587,339</u> |

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

NOTE:21 PAYABLES AND ACCRUALS

| | | |
|--------------------|------------|--------|
| Audit Fees Payable | 78,788,750 | 60,000 |
|--------------------|------------|--------|

| | | |
|-------------------------------|-------------------------|-------------------------|
| Dividend Payable | 847,205 | 560,238 |
| Sundry Creditors | 2,715,707 | 3,124,992 |
| Retirement Pension Obligation | 174,652 | 174,652 |
| Withholding Tax Payable | 52,013 | 11,902 |
| Premium Levy Payable | 33,824 | 177,891 |
| VAT Payable | 130,942 | 772,343 |
| Commission Payable | 307,394 | 251,751 |
| UCR | <u>201,734</u> | <u>0</u> |
| TOTAL | <u>4,542,259</u> | <u>5,133,769</u> |

| | | |
|--|-------------------------|-------------------------|
| NOTE:22 SHARE CAPITAL | 31.12.2020 | 31.12.2019 |
| | TZS '000 | TZS '000 |
| Authorized | | |
| 300,000 Ordinary Shares of TZS 15,000 each | <u>4,500,000</u> | <u>4,500,000</u> |
| Issued and Paid Up 250,000@15,000 | <u>4,450,000</u> | <u>3,750,000</u> |

NOTE:23 REVALUATION RESERVE

The Corporations' PPE were revalued in December, 2018 by Ministry of Finance and Economic Affairs. The valuation method used was market value for buildings and depreciated replacement cost for other assets.

| | | |
|-------------------------------|-------------------------|-------------------------|
| | 31.12.2020 | 31.12.2019 |
| | TZS '000 | TZS '000 |
| Balance as at 01.01.2018 | 3,775,079 | 3,750,936 |
| Adjustments | <u>0</u> | <u>24,143</u> |
| BALANCE AS AT 31.12.18 | <u>3,775,079</u> | <u>3,775,079</u> |

NOTE: 24 GENERAL RESERVES

| | | |
|---|-------------------------|-----------------------|
| Balance as at 1st January | 385,076 | 1,619,296 |
| Profit / (Loss) for the Year | 804,467 | 2,112,944 |
| Adjustment | 1,0912,50 | (2,651,604) |
| Contingency Reserve | <u>(570,681)</u> | <u>(695,558)</u> |
| BALANCE AS AT 31ST DECEMBER,2020 | <u>1,710,112</u> | <u>385,078</u> |

NOTE:25 CONTINGENCY RESERVE

| | | | |
|--------------|------------------|--------------|--------------|
| As At | Provision | As At | As At |
|--------------|------------------|--------------|--------------|

| | 01.01.2019 | During the Year | 31.12.2020 | 31.12.2019 |
|---------------|-------------------------|------------------------|-------------------------|-------------------------|
| | TZS'000 | TZS'000 | TZS'000 | TZS'000 |
| Motor | 4,911,070 | 570,681 | 5,481,752 | 4,911,070 |
| Fire | 266,691 | 0 | 266,691 | 266,691 |
| Marine | 218,013 | 0 | 218,013 | 218,013 |
| Miscellaneous | <u>234,958</u> | <u>0</u> | <u>234,958</u> | <u>234,958</u> |
| TOTAL | <u>5,630,732</u> | <u>570,681</u> | <u>6,201,414</u> | <u>5,630,732</u> |

NOTE: 26 REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2020

| INCOME | MOTOR TZS'000 | FIRE TZS'000 | MARINE TZS'000 | MISCELLA NEOUS TZS'000 | TOTAL 2020 TZS'000 | TOTAL 2019 TZS'000 |
|---|--------------------------|-------------------------|---------------------------|---------------------------------------|-----------------------------------|-----------------------------------|
| Gross Premium | 15,474,273 | 1,598,179 | 1,152,460 | 797,803 | 19,022,715 | 23,185,279 |
| Reinsurance Premium Inward | 0 | 0 | 0 | 0 | 0 | 136,233 |
| Less: Reinsurance Premium Outward | (1,529,602) | (1,174,660) | (1,024,072) | (190,518) | (3,918,852) | 4,729,487 |
| Net Premium Written | 13,944,671 | 423,519 | 128,388 | 607,285 | 15,103,863 | 18,592,025 |
| Change in Unearned Premium | 3,514,456 | 618,428 | 760,955 | 344,064 | 5,237,903 | (1,214,485) |
| Change Reinsurers' Share of UPR | (78,797) | (574,366) | (731,671) | 15,010 | (1,369,824) | 712,496 |
| NET EARNED PREMIUM | 17,380,330 | 467,581 | 157,672 | 966,359 | 18,971,942 | 18,090,036 |
| Commission on Reinsurance | (37,923) | 149,428 | 73,249 | 35,153 | 219,907 | 455,844 |
| TOTAL NET INCOME | 17,342,407 | 617,009 | 230,921 | 1,001,512 | 19,191,849 | 18,445,880 |
| CLAIMS AND EXPENSES | | | | | | |
| Paid Claims | 7,387,357 | 103,713 | 218,693 | 79,866 | 7,789,629 | 8,867,549 |
| Reinsurers' Share of Claims | (2,659,691) | 0 | (19,569) | (6,302) | (2,685,562) | (886,698) |
| Change in Outstanding Claims | 345,529 | (8,723) | (51,883) | (3,291) | 281,632 | (1,297,149) |
| Incurred Claims | 5,073,195 | 94,990 | 147,241 | 70,273 | 5,385,699 | 6,683,702 |
| Change in Commission Paid | 2,253,054 | 450,968 | 252,528 | 108,391 | 3,064,941 | 1,825,249 |
| Operating Expenses | 7,665,101 | 579,823 | 570,865 | 395,188 | 9,210,977 | 7,945,254 |
| TOTAL CLAIMS AND EXPENSES | 14,991,350 | 1,125,781 | 970,634 | 573,852 | 17,661,617 | 16,454,205 |
| UNDERWRITING SURPLUS/(DEFICIT) | 2,351,057 | (508,772) | (739,713) | 427,660 | 1,530,232 | 2,091,675 |

| NOTE:27 OTHER INCOME | 2020 | 2019 |
|-----------------------------|-----------------------|-------------------------|
| | TZS '000 | TZS '000 |
| Interest Income | 626,500 | 820,226 |
| House Rent | <u>137,125</u> | 446,780 |
| Sub Total | <u>763,625</u> | <u>1,267,006</u> |
| Miscellaneous Income | 21,583 | 43,350 |
| Dividends | <u>26,679</u> | 0 |
| Sub Total | <u>48,262</u> | 49,420 |
| GRAND TOTAL | <u>814,887</u> | <u>1,316,426</u> |

s

| NOTE:28 STAFF COSTS | | |
|-----------------------------------|-------------------------|-------------------------|
| Salaries and Overtime | 2,891,737 | 2,276,645 |
| Leave Passage | 125,359 | 48,569 |
| Staff Uniforms | 28,477 | 36,840 |
| Staff Rent | 121,290 | 67,669 |
| Social Security Benefits | 198,897 | 185,352 |
| SDL (Skills and development Levy) | 68,025 | 0 |
| Medica Insurance NHIF | <u>81,132</u> | <u>0</u> |
| TOTAL | <u>3,514,917</u> | <u>2,615,075</u> |

| NOTE:29 OPERATING AND OTHER EXPENSES | | |
|---|-----------|-----------|
| Travel and Accommodation | 1,197,406 | 1,351,105 |
| Allowance and overtime | 709,639 | 0 |
| Maintenance of Motor Vehicles | 123,151 | 108,366 |
| Training Expenses | 56,133 | 108,977 |
| Entertainment | 64,134 | 80,173 |
| Rent and Electricity | 558,377 | 551,012 |
| Advertisement | 202,442 | 354,300 |
| Stationery | 93,265 | 218,340 |
| Newspapers and Journals | 29,616 | 19,235 |
| Maintenance of Office Buildings | 72,695 | 111,133 |
| Telephone and Postage | 226,954 | 197,931 |
| Cleaning Material | 104,013 | 99,559 |
| Donations | 122,234 | 141,808 |
| Insurances | 66,335 | 99,412 |
| Consultancy Fees | 163,882 | 284,426 |
| Municipal Levy | 13,201 | 13,368 |
| Bank Charges | 30,904 | 34,585 |
| Licenses | 11,795 | 27,934 |
| Long Service Awards | 48,400 | 40,800 |
| Audit expenses | 78,816 | 20,318 |
| Seminars | 107,325 | 109,164 |
| Subscriptions | 24,798 | 18,775 |
| Maintenance of Office Machines | 39,456 | 139,000 |
| Recruitment | 19,570 | 1,910 |
| Acquisition Tender | 2,053 | 0 |

ZANZIBAR INSURANCE CORPORATION

| | | |
|--------------------------------------|-------------------------|-------------------------|
| Valuation Expenses | 20,545 | 14,596 |
| Electricity | 85,623 | 88,109 |
| Underwriting Stationery | 4,173 | 46,152 |
| Security of Office Building | 66,717 | 83,264 |
| Fuel of Motor Vehicles and Generator | 527,275 | 189,249 |
| Maintenance of Maisara Estate | 0 | 2,650 |
| Best Workers Award | 0 | 4,000 |
| Internal audit expenses | 61,889 | 0 |
| TOTAL | <u>4,932,816</u> | <u>4,539,335</u> |

NOTE: 30 CAPITAL COMMITMENTS

Management certifies that there was a capital commitment amounting to TZS **161,834,000** million in respect of capital work in progress for the construction of ZIC Pemba Office as at 31.12.2020.

NOTE: 31 CONTINGENCY LIABILITIES

As at 31st December, 2020 the Corporation had 26 un-matured cases of claims which are in the courts of law, hence should claimants win the cases the Corporation will be liable to pay liabilities as per judgment or outside the court agreement.

NOTE: 32 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 of negative figure.

NOTE: 33 COMPARATIVE FIGURES

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