AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2011

AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
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COMPANY INFORMATION

Registered office and principal place of business
9th Floor, Amani Place
P.O. Box 22229
Dar es Salaam
Tanzania
Telephone +255(0) 22 2127151/3
Fax +255(0) 22 2127154

Board of Directors
Ibrahim Kaduma – Chairman
Arnold Kilewo
Munir Bharwani
Joseph Mungai
Margaret Dawes
Josh Wrench
Gavin Downard
Julius Magabe – Chief Executive Officer

Management Team

Julius Magabe –Chief Executive Officer
Mika Samwel - Chief Finance Officer
Warren Smith – General Manager ,individual business
Nura Masood – General Manager, group business
Stella Ng'wandu – Manager Corporate Services
Violet Owaga - Operations Manager
Charles Mbaga – Human Resources & Administration Manager

Principal Bankers

Barclays Bank Tanzania Limited
Standard Chartered Bank Tanzania Limited
NMB Bank Tanzania Limited
CRDB Bank

Auditors
Ernst & Young
Certified Public Accountants
P. O. Box 2475
Utalii House, Laibon Street
Dar es Salaam
Tanzania

Actuaries
Giles T Waugh

AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. INTRODUCTION

The Directors submit their report and the audited financial statements for the year ended 31 December 2011, which disclose the state of affairs of the Company.

The financial statements for the year ended 31 December 2011 were authorised for issue by directors as indicated on the statement of financial position.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is insurance underwriting. The Company is registered to engage in long term insurance business.

3. MISSION VISION AND VALUES

Mission Statement:
Our mission is to provide affordable financial security to individuals, families, institutions and communities across Tanzania.

Vision Statement:
Our vision is to be the preferred provider of Life Assurance Services which ensure the financial security and freedom of the communities that we serve.

VALUES
We view our shared values as "promises." These promises set our priorities, guide our everyday actions and ensure a common understanding of what we can expect from one another and what our various Stakeholders can expect from us:

People Centric
Our core focus is on the needs of our customers, employees, shareholders, and the general public who make our business thrive.

Integrity
We are honest and trustworthy in keeping our promises and the confidentiality of our clients.

Innovation
We constantly explore ideas and find new and improved ways of providing our products and services

Discipline
We practise self-control, restraint and order in observing the highest standards and ethics.

Team Work
We are a unified Company working towards a single purpose

Leadership
We believe that everyone has the power and ability to initiate the actions required in all situations and we allow people to lead where they are best able.

4. BUSINESS PERFORMANCE

The Company maintained its strong and profitable performance during the period under review, Gross premium income grew by 42% to TZS 17 billion from TZS 12 billion in 2010 and net premium increased by 45% to TZS 14.51 billion (2010: TZS 9.99 billion). Profit after tax realised during the year amounted to TZS 2.57 billion (2010: TZS 1.04 billion).

The rise in gross premiums written during the year under review resulted from market growth and management effort to underwrite more business.

The detailed financial performance of the Company, during the year is set out on page 15 of these financial statements.

5. STRATEGIC BUSINESS FOCUS AND FUTURE OUTLOOK

Our 2012 overall strategic focus will remain to strengthen our position as the market leader in terms of market share, revenue, profitability, brand visibility, customer service, and having a dedicated and motivated workforce. More specifically the strategic business focus will include:

1. Distribution channels diversification,
2. Quality of new business improvement,
3. Increasing sales force productivity,
4. Increasing Individual Life operational capability to enhance efficiency in customer service delivery and sustain file size growth,
5. Growing corporate business whilst diversifying revenue streams to reduce concentration on credit life business and a few large accounts,
6. Improving operational capacity on group life business administration by procuring an appropriate administration system,
7. Attracting, developing and retaining a quality workforce; and
8. Increase our market share to at least 50%

6. DIRECTORS

The Directors, who served during the course of the year to the date of this report, are:

Name	Nationality	Age (Years)	Remarks
Ibrahim Kaduma	Tanzanian	74	
Arnold Kilewo	Tanzanian	73	
Munir Bharwani	Canadian	49	
Joseph Mungai	Tanzanian	68	
Margaret Dawes	South African	54	
Josh Wrench	South African	37	
Gavin Downard	South African	42	
Charles Washoma	Zimbabwean	38	Resigned on 30 June 2011
Julius Magabe	Tanzanian	37	Appointed on 1 April 2011

With the exception of Mr. Julius Magabe and Charles Washoma, all other Directors were non-executive.

7. DIRECTORS' INTEREST

Two Directors, Mr. Arnold Kilewo and Mr. Joseph Mungai have interests in the share capital of the Company as disclosed below in note 9. They represent 18.2% of the ordinary shares capital reported as on 31 December 2011.

8. DIRECTORS' REMUNERATION

The remuneration for services rendered by the non-executive Directors of the Company in 2011 was as follows:

	Amount TZS	Amount TZS
Chairman of the Board of Directors	34 million	28 million
Other Directors	111 million	114 million

During the year under review, executive Director's remuneration was TZS 279million (2010: TZS 201 million).

9. SHARE CAPITAL

The authorised share capital of the Company is TZS 10,000,000,000 for 1,000,000 ordinary shares with a nominal value TZS 10,000 per share. As at 31 December 2011 TZS 3,769,310,000 (376,931 shares of TZS 10,000 each) was subscribed and fully paid for.

There was no change in the issued share capital during the year. The shareholding of the Company as at 31 December 2011 is as stated below:

Name	Total No. of Shares	Paid up share capital (TZS)	%	
African Life Assurance Co. Ltd	241,912	2,419,120,000	64.18	South African
Joseph Mungai	48,846	488,460,000	12.96	Tanzanian
Erncon Holdings Ltd	24,828	248,280,000	6.59	Tanzanian
Arnold Kilewo	19,772	197,720,000	5.25	Tanzanian
Sofia Bharwani	18,917	189,170,000	5.02	Tanzanian
Prof William Lyakurwa	10,759	107,590,000	2.85	Tanzanian
Emanuel Mwambulukutu	1,138	11,380,000	0.30	Tanzanian
The Estate of Major Gen. James Luhanga	10,759	107,590,000	2.85	Tanzanian
	376,931	**3,769,310,000**	100.00	

The shares of the company are not publicly traded. There is only one class of shares.

10. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The key management personnel who served the Company during the year ended 31 December 2011 were:

Julius Magabe –Chief Executive Officer
Mika Samwel - Chief Finance Officer
Warren Smith – General Manager, individual business
Nura Masood – General Manager, group business
Stella Ng'wandu – Manager Corporate Services
Violet Owaga - Operations Manager
Charles Mbaga – Human Resources & Administration Manager

11. TRANSFERS TO RESERVE

An amount of TZS 145.0 million (2010: TZS 99.96 million) has been transferred to Contingent Reserve as per Regulation 21(3) (b) of the Insurance Regulation.

12. RESULTS

The results are set out on Page 15. The Company reports a profit after tax of TZS 2.57billion (2010: profit after tax of TZS 1.03 billion).

13. DIVIDEND

The Directors recommend payment of a dividend amounting to TZS 1.113 billion at TZS 2,952.795 per share in respect of the year ended 31 December 2011 (2010: TZS 156 million at TZS 413.87 per share). Of the amount declared, a total of TZS 500 million was declared and paid as interim dividend and TZS 613,000,000 is recommended for payment as final dividend.

14. RESERVES

The reserves of the Company are set out on Page 17.

15. SUBSEQUENT EVENTS

There are no subsequent events that have occurred which are either to be disclosed or to be adjusted in the financial statements that could materially affect the financial statements.

16. SOLVENCY AND GOING CONCERN

The Directors consider the Company's solvency position as shown on the Statement of Financial Position set out in page 16 of these financial statements to be satisfactory. The Insurance Act, 2009 requires the Company's admissible assets to exceed its total liabilities by TZS 1.1 billion (2010: TZS 800 million).The Company's admissible assets exceeded its liabilities by TZS 4,844 million (2010: TZS 2,738 million).

The Directors consider the Company to be solvent. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement. The Directors consider the Company to be solvent within the meaning ascribed by the Insurance Act, 2009 and regulations made there under.

17. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The Company's accounting policies, which are laid out on pages 19 to 42 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

18. ACQUISITIONS AND DISPOSALS

There was no material disposal or acquisition of business during year 2011 (2010: Nil).

19. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are disclosed in Note 36 to the financial statements.

20. EMPLOYEE WELFARE

a. Relationship between management and employees

The relationship between employees and management continued to be good. Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. The Company provides training, medical assistance to its employees. There was good teamwork between management and staff.

b. Medical facilities

The Company fully meets the cost of medical consultation and treatment for all employees and their immediate families.

c. Training

Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. Training is mainly conducted in-house. However, external institutions are used for specialist and executive training programs. Generally, most employees have some form of annual training to upgrade skills and enhance development.

d. Employee benefits

The company makes contributions in respect of staff retirement benefits to statutory Parastatal Pension Fund (PPF). The company's obligations in respect of these contributions are limited to 10% of the employees' gross salary. All these plans are defined contribution plans.

The Company's employment terms are regularly reviewed to ensure they continue to meet statutory and market conditions. The Company communicates with its employees through regular management and staff meetings and through circulars. The Company has continued to maintain conducive working environment.

The average number of employees during the year was 203 (2010: 202).

21. DISABLED PERSONS

It remains the Company's policy to accept disabled persons for employment for those vacancies that they are able to fill. Opportunities for advancement are provided to each disabled person when a suitable vacancy arises with the organisation and all necessary assistance is given with initial training. Where an employee becomes disabled during the course of his or her employment, the Company will seek suitable alternate employment and necessary training thereof. The Company's policy is not discriminatory against people with regards to race, gender, religion or disability.

22. GENDER PARITY

The company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2011 the Fund had the following distribution of employees by gender.

The company had a total of 203 employees, out of which 129 were female and 74 were male.

23. POLITICAL CONTRIBUTIONS AND DONATIONS

The company did not make any political donations during the year.

24. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

African Life Assurance (Tanzania) Limited is committed to the principles of effective corporate governance and the Board is of the opinion that the Company currently complies with principles of good Corporate Governance.

The Board of Directors

The Board of Directors of African Life Assurance (Tanzania) Limited consists of eight Directors. Apart from the Chief Executive Officer, no other Directors hold executive positions in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management against budgets and business plans. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is chaired by a Non-Executive Director, who has no executive functions. The roles of Chairman and Chief Executive Officer are separate, with each having set responsibilities.

The Board is confident that its members have the knowledge, talent and experience to lead the Company. The Non-Executive Directors are independent of management and exercise their independent judgment. With their depth of experience, they add value to Board deliberations.

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

All Directors have access to the Company Secretary and her services and may seek independent professional advice if necessary. It is the Company's philosophy to manage and control its business on a decentralised basis. Senior management meets on a monthly basis to review the results, operations, key financial indicators and the business strategy of the Company. Board meetings are held quarterly to deliberate the results of the Company.

The Board is supported by the following committees:

Investment Committee

The Investment Committee meets on a quarterly basis. The responsibilities of this committee are the review of the company's investment policies to ensure that all investments are being performed in conformity with approved investment policies and in line with the requirement of insurance regulation as per section 31 & 32 of Insurance Act, 2009. During the year, the Investment Committee met four times (2010: four meetings)

23. CORPORATE GOVERNANCE (Continued)

The Board Investment Committee members who served the Committee during 2011 are detailed below:

Member		Attendance
Mr. Arnold Kilewo	– chairman	4/4
Mr. Ibrahim Kaduma	– member	4/4
Mr. Jonathan Wrench	– member	4/4

Audit & Risk Committee

The Audit & Risk Committee meets on a quarterly basis. The responsibilities of this committee are the review of financial information and monitoring of the effectiveness of management information and internal control systems. In addition, the committee has a responsibility to deliberate on the significant findings arising from and the actuary, internal and external audit reviews and from inspections by the Tanzania Insurance Regulatory Authority (TIRA). During the year 2011, the Audit & Risk Committee met four times (2010: four meetings).

The Board Audit &Risk Committee members who served the Committee during 2011 are detailed below:

Member		Attendance
Mr. Gavin Downard	– chairman	3/4
Mr. Joseph Mungai	– member	4/4
Mr. Munir Bharwani	– member	3/4
Mrs. Margaret Dawes	– member	3/4
Mr. Josh Wrench	– member	4/4

Human Resources Committee

This is responsible for reviewing and approving the annual salary reviews and staff bonuses as recommended by management, approving terms and conditions of service and amendments thereto, and approving the remuneration of the Chief Executive.

The Board Human Resource Committee members who served the Committee during 2011 are detailed below:

Member		Attendance
Mr. Arnold Kilewo	– chairman	4/4
Mrs. Margaret Dawes	– member	3/4
Mr. Munir Bharwani	– member	3/4

Performance evaluation and reward

Details of the remuneration of Directors are disclosed in Note 36 to the financial statements. The Company utilises the results of market surveys to ensure market related salaries are paid and that market related trends are followed in terms of changes in benefits, while at the same time taking into account the intrinsic value of individual contributions. A portion of remuneration of all managerial staff, especially senior management, is linked to the performance of their respective business units and of the Company as a whole.

23. CORPORATE GOVERNANCE (Continued)

Risk management and internal control

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

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets (including information);
- Compliance with the applicable laws, regulations and supervisory requirements;
- The reliability of the accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Consequently, even a strict and efficient internal control system can provide no more than a reasonable measure of assurance in respect of the above mentioned objective.

The Board assessed the internal control systems throughout the financial year ended 31 December 2011and is of the opinion that they met acceptable criteria.

Ethical behaviour

The Company's Code of Conduct governs all its activities, internal relations and interactions with stakeholders in accordance with its ethical values. It is expected of all staff to maintain the highest level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues.

Compliance with the Code of Conduct is the ultimate responsibility of the Chief Executive Officer and the Company Secretary, with day-to-day monitoring delegated to line management with the support of personnel officers.

The code is supplemented by the Company's responsibility philosophy as well as its employment practices, occupational health and safety controls.

Business ethics and organisational integrity

The Company's Code of Conduct commits it to the highest standards of integrity, conduct and ethics in its dealings with all parties concerned, including its Directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. The Directors and staff are expected to fulfil their ethical obligations in such a way that the business is run strictly according to fair commercial competitive practices.

Financial reporting and auditing

The Directors accept final responsibility for the preparation of the annual financial statements which fairly present:

- The financial position of the Company as at the end of the year under review;
- The financial results of operations, as well as;
- The cash flows for that period.

23. CORPORATE GOVERNANCE (Continued)

Financial reporting and auditing

The responsibility for compiling the annual financial statements was delegated to management. The external auditors report on whether the annual financial statements are fairly presented.

The Directors are satisfied that during the year under review:

- Adequate accounting records were maintained;
- An effective system of internal control and risk management, monitored by management, was maintained;
- Appropriate accounting policies, supported by reasonable and prudent judgments and estimates, were used consistently; and
- The financial statements were compiled in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002 and Tanzanian Insurance Act, 2009.

The Directors are also satisfied that no material event has occurred between the financial year-end and the date of this report.

The Directors are of the opinion that the Company has sufficient resources and commitments at its disposal to operate the business for the foreseeable future, the financial statements have been prepared on a going concern basis.

24. AUDITORS

The Auditors, Ernst & Young, were appointed during the year and having expressed their willingness to continue in office, will be proposed for re-appointment in the next Annual General Meeting.

25. CORPORATE SOCIAL RESPONSIBILITY

This is a concept that organisations have an obligation to consider the interests of customers, employees, shareholders, communities, and environmental considerations in all aspects of their operations. Amongst the initiative and endeavours that African Life Assurance participates include: financial support of various non-governmental organisations and schools. A sound environment for all is the key to overall social and economic success of any country. The Company recognises the importance of a clean and healthy environment and support various activities geared towards achievement and its improvement.

During the year ended 31 December 2011, the Company donated TZS 40 million to various schools, charitable organisations and social organisations (2010: TZS 36 million).

BY ORDER OF THE BOARD

CHAIRMAN - IBRAHIM KADUMA

DATE: 16th April, 2012

AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors are required under the Tanzanian Companies Act, 2002 and Insurance Act, 2009 to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2011. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a 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 Company and which enable them to ensure that the financial statements comply with the Tanzanian Companies Act, 2002 and Insurance Act, 2009. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud or other irregularities.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the ensuing financial year.

Chairman - Ibrahim Kaduma

Date: 16th April, 2012

AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31 DECEMBER 2011

I, Giles T Waugh, being a Fellow of the Institute of Actuaries and approved by the Commissioner of Insurance, having conducted an investigation in terms of Section 75 of the Insurance Act as at 31 December 2011 do hereby certify as under:

a) that in my opinion the actuarial liabilities have been investigated and assessed by me in accordance with the provisions of the Insurance Act and Regulations;

b) that the assets have been based on the statement of financial position values on the basis detailed in the audited financial statements; and

c) that I am satisfied that the value of the actuarial liabilities is exceeded by the net assets as per the statement of financial position.

GTWaugh

Giles T Waugh
Fellow of the Institute of Actuaries

Date: 17. 4. 2012

ERNST & YOUNG

Ernst & Young
Certified Public Accountants
Utalii House
36 Laibon Road, Oysterbay
P.O. Box 2475
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www.ey.com/tz

INDEPENDENT AUDITORS' REPORT

To the shareholders of
AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

We have audited the accompanying financial statements of African Life Assurance (Tanzania) Limited, which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. Those 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 obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the financial statements circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimated made by directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the African Life Assurance (Tanzania) Limited Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT (Continued)

To the shareholders of
AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, Companies Act, 2002 and Insurance Act, 2009.

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Tanzanian Companies Act, 2002 and for no other purposes.

As required by the Tanzanian Companies Act, 2002 and Insurance Act 2009, we report to you, based on our audit, that:

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii. In our opinion, proper books of accounts have been kept by the Company, so far as appears from our examination of those books;

iii. The directors report is consistent with the financial statements,

iv. Information specified by law regarding directors' remuneration and transactions with the Company is disclosed; and

v. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Ernst & Young

Ernst & Young
Certified Public Accountants

Signed by: Neema Klure-Mssusa

Dar es Salaam

Date: 16/04/**2012**

AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 TZS '000	2010 TZS '000
Gross premium income	8	**17,063,114**	12,001,366
Gross premiums ceded to reinsurers	8	**(2,557,508)**	(2,005,672)
Net premiums		**14,505,606**	9,995,694
Fee income	9	**5,747**	114,915
Investment income	10	**667,490**	429,491
Commission income	11	**-**	131,835
Other revenue		**673,237**	676,241
Total revenue		**15,178,843**	10,671,935
Other income	12	**350,007**	(1,345)
Gross benefits and claims incurred	13	**(3,954,696)**	(2,992,167)
Claims ceded to reinsurers	13	**1,409,256**	1,089,611
Transfer from policyholders liabilities		**(746,525)**	(977,023)
Net benefits and claims		**(3,291,965)**	(2,879,579)
Commission expense	14	**(4,321,386)**	(2,492,601)
General administration expenses	15	**(5,344,930)**	(4,261,723)
Other expenses		**(9,666,316)**	(6,754,324)
Total benefits, claims and other expenses		**(12,958,281)**	(9,633,903)
Profit before tax		**2,570,569**	1,036,687
Income tax expense	17	**-**	-
Profit for the year		**2,570,569**	1,036,687
Other comprehensive income,net of taxes		**-**	-
Total comprehensive income for the year, net of taxes		**2,570,569**	1,036,687
Attributable to equityholders of the company		**2,570,569**	1,036,687
Earnings per share (basic and diluted)	28	**0.68**	0.28

AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	2011 TZS '000	2010 TZS '000
ASSETS			
Intangible assets	19	**9,867**	10,864
Property and equipment	18	**209,150**	175,578
Deferred tax	17	**75,125**	75,125
Financial assets			
Held to maturity financial assets	20	**1,089,637**	941,733
Financial assets at fair value through profit or loss	21	**3,812,564**	1,384,440
Financial assets carried at cost	22	**374,588**	174,588
Fixed deposits with financial institutions	25	**7,201,588**	6,451,115
Insurance assets	23	**530,482**	2,570,678
Income tax recoverable	17	**174,431**	116,962
Other receivables and prepayments	24	**100,630**	80,595
Cash and bank balances	26	**857,083**	1,368,902
TOTAL ASSETS		**14,435,145**	13,350,580
EQUITY AND LIABILITIES			
EQUITY			
Share capital	27	**3,769,310**	3,769,310
Contingency reserve		**335,897**	190,841
Retained earnings		**2,047,456**	277,943
		6,152,663	4,238,094
LIABILITIES			
Insurance contract liabilities	29	**2,948,999**	2,202,474
Investment contract liabilities	30	**1,848,807**	3,917,883
Reinsurance liabilities	31	**73,488**	546,015
Outstanding Claims	32	**872,172**	690,228
Other payables	33	**1,478,550**	1,221,054
Employees benefits	35	**1,060,466**	534,832
		8,282,482	9,112,486
TOTAL EQUITY AND LIABILITIES		**14,435,145**	13,350,580

These financial statements were approved by the Board of Directors for issue

on 16th February ,2012 and were signed on its behalf by:

Name: Ibrahim M. Kaduma Title: Chairman Signature: [signature]

Name: JULIUS MAGABE Title: MANAGING DIRECTOR Signature: [signature]

AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital TZS '000	Contingency reserve TZS '000	(Accumulted losses) / Retained Earnings TZS '000	Total TZS '000
31 December 2011				
At 1 January 2011	**3,769,310**	**190,841**	**277,943**	**4,238,094**
Transfer to contingent reserve	**-**	**145,056**	**(145,056)**	**-**
Profit and total comprehensive income for the year, net of taxes	**-**	**-**	**2,570,569**	**2,570,569**
Dividend paid -2010			**(156,000)**	**(156,000)**
Interim dividend paid			**(500,000)**	**(500,000)**
At 31 December 2011	**3,769,310**	**335,897**	**2,047,456**	**6,152,663**
31 December 2010				
At 1 January 2010	3,769,310	90,884	(658,787)	3,201,407
Transfer to contingent reserve	-	99,957	(99,957)	-
Profit and total comprehensive income for the year, net of taxes	-	-	1,036,687	1,036,687
At 31 December 2010	3,769,310	190,841	277,943	4,238,094

AFRICAN LIFE ASSURANCE (TANZANIA) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 TZS '000	2010 TZS '000
Operating activities			
Profit before tax		**2,570,569**	1,036,687
Non-cash items:			
Depreciation of property and equipment	18	**54,929**	54,623
Amortisation of intangible assets	19	**5,806**	4,527
Fair value gain losses- Company shares	21	**(385,339)**	(22,787)
Interest income		**(551,414)**	(341,243)
Dividend income		**(116,076)**	(88,248)
Profit on sale of property and equipment		**(6,900)**	-
Movements in working capital:			
Increase in insurance contract liabilities		**746,525**	977,023
(Decrease)/Increase in investment contract liabilities		**(2,069,076)**	1,375,584
Increase in insurance assets		**2,040,196**	(2,185,870)
Decrease in reinsurance assets		**-**	19,973
Increase in tax recoverable	17	**(57,469)**	(60,069)
Increase in other receivables		**(20,035)**	(10,836)
Increase/(decrease) in amount due to reinsurers		**(472,527)**	546,015
Increase in provisions		**525,634**	-
Increase in oustanding claims and other payables		**439,440**	1,160,364
Net cash flows from operating activities		**2,704,263**	2,465,743
Investing activities			
Proceeds from sale of property and equipment		**6,900**	-
Purchase of property and equipment		**(88,501)**	(118,718)
Purchase of intangible assets		**(4,809)**	(5,986)
Purchase of fair value through profit or loss financial assets		**(2,042,785)**	(403,977)
Purchase of financial assets carried at cost		**(200,000)**	(37,621)
(Purchase)/Realisation of government securities		**(147,904)**	2,092,505
Interest received		**551,414**	341,243
Dividend received		**116,076**	88,248
Investment in fixed deposits with financial institutions		**(628,229)**	(3,820,871)
Net cash flows from investing activities		**(2,437,838)**	(1,865,177)
Financing activities			
Dividend paid		(656,000)	-
Net cashflows used in financing activities		**(656,000)**	-
Net increase in cash and cash equivalents		**(389,575)**	600,566
Cash and cash equivalents at the beginning of the year		**2,655,238**	2,054,672
Cash and cash equivalents at the end of the year	26	**2,265,663**	2,655,238

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. CORPORATE INFORMATION

African Life Assurance (Tanzania) Limited ('the Company') is a limited Company incorporated and domiciled in Tanzania. The Company's shares are not publicly traded. The address of its registered office and principal place of business is:

9th Floor, Amani Place
P.O. Box 22229
Dar es Salaam
Tanzania.

The financial statements of African Life Assurance (Tanzania) Limited for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors as shown in the Consolidated Statement of Financial Position.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is insurance underwriting. The Company is registered to engage in long term insurance business.

3. BASIS OF PREPARATION

These financial statements have been prepared on historic cost basis except for those financial instruments and financial liabilities that have been measured at fair value, in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in Tanzanian Shillings (TZS) and all values are rounded to the nearest thousand (000) except when otherwise indicated.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Financial assets and financial 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of Companies Act, 2002 and Insurance Act, 2009.

4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IFRS 1 Limited exemption from comparative IFRS 7 disclosures for first-time adopters effective 1 July 2010
- IAS 24 Related Party Disclosure effective 1 January 2011
- IAS 32 Classification of Rights Issue effective 1 February 2010
- IFRIC 14 Prepayment of a Minimum Funding Requirement effective 1 January 2011
- IFRIC 19 Extinguishing financial liabilities with equity instruments effective 1 July 2010
- Improvements to IFRSs (May 2010), the effective date of each amendment is included in the IFRS affected.

Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Company. They did, however, give rise to additional disclosures in some occasions.

The principal effects of these changes are, as follows:

Listed below are standards and interpretations that have been issued, but have no significant impacts on the financial statements

IFRS 1 First-time Adoption of International Financial Reporting Standards (Revised)
The IASB issued an amendment to IFRS 1 to allow the first-time adopters to utilise the transitional provision in IFRS 7 Financial Instruments: Disclosures, relieving them from providing comparative information in the disclosures required by the amendment in the first year of application. The Company is not a first time IFRS adopter and therefore amendments to IFRS 1 have no impact on the financial statements.

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government-related entities. There were no changes in related parties.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

IFRIC 14 Prepayments of a Minimum Funding Requirement
The IFRIC gives guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The interpretation is effective retrospectively for annual periods beginning on or after 1 January 2011. The Company adopted this amendment as of 1 January 2011. It does not have an impact on the financial position or performance of the Company as the Company is not required to make any prepayment of a minimum funding requirement.

IFRIC 19 Extinguishing financial liabilities with equity instruments
The IFRIC clarified that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instrument issued. If the fair value of the equity instrument issued is not reliably determinable, the equity instrument should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability extinguished and the fair value of the equity issued is recognised in profit or loss. This interpretation is effective prospectively for financial years beginning on or after 1 July 2010. The adoption of this interpretation has no effect on profit or loss nor equity of the Company as the Company has not entered into such debt for equity swap.

Improvements to IFRSs
In May 2010 the IASB issued its annual amendments to International Financial Reporting Standards (IFRSs) and the related Basis for Conclusions and guidance made. The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project.

The amendments primarily deal with a view to remove inconsistencies and clarify wording. The Company has adopted the following amendments to standards as they come to effect for the reporting period beginning on 1 January 2011:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards:* The amendments give first time adopters additional exemptions and transitional arrangements. The Company is not a first time IFRS adopter; therefore, the amendments to IFRS 1 have no impact on the financial statements.

- *IFRS 3 Business Combinations:* The first amendment clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). It is effective for annual periods beginning on or after 1 July 2010 and applied retrospectively. This has no impact on the Company as the Company has no contingent consideration upon business combinations.

4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

Improvements to IFRSs (Continued)

- *IFRS 3 Business Combinations*: The second amendment limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS. It is effective for annual periods beginning on or after 1 July 2010 and applied prospectively. The amendment has no impact on the Company.

- *IFRS 3 Business Combinations*: The final amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested — they are part of NCI and measured at their market-based measure; if unvested — they are measured at market-based value as if granted at acquisition date, and allocated between NCI and post-combination expense. It is effective for annual periods beginning on or after 1 July 2010 and applied prospectively. The amendment has no impact on the Company.

- *IFRS 7 Clarification of Disclosures*: The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments and amends certain credit risk disclosures. It is effective for annual periods on or after 1 January 2011 and applied retrospectively. The new disclosure requirements are reflected in Note 38.

- *IAS 1 Presentation of Financial Statements*: amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. It is applicable prospectively to annual periods beginning on or after 1 January 2011. The Company elects to present such analysis in the statement of change in equity.

- *IAS 27 Consolidated and Separate Financial Statements*: amendment clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier. It is applicable retrospectively to annual periods beginning on or after 1 July 2010. This has no impact on the Company financial statements.

4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

Improvements to IFRSs (Continued)

- *IFRIC 13 Fair value of award credit:* amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. This has no impact on the Group as the Group does not have a customer loyalty programme.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

However, uncertainties about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in financial statements:

Operating lease commitments – Company as a lessee

The Company has entered into lease agreements for office space. The Company has determined that it does not retain significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) **Valuation of Insurance contract and Investment contract liabilities**
The liability for life insurance contracts and investment contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin of risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity rates on standard industry East Africa mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target market and own claims severity and frequency experiences.

For those products that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation if appropriate.

Lapse and surrender rates are based on the Company's historical experience of lapse and surrenders. The lapse and surrender rates are also updated for current economic and social conditions so as to provide a much more accurate numbers at year-end.

Discount rates are based on the current industry risk rates, adjusted for the Company's own risk exposure.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

b) **Impairment of available-for-sale equity financial assets**

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flow. Impairment may be appropriate where there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flow.

c) **Held to maturity investments**

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

d) **Deferred tax assets**

Uncertainties exist with respect to the interpretations of complex tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arsing between the actual results and assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recognised. The Company established provisions, based on reasonable estimates, possible consequence of audits by the Tanzania Revenue Authority (TRA).

The amount of such provisions is based on various factors such as experience of previous tax audits and differing interpretations of tax regulations by the Company and TRA.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

d) **Property and equipment**
Critical estimates are made by the directors in determining depreciation rates for equipment and their residual values. The rates used are set out in the accounting policies section of these financial statements under Note 6.

e) **Impairment provisions for receivables**
Critical estimates and judgments are made by the directors in determining impairment provisions for bad and doubtful receivables and their recoverable amounts. The Company assesses recoverability of receivables from time to time and where there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms. The carrying amount of receivables is reduced to reflect recoverable amount.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income recognition

Gross premiums
Gross recurring premiums on life and investment contracts with discretionary participating features are recognised as revenue when payable by the policy holder. For single premium business, revenue is recognised on the date on which the policy is effective.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums written.

Reinsurance premiums
Gross reinsurance premiums on life and investment with a discretionary participation feature contracts are recognised as an expense when payable or on the date on which the policy is effective.
Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for the services performed in future periods then they are deferred and recognised over those future periods.

Investment income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Fees are accounted for on an accrual basis as the related services are rendered.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as part of the carrying amount of other receivables or accruals in the statement of financial position.

Investment income also includes dividends when the right to receive payment is established. For listed securities; this is the date the security is listed as ex dividend.

Realised gains and losses

Realised gains and losses recognised in profit or loss on investments include gains and losses on financial assets. Gains and losses on the sale of financial assets are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Benefits, claims and expense recognition

Gross benefits and claims for life insurance and for investment contracts with Discretionary Participating Features (DPF) include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policy holder bonuses declared on DPF contracts, as well as change in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturity and annuity payments are recorded when due.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Property and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis over the useful life of the assets. The annual rates of depreciation which have been consistently applied are:

Description	**Rate (%)**
Motor vehicles	20 - 25
Computer equipment	25 - 33.33
Furniture and fittings	12.5 - 16.67
Office equipment	15 – 20

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised.

The residual values, useful lives and methods of depreciating property and equipment are reviewed, and adjusted prospectively if appropriate, at each financial year end.

When each major inspection is performed, its cost is recognised in the carrying amount of property and equipment as a replacement if the recognition criteria are satisfied.

Significant components of items of property, plant and equipment are depreciated separately over applicable useful lives. Depreciation commences when an item of property, plant and equipment is available for use as intended management. Depreciation ceases temporarily while the residual value is equal to or exceeds the carrying value of an item of property, plant and equipment.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee entitlements

The Company has a statutory requirement to contribute to the Parastatal Pension Fund (PPF). The Company's contribution to the defined contribution scheme is 10% of the employee's basic salary and is recognised as an expense in the period to which it relates. The Company has no further obligation after such payment.

Contingency reserve

A contingency reserve is created as per regulation 21(3) (b) of the Insurance Regulations, at the rate of 1% of the net premium.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss, consists of two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading.

For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and loss are recognised in profit or loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. The effective interest rate amortisation is included in investment income in profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost
Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Assets carried at amortised cost(Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The reversal of impairment losses cannot result in the amortised cost balances exceeding what these balances would have been, at the reversal date, if no impairment losses were recognised in the past. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the contract. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets and liabilities (Continued)

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the statement of comprehensive income unless permitted or required by any accounting standard or interpretation, as specifically disclosed in accounting policies of the Company.

Foreign currencies

<u>Functional and presentation currency</u>
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Tanzania Shillings, which is the Company's functional and presentation currency.

<u>Transactions and balances</u>
Foreign currency transactions are translated into the Tanzania Shillings using the exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Tanzanian Shillings at the rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes (Continued)

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss in other comprehensive income are also recognised in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Product classification

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable ,provided in the case of non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product classification (Continued)

Derivatives embedded in an insurance contract or investment contract with DPF are separated and fair valued through profit or loss (when the criteria are met), unless the embedded derivative is itself an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and/or investment contract with DPF is measured at fair value through profit or loss.

Insurance and investment contracts are further classified as being either with or without discretionary participation features (DPF). DPF are a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits,
- whose amount or timing is contractually at the discretion of the issuer and
- that are contractually based on the
  - performance of a specified pool of contracts or a specified type of contract,
  - realised and or unrealised investment returns on a specified pool of assets held by the issuer or
  - the profit or loss of the Company, fund or other entity that issues the contract.

Leasing

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with transitional requirements of IFRIC 4.

Company as a lessee

Leases which do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the profit or loss in the statement of comprehensive income on a straight line basis over the lease term. Contingent rental payable are recognised as an expense in the period in which they are incurred.

Company as a lessor

Leases where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. A catastrophe reinsurance cover is used.

An impairment review is performed on reinsurance assets at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance are recognised in profit or loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Ceding contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Investment income on these contracts is accounted for using the effective interest rate method when accrued.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of comprehensive income. The annual rates of amortisation which have been consistently applied are:

Description	Rate (%)
Computer software	25 – 33.33

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance comprises provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made as to whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimate of future cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees as well as investment income from assets backing such liabilities are used. To the extent that the test involves discounting of cash flows is based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in profit or loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

Investment contract liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policy for investment contracts with DFP are the same as those for life insurance contract liabilities.

Investment contract liabilities without DFP are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment contract liabilities (Continued)

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position.

Fair value adjustments are performed at each reporting date and are recognised in profit or loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as number of units allocated to the policyholder in each unit-linked fund multiplied by unit-price of those funds at reporting date. The fund assets and fund liabilities used to determine unit-price at the reporting date are valued on basis consistent with their measurement basis in the statement of financial position adjusted to take account of the effect on liabilities of the deferred tax on unrealised gains on assets in the fund.

Non-unitised contracts are subsequently also carried at fair value, which is determined by using discounted cash flow technique. The model is periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by a policyholder, the fair value cannot be less than the surrender value.

When a policy contains both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

Discretionary Participating Features
A DPF is a contractual right that gives holders of these contracts the right to receive a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DFP portfolio. Under the terms of the contracts surpluses in the DPF fund can be distributed to policyholders and shareholders on a 90/10 basis. The Company has discretion over the amount and timing of distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities as appropriate.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration paid plus incremental cost. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss. Gains or losses on insurance receivables are recognised through the amortisation process or on derecognition.

Insurance receivables are derecognised when the derecognition criteria for financial assets has been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest rate method. Gains or losses on insurance payables are recognised through the amortisation process.

Insurance payables are derecognised when the obligation under the liability has been discharged, cancelled or expired.

Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the year end. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

7. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Listed below are standards and interpretations that have been issued, but not yet effective as of 1 January 2011:

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt the standards when they become effective.

Amendments to IAS 19 Employee Benefits
The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income. The effective date of the standard is 1 January 2013. The adoption of these amendments will have no impact on the Company's financial statements.

Amendments to IAS 1 Presentation of Financial Statements
The amendments to IAS 1 require changes to the presentation of other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The effective date of the standard is 1 January 2013. The Company decided not to early adopt the amendments and expects that the adoption will only affect the presentation of the statement of comprehensive income.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the Board's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in 2012. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. However, the Company determined that the effect will be quantified only in conjunction with the other phases when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. The standard establishes a single control model that applies to all entities. It will require management to exercise judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent. It is effective for annual periods beginning on or after 1 January 2013. The adoption of these amendments will have no impact on the Company's financial statements as the Company has no entities under its control.

7. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. The standard addresses two forms of joint arrangements, i.e., joint operations and joint ventures. To assess whether there is joint control IFRS 11 uses the principle of control in IFRS 10. The existing option to account for jointly controlled entities under IAS 31 using proportionate consolidation is removed in this standard. The effective date of this standard is 1 January 2013. The Company has no joint arrangements, as such; the adoption of this standard is expected to have no impact on the financial statement of the Company.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all the disclosures that were previously in IAS 27, IAS 31 and IAS 28 Investment in Associates. A number of new disclosures are added to the existing requirements such as the judgments made to determine whether it controls another entity. This standard is effective for the annual periods beginning on or after 1 January 2013. IFRS 12 is a disclosure only standard and therefore will have no effect on profit or loss or the equity of the Company.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The standard is effective for annual periods on or after 1 January 2013.The adoption of IFRS 13 will affect some of the fair value of certain assets and liabilities and thus affecting the profit and equity of the Company.

	2011 TZS '000	2010 TZS '000

8. GROSS PREMIUM INCOME

The principal activity of the Company is the underwriting of long-term insurance business as defined by the Insurance Act. Premium income can be analysed between the two lines of business as

	2011 TZS '000	2010 TZS '000
Individual life		
Gross premium	**2,194,902**	1,990,037
Net premium written	**2,194,902**	615,310
Group life		
Gross premium	**14,868,212**	10,011,329
Premiums ceded to reinsurers	**(2,557,508)**	(2,005,672)
Net premium written	**12,310,704**	8,005,657
Total		
Gross premium	**17,063,114**	12,001,366
Premiums ceded to reinsurers	**(2,557,508)**	(2,005,672)
Net premium written	**14,505,606**	9,995,694

9. FEE INCOME

	2011 TZS '000	2010 TZS '000
Investment fund management fee	**5,747**	114,915
	5,747	114,915

10. INVESTMENT INCOME

	2011 TZS '000	2010 TZS '000
Cash and cash equivalents interest income (loans and receivables)	**410,626**	259,036
Held-to-maturity financial assets interest income	**140,788**	82,132
Staff loans interest income	-	75
Total interest icome	**551,414**	341,243
Financial assets at fair value through profit or loss dividend income	**116,076**	88,248
	667,490	429,491

11. COMMISSION INCOME

	2011 TZS '000	2010 TZS '000
Group life scheme	-	12,965
Group credit scheme	-	104,089
Group funeral	-	14,781
	-	131,835

12. OTHER INCOME

	2011 TZS '000	2010 TZS '000
Profit on sale of property and equipment	**6,900**	-
Fair value (losses)/gains on financial assets at fair value through profit or loss (held-for-trading purposes)	**343,107**	(1,345)
	350,007	(1,345)

	2011	2010
	TZS '000	TZS '000

13. POLICYHOLDERS' BENEFITS

Gross benefits and claims incurred	**3,954,696**	2,992,167
Less: Reinsurance	**(1,409,256)**	(1,089,611)
	2,545,440	1,902,556
Death claims: Individual life business	**204,506**	316,653
Death claims: Group business	**2,153,129**	1,290,702
Outstanding claims	**187,805**	295,201
	2,545,440	1,902,556

14. COMMISSION EXPENSE

Group business	**4,100,543**	2,308,911
Individual life	**220,843**	183,690
	4,321,386	2,492,601

15. GENERAL ADMINISTRATION EXPENSES

Employee benefits expense (see note 16)	**3,057,557**	2,295,675
Auditors' remuneration	**43,042**	35,169
Depreciation and amortisation	**66,740**	59,150
Legal and professional fees	**532,352**	327,338
Occupancy cost	**326,082**	249,882
Group support charges	**352,555**	391,301
Printing and stationery	**71,091**	56,673
Travelling and accomodation	**141,993**	166,405
Advertising and business promotion	**174,528**	132,386
Board expenses	**47,461**	46,841
Communication costs	**82,282**	97,304
Subscription and donation	**59,850**	57,602
Repairs and maintenance	**57,469**	73,913
New product research	**-**	-
Bank charges	**20,831**	18,270
Other operating expenses	**311,097**	253,814
	5,344,930	4,261,723

16. EMPLOYEE BENEFITS EXPENSE

	2011 **TZS '000**	2010 TZS '000
Employees' benefits expense include the following:		
- Salaries	**1,673,621**	1,473,053
- Social security costs (Defined contribution plans)	**167,362**	147,305
- Other employee benefits expense	**1,216,574**	675,317
	3,057,557	2,295,675

The number of employees during the year was 206 (2010: 202).

17. TAX

Tax expense

The company has a tax loss,hence the current tax charge is	**NIL**	NIL

The Company's current income tax charge is computed in accordance with income tax rules applicable to long term insurance companies.

A reconciliation between profit for the year and the nil tax charge is as follows:

Profit before tax	**2,570,569**	1,036,687
Tax applicable rate of 30% (2010:30%)	**771,171**	311,006
Non-deductible expenses/(income)	**(778,949)**	(327,623)
Origination and reversal of temporary differences	**7,778**	**16,617**
	-	-

Deferred tax

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

	2011 **TZS '000**	2010 TZS '000
At 01 January	**(75,125)**	(75,125)
At 31 December	**(75,125)**	(75,125)

Details of the deferred income tax asset are as follows:		
Accelerated capital deductions	**(475)**	(387)
General provisions	**(16,045)**	(11,901)
Tax losses	**(66,383)**	(79,454)
Deferred tax asset not recognised	**7,778**	16,617
At end of year	**(75,125)**	(75,125)

Prepaid corporate tax

At 01 January	**116,962**	56,893
Withholding tax on investment income paid during the year	**57,469**	60,069
At 31 December	**174,431**	116,962

18. PROPERTY AND EQUIPMENT

	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 31 December 2011					
Cost					
At 01 January	122,048	163,443	29,443	117,948	432,882
Additions	23,700	11,740	2,325	50,736	88,501
Disposal	(24,628)	-	-	-	(24,628)
At 31 December	**121,120**	**175,183**	**31,768**	**168,684**	**496,755**
Accumulated depreciation					
At 01 January	87,611	47,365	19,240	103,088	257,304
Charge for year	18,235	25,594	3,442	7,658	54,929
Disposal	(24,628)	-	-	-	(24,628)
At 31 December	**81,218**	**72,959**	**22,682**	**110,746**	**287,605**
Net carrying amount	**39,902**	**102,224**	**9,086**	**57,938**	**209,150**
At 31 December 2010					
Cost					
At 01 January	122,048	53,984	25,903	112,229	314,164
Additions	-	109,459	3,540	5,719	118,718
Disposal	-	-	-	-	-
At 31 December	**122,048**	**163,443**	**29,443**	**117,948**	**432,882**
Accumulated depreciation					
At 01 January	70,330	28,224	14,977	89,150	202,681
Charge for year	17,281	19,141	4,263	13,938	54,623
Disposal	-	-	-	-	-
At 31 December	**87,611**	**47,365**	**19,240**	**103,088**	**257,304**
Net carrying amount	**34,437**	**116,078**	**10,203**	**14,860**	**175,578**

There no any restrictions on title or assets pledged as security for liabilities .

	2011 TZS '000	2010 TZS '000
19. INTANGIBLE ASSET		
Computer software		
Cost		
At start of year	**25,550**	19,564
Additions -Computer software	**4,809**	5,986
At end of year	**30,359**	25,550
Accumulated amortisation		
At start of year	**14,686**	10,159
Charge for year	**5,806**	4,527
At end of year	**20,492**	14,686
Net book value	**9,867**	10,864

20. HELD TO MATURITY FINANCIAL ASSETS

Government securities maturing over 91 to 365 days	**1,089,637**	941,733
	1,089,637	941,733
Included in the above balance are government securities for investment contract liabilities amounting to:	**-**	-

Treasury bills were purchased at a discount from the range of 86.90% – 93.08% fixed rate. Government securities are stated at amortised cost and the carrying amount disclosed above reasonably approximate fair value at reporting date,the interest rates being market related.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Quoted equity securities		
At 1 January	**1,384,440**	957,676
Additions	**2,042,785**	403,977
Fair value adjustment: Sharholders' funds	**343,107**	(1,345)
Fair value adjustment: TANAPA Shares	**42,232**	24,132
At 31 December	**3,812,564**	1,384,440
Included in the above balance are quoted shares for investment contract liabilities amounting to:	**313,722**	271,490

The fair value adjustment recognised in the statement of comprehensive income during the year for listed financial assets at fair value through profit or loss is disclosed in note 12.

Equity securities are listed on the Dar es Salaam Stock exchange with the following companies:

Tanzania Breweries Limited	**1,472,816**	116,337
Tanzania Portland Cement Limited (Twiga)	**946,770**	747,320
National Microfinance Bank Limited	**704,325**	131,799
Swissport	**73,882**	-
Dar es Salaam Comminuty Bank Plc	**31,296**	-
CRDB Bank Limited	**583,475**	388,984
	3,812,564	1,384,440

	2011	2010
	TZS '000	TZS '000

22. FINANCIAL ASSETS CARRIED AT COST

Unquoted equity securities		
At 1 January	**174,588**	136,967
Additions	**200,000**	37,621
At 31 December	**374,588**	174,588

information that could have been used to apply valuation technique, therefore no fair value adjustment recognised in the statement of comprehensive income during the year. (2010: Nil). These are shares of Tanzania National Reinsurance Limited (TANRE) and there is no open market for the shares.

23. INSURANCE ASSETS

Premium due from brokers	**144,625**	1,864,253
Premium due from policy holders	**-**	87,876
Premium due from agents	**385,857**	618,549
Insurance assets	**530,482**	2,570,678

As at 31 December, the ageing analysis of insurance assets was as follows:

Less than 3 months	**530,482**	877,074
3 to 6 months	**-**	1,693,604
	530,482	2,570,678

As at 31 December 2011, none of insurance assets were impaired (2010: TZS NIL).

24. OTHER RECEIVABLES AND PREPAYMENTS

Prepayments	**54,812**	34,089
Staff loans and advances	**14,440**	33,918
Deposit for services	**10,797**	12,588
Others	**20,581**	-
	100,630	80,595

25. FIXED DEPOSITS WITH FINANCIAL INSITUTIONS

Fixed deposits maturing within 91 days	**1,408,580**	1,286,336
Fixed deposits maturing over 91 days to 364 days	**5,793,008**	5,164,779
	7,201,588	6,451,115

25. FIXED DEPOSITS WITH FINANCIAL INSITUTIONS (Continued)

Fixed deposits are held with the following financial institutions:

	2011 TZS '000	2010 TZS '000
Standard Chartered Bank (T) Limited	**1,822,919**	749,919
Commercial Bank of Africa (T) Limited	**1,568,138**	742,115
I &M Bank (T) Limited	**338,640**	313,353
FBME (T) Limited	**361,203**	334,539
Bank ABC (T) Limited	**554,347**	510,834
Barclays Bank (T) Limited	**917,702**	910,689
National Microfinance Bank (T) Limited	**-**	501,849
Kenya Comercial Bank	**851,574**	728,850
Exim Bank Limited	**555,344**	927,250
Ecobank	**231,720**	731,717
	7,201,587	6,451,115

Deposits in Tanzanian Shilling earn fixed interest of 7%-18% (2010: 9-13%) and deposits in US dollars earn fixed interest at the range between 2% – 5% (2010: 4% - 4.45%). The Company is required by the Insurance Regulations, 2009 to invest 40% of its assets in Category I Assets such as bank deposits, government securities, Bank of Tanzania, prescribed statutory bodies and local bodies.

26. CASH AND CASH EQUIVALENTS

	2011 TZS '000	2010 TZS '000
Cash at bank and in hand	**857,083**	1,368,902
Fixed deposits maturing within 91 days	**1,408,580**	1,286,336
	2,265,663	2,655,238

Cash and cash equivalents comprise of TZS 50 million (2010: TZS 32 million) denominated in foreign currency (United States Dollars).

Cash at banks earns interest at floating rate based on daily bank deposit rate. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rate.

27. SHARE CAPITAL

	2011 TZS '000	2010 TZS '000
Authorised,		
1,000,000 Ordinary shares with a nominal value of TZS 10,000 per share each	**10,000,000**	**10,000,000**
Issued and fully paid		
376,931 Ordinary shares with a nominal value of TZS 10,000 per share each	**3,769,310**	3,769,310

	2011 TZS '000	2010 TZS '000

28. EARNINGS PER SHARE – (BASIC AND DILUTED)

The basic and diluted earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. There is no difference between the number of shares issued at year-end and the weighted average number of shares for the year. There were no share transactions leading to dilutive effect.There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements which would require the restatement of earnings per share.

29. INSURANCE CONTRACT LIABILITIES

	2011 TZS '000	2010 TZS '000
Unearned premium	**2,027,996**	1,671,495
Financial soundness provision	**921,003**	530,979
	2,948,999	2,202,474

30. INVESTMENT CONTRACT LIABILITIES

	2011 TZS '000	2010 TZS '000
- At 01 January	**3,917,883**	2,542,299
- Contribution and investment income during the year	**245,827**	2,323,152
- Fair value adjustment: TANAPA Shares	42,232	24,132
- Unpaid contribution -impaired	(1,688,992)	-
- Payments of claims and claims handling expenses	**(668,143)**	(971,700)
- At 31 December	**1,848,807**	3,917,883

31. REINSURANCE LIABILITIES

	2011 TZS '000	2010 TZS '000
Tanzania National Reinsurance Corporation Limited	**73,488**	546,015
	73,488	546,015

The carrying amount represents outstanding reinsurance premiums due to reinsurance brokers and in the opinion of the directors, the carrying amounts approximate to their fair value

Reinsurances payables are non-interest bearing and are generally on 90 - 120 days terms.

32. OUTSTANDING CLAIMS

	2011 TZS '000	2010 TZS '000
- Claims incurred but not reported (IBNR)	**342,902**	348,763
- Outstanding Claims	**529,270**	341,465
	872,172	690,228

33. OTHER PAYABLES

	2011 TZS '000	2010 TZS '000
Amount due to related parties	**576,482**	788,837
Profit share payable to banks	**590,148**	236,112
Payroll statutory payables	**91,746**	76,360
Other liabilities	**220,174**	119,745
	1,478,550	1,221,054

Terms and conditions of the above financial liabilities:

i) Payroll statutory payables are payable on demand;
ii) Other payables are non -interest bearing and have an average term 30
iii) For terms and conditions relating o related parties, refer Note 34.

34. RELATED PARTY TRANSACTIONS

	2011 TZS '000	2010 TZS '000
Transactions and outstanding balances with related parties		
Expenses paid by African Life Assurance Company Ltd	**352,555**	391,301
Amount due to African Life Assurance Company Ltd	**287,674**	391,301
Compensation: Key management personnel		
- salary	**823,889**	617,868
- pension and gratuity	**82,389**	61,787
	906,278	679,655
Directors		
- Directors' expenses	**47,461**	46,841
	47,461	46,841

35. EMPLOYEES BENEFITS

	At beginning of the year	Charged during the year	Utilised during the year	At end of the year
Provision for bonus	-	302,059	-	**302,059**
Provision for exit package	50,000		(50,000)	**-**
Provision for gratuity	-	28,708	-	**28,708**
Provision for longterm staff retention	484,832	385,000	(140,133)	**729,699**
	534,832	**715,767**	**-190,133**	**1,060,466**

36. FAIR VALUES

	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Total Fair value TZS '000
31 December 2011				
Financial assets				
At fair value through profit or loss	3,812,564	-	-	3,812,564
Held to maturity	1,089,637	-	-	1,089,637
Loans and receivables	-	100,630	-	100,630
Fixed deposits with financial institutions	-	7,201,588	-	7,201,588
Financial assets carried at cost (*)	-	-	374,588	374,588
Cash and bank balances	-	857,083	-	857,083
Financial liabilities				
Investment contract liabilities		1,848,807		1,848,807
Other payables	-	1,478,550	-	1,478,550
31 December 2010				
Financial assets				
At fair value through profit or loss	1,384,440	-	-	1,384,440
Held to maturity	-	941,733	-	941,733
Other receivables	-	80,595	-	80,595
Fixed deposits with financial institutions	-	6,451,115	-	6,451,115
Financial assets carried at cost (*)	-	-	174,588	174,588
Cash and bank balances	-	1,368,902	-	1,368,902
Financial liabilities				
Investment contract liabilities		3,917,883		3,917,883
Other payables	-	1,221,054	-	1,221,054

At fair value through profit or loss financial assets - these instruments are at quoted list prices, they are classified as level 1.

Held to maturity financial assets,other receivables,fixed deposits with financial institutions;cash and bank balances and other payables are at amortised cost and their carrying amounts approximate their fair values as they have variable interest rate and the rates are market related. As the fair values are not based on quoted list prices, they are classified as level 2 as it is based on similar market transactions.

(*) These are carried at cost due to unavailability of information that could have been used to apply valuation technique, therefore no fair value adjustment recognised in the statement of comprehensive income during the year. (2010: Nil).

The movement in level 3 financial assets is attributable to additional purchase during the year.
Unlike prior year, held to maturity financial assets in current year are quoted in the market

37. RISK MANAGEMENT

The Company's activities expose the Company to a variety of financial risks. These risks include: insurance risk, liquidity risk, credit risk and the effect of changes in foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance.

The investment policy and reinsurance policy is in place which helps in managing liquidity and seeks to maximise return within an acceptable level of interest rate risk.

Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from the expectations. This is influenced by frequency of claims, severity of claims, actual benefits claimed and subsequent development of claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company has also developed its insurance strategy to diversify the type of insurance risks accepted and to develop within each category a sufficiently large population to reduce the variability of the expected outcome. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

Life insurance contracts offered by the Group include: whole life, term assurance, and pure endowment pensions.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability.

37. RISK MANAGEMENT(Continued)

Insurance risk (Continued)

However, in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. Certain pure endowment pensions contain the option to apply the proceeds towards the purchase of an annuity earlier than the date shown on the contract or to convert the contract to 'paid up' on guaranteed terms. The majority of the mortgage endowment contracts offered by the Company has a minimum maturity values subject to certain conditions being satisfied.

The main risks that the Company is exposed to are as follows:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected
- Longevity risk - risk of loss arising due to the annuitant living longer than expected
- Investment return risk - risk of loss arising from actual returns being different than expected
- Expense risk - risk of loss arising from expense experience being different than expected
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. The actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the actuary prior to being issued. Specific testing for HIV/Aids is carried out in all cases where the morbidity for risk cover exceeds a set limit. Policy terms provide for claims arising due to HIV/Aids related causes to be restricted to a specific limit. The maximum risk retention per life is TZS12 million.

37. RISK MANAGEMENT (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Fair values of investments may be affected by the creditworthiness of the issuers of securities. There is no significant concentration of credit risk.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company restricts its credit risk exposure by entering into netting arrangements with brokers and reinsurers. However, such arrangements do not generally result in offset of assets and liabilities in the statement of financial position.
- Reinsurance is placed with reinsurers that have a good credit rating and concentration of risk is avoided by placing business with different reinsurers.
- Receivables from brokers are monitored closely and regular follow up made for overdue amounts.

Limits of exposure are set by the investment committee and independently monitored.

Maximum exposure to credit risk

	2011 TZS'000	2010 TZS'000
Insurance assets	530,482	2,570,678
Reinsurance receivables	-	-
Other receivables	100,630	80,595
Government securities held to maturity	1,089,637	941,733
Equity shares at fair value through profit and loss	3,812,564	1,384,440
Fixed deposits with financial institutions	7,201,588	6,451,115
	12,734,901	**11,428,562**

No collateral is held for any of the above assets. As at 31 December 2011 no receivables were past due (2010: TZS 1,694 million). There were no receivables that were impaired during the year (2010: NIL). Past due but not impaired receivables are between four and six months.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial instruments obligations.

The Company is exposed to daily cash calls on its available cash for claim settlement and other expenses. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Company's reinsurance surplus and excess of loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

37. RISK MANAGEMENT(Continued)

The table below shows cash flows payable by the Company under financial liabilities and assets by remaining contractual maturities on the reporting date.

Year 2011

	Current*	**Non-Current**	**Total**
Liabilities	**TZS'000**	**TZS'000**	**TZS'000**
Insurance contract liabilities	-	2,948,999	2,948,999
Investment contract liabilities	-	1,848,807	1,848,807
Reinsurance payables	73,488	-	73,488
Outstanding claims	872,172	-	872,172
Other payables	2,539,015	-	2,539,015
	3,484,675	**4,797,806**	**8,282,481**

Year 2010

	Current	**Non-Current**	**Total**
Liabilities	**TZS'000**	**TZS'000**	**TZS'000**
Insurance contract liabilities	-	2,202,474	2,202,474
Investment contract liabilities	-	3,917,883	3,917,883
Reinsurance payables	546,015		546,015
Outstanding claims	690,228	-	690,228
Other payables	1,755,887	-	1,755,887
	2,992,130	**6,120,357**	**9,112,487**

Year 2011

	Current*	**Non-Current**	**Total**
Assets	**TZS'000**	**TZS'000**	**TZS'000**
Insurance assets	530,482	-	530,482
Other receivables	100,630	-	100,630
Held to maturity financial assets	-	1,089,637	1,089,637
Other financial assets carried at cost	-	374,588	374,588
Financial assets at fair value through profit and loss	-	3,812,564	3,812,564
Fixed deposits with banks	7,201,588	-	7,201,588
Cash and Bank balances	*857,083*	-	857,083
	8,689,783	**5,276,789**	**13,966,572**

37. RISK MANAGEMENT(Continued)

Year 2010

	Current*	Non-Current	Total
Assets	**TZS'000**	**TZS'000**	**TZS'000**
Amount due from reinsurers	2,570,678	-	2,570,678
Other receivables	80,575	-	80,575
Held to maturity financial assets	941,733	-	941,733
Other financial assets carried at cost	-	174,588	174,588
Financial assets at fair value through profit and loss	-	1,384,440	1,384,440
Fixed deposits with banks	6,451,115	-	6,451,115
Cash and Bank balances	1,368,902	-	1,368,902
	11,413,023	**1,559,028**	**12,972,051**

*Expected recovery or settlement within 12 months from the reporting date.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risks: foreign exchange risk (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Currency risk

The Company's principal transactions are carried out in Tanzanian Shillings and its exposure to foreign exchange risk arises primarily with respect to the transactions executed in US Dollars.

The Company's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which mitigate the foreign currency exchange risk.

At 31 December 2011, if the TZS had weakened/strengthened by 5% against the Dollar with all other variables held constant, post tax profit for the year would have been TZS 20 million (2010: TZS 3.6 million) higher/lower mainly as a result of dollar receivables/payables and bank balances.

The Company has no significant concentration of currency risk.

37. RISK MANAGEMENT (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's fixed interest rate financial instruments are government securities and deposits with financial institutions. The Company tries to mitigate the risk of variation in interest rates by going in for longer periods of maturity when the interest rates are good and shorter maturity periods when the interest rates are not that good.

Since investment contracts with government securities and deposits with financial institutions held to maturity are accounted for at amortised cost, their carrying amounts are not sensitive to changes in the level of interest rates.

At 31 December 2011,a change of +/ (-) 5% in the interest rate at the end of year 2011, could have resulted to a change of +/ (-) TZS 360 million (2010: TZS 322 million) on profit before tax for the year .

(iii) Price risks

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.
The Company is exposed to equity securities price risk because of its significant investments in quoted and unquoted shares. The Company has no significant concentration of equity price risk.

At 31 December 2011, a change of +/ (-) 5% in the securities price, could have resulted to a change of +/ (-) TZS 209 million (2010: TZS 78 million) on profit before tax for the year.

Operational risk

Losses may result from inadequate or failed internal processes, people and systems or from external events. The initiation of all transactions and their administration is conducted on the basis of segregation of duties that has been designed to ensure, in all material respects, the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and control back-up facilities and contingent planning. The internal control system and procedures are also subject to regular internal audit reviews. Daily back-up of electronic data is done and backup tapes stored offsite.

37. CAPITAL MANAGEMENT POLICY

The Company's objectives in managing capital are:

i. To comply with the capital requirements set out in the Insurance Act, 2010
ii. To comply with the regulatory solvency requirements as set out in the Insurance Act and Regulations 2010;
iii. To safe guard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
iv. To maintain the required level of stability of the Company thereby providing security to the policyholders;
v. To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders; and
vi. To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
vii. To maintain healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or return capital to ordinary shareholders.

The capital adequacy/solvency margin requirement for long term insurer is for its admitted assets to exceed all the liabilities by TZS 1,100 million (2010: TZS 800 million), the Company's admitted assets exceeded its liabilities by TZS 4,844 million (2010: TZS 2,738 million). Solvency margin of the Company as at year end is calculated as follows:

	Admittance Factor (%)	Statement of financial position amount		Admitted amount	
		2011	2010	2011	2010
Computers, vehicles and office equipment	75/25/0	219,017	186,443	97,552	117,356
Cash and bank balances	100	857,083	1,368,902	857,083	1,368,902
Deposits in financial institutions	100	7,201,588	6,451,115	7,201,588	6,451,115
Tanzanian government securities	100	1,089,637	941,733	1,089,637	941,733
Listed shares	80	3,812,564	1,384,440	3,050,051	1,107,552
Other shares	80	374,588	174,588	299,670	139,670
Receivables (0 to 3 months)	100	530,482	877,074	530,482	877,074
Receivables (4 to 6 months)	50	-	1,693,604	-	846,802
Deferred taxes	0	75,125	75,125	-	-
Other assets	0	275,061	197,558	-	-
Total (A)		**14,435,145**	**13,350,581**	**13,126,063**	**11,850,203**
Total liabilities		8,282,482	9,112,487	8,282,482	9,112,487
Amount prescribed in regulation 21(2)				1,100,000	800,000
Total Margin Requirement **(B)**				**9,382,482**	**9,912,487**
Excess admitted assets (A– B)				**3,743,581**	**1,937,716**

38. CAPITAL MANAGEMENT POLICY (Continued)

The Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders. The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of economic conditions and risk characteristics. The primary source of capital used by the Company is equity shareholder's funds and reserves. Total equity as at 31 December 2011 amounted to TZS 6,152 million (2010: TZS 4,238 million)

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

39. LEGAL PROCEEDINGS AND REGULATIONS

The Company operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

The Company is also subject to insurance solvency regulations in all the territories where it operates and has complied with all these solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

40. CAPITAL COMMITMENTS AND OPERATING LEASES

The Company had no capital commitments as at reporting date.

The Company has entered into commercial leases for office space and residential houses. These leases have an average life of five years with a renewal option.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

Within one year	263,515,000	208,608,000
Up to five years	1,317,575,000	886,637,000

The Company has no capital commitments as at reporting date.

41. INCORPORATION

The Company is incorporated and domiciled in Tanzania.

42. ULTIMATE HOLDING COMPANY

The Ultimate holding Company is Sanlam Limited incorporated in South Africa.

43. SUBSEQUENT EVENTS

There are no subsequent events that have occurred which are either to be disclosed or to be adjusted in the financial statements that could materially affect the financial statements.

44. ASSETS PLEDGED AS SECURITY

There were no assets pledged as security at year end (2010: TZS Nil).

45. CONTINGENT LIABILITIES /ASSETS

Except for the effect of tax matters that may arise as disclosed in Note 17, there are no material contingencies as at 31 December 2011, which may possibly result in a loss or gain to the Company or in commitments which it cannot meet, and for which no provision is considered necessary or only partial provision has been made.