EAST AFRICA REINSURANCE (TANZANIA) COMPANY LIMITED

Report and Financial Statements
For the 18 months ended 31 December 2024

Contents

ABBREVIATIONS

ARC	Asset for Remaining Coverage
CSM	Contractual Service Margin
ESG	Environmental, Social and Governance
ECL	Expected Credit Losses
FVTPL	Fair Value Through Profit or Loss
FVOCI	Fair Value Through Other Comprehensive Income
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LC	Loss Component
LGD	Loss Given Default
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
PAA	Premium Allocation Approach
PD	Probability of Default
PV	Present Value
PVFCF	Present Value of Future Cashflows
RA	Risk Adjustment
RLRC	Reinsurance Loss Recovery Component
TIRA	Tanzania Insurance Regulatory Authority

CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

East Africa Reinsurance (Tanzania) Company Limited
5th Floor, TANRE House, Longido Street
Plot No. 406 - Upanga
P.O. Box 14427 Dar es Salaam, Tanzania
Tel: +255 75 7790777; +255 22 222 1420
E-mail: earetz@eastafricare.com
Website: www.eastafricare.com

VISION STATEMENT

To be the risk partner of choice in our markets

MISSION STATEMENT

To provide quality risk solutions, excellent service and enhanced value to all stakeholders.

CORE VALUES

Integrity, Commitment, Partnership, Excellence, Professionalism, Innovation.

SECRETARY

Patrick Sanga
Vema Attorneys
Msasani Tower, 5th Floor – Wing A
Off Kimweri Road,Msasani Village
P.O. Box 7297
Dar es Salaam, Tanzania

AUDITOR

KPMG
Certified Public Accountants (Tanzania)
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P.O. Box 1160
Dar es Salaam, Tanzania

DIRECTORS

A.K. Wainaina*
Dr. J.P. Kipokola
P.K. Maina*
P.K. Mugambi*
S. Ndikimi (Ms)
A. Eyakuze
* Kenyan

CORPORATE INFORMATION

LEGAL ADVISORS	Vemma Attorneys Msasani Tower, 5th Floor – Wing A Off Kimweri Road, Msasani Village P.O. Box 7297 Dar es Salaam, Tanzania
APPOINTED ACTUARY	Zamara Actuaries, Administrators and Consultants Limited 10th Floor, PSSSF House P.O. Box 20119—11104 Dar es Salaam, Tanzania
PRINCIPAL BANKERS	NCBA Bank Tanzania Limited Amani Place, Ohio Street P.O. Box 20268 Dar es Salaam, Tanzania National Bank of Commerce Limited NBC House, Azikiwe Street P.O. Box 1863 Dar es Salaam, Tanzania CRDB Bank Ali Hassan Mwinyi Road P.O. Box 268 Dar es Salaam, Tanzania

FINANCIAL HIGHLIGHTS

Combined Business

TZS Millions	2024
Insurance revenue	16,345
Insurance service expenses	(12,773)
Insurance service result	1,903
Investment income	1,012
Profit Before Tax	2,274
Profit After Tax	1,669
Shareholders' Funds	11,863
Share Capital	10,175
Total Assets	37,329

Ratios

Claims Loss Ratio	38%
Earnings Per Share (Shs)	16,399
Return on Equity Before Tax	19%
Return on Equity After Tax	14%

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of East Africa Reinsurance (Tanzania) Company Limited, I am honoured to present the Company's Report and Financial Statements for the 18 months ended 31 December 2024. This marks the first financial reporting period since the Company's incorporation in July 2023 and the commencement of operations in January 2024.

During the review period, Tanzania's economy demonstrated resilience amidst global economic headwinds. The country experienced moderate GDP growth supported by robust performance in key sectors such as construction and agriculture. However, inflationary pressures, currency depreciation, and global supply chain disruptions posed challenges to businesses across various industries.

Tanzania's reinsurance market also underwent notable regulatory and operational changes. The increased focus on risk-based capital, evolving solvency requirements, and the phased implementation of IFRS 17 Insurance Contracts brought new complexities and opportunities for the industry.

BUSINESS ENVIRONMENT

The period under review was marked by both global and local economic challenges that impacted the operating landscape for the reinsurance industry. However, Tanzania's economic landscape in 2024 reflects steady progress underpinned by sectoral growth, policy adjustments, and global trends:

Economic Growth: In the fiscal year 2023/24, Tanzania's economy demonstrated resilience with a real GDP growth of 5.1%, slightly surpassing the projected 5%. Key sectors driving this growth included agriculture, mining, construction, financial services, and manufacturing. Looking ahead to 2024/25, real GDP growth is projected to reach 5.4% as the government's budget emphasizes sustainable economic reforms aimed at improving the business climate, including infrastructure development and simplified regulatory procedures.

Inflation and Fiscal Health: Inflation declined to 3.3% in the fiscal year 2023/24, owing to stability in food and energy prices. This is expected to remain stable with a projection of 3.4% expected for the fiscal year 2024/25. The fiscal deficit, financed by domestic and external borrowing, declined to 2.5% of GDP in 2023/24 and is expected to stabilize at that level in 2024/25, supported by improvements in revenue performance.

Monetary Stability: The Tanzania shilling has faced depreciation challenges against all the major currencies from January to October 2024, reflecting foreign exchange shortages. However, the shilling showed slight improvement in the last quarter of the year. The depreciation rate over the past year has decreased, suggesting that external pressures on the currency may be easing. Additionally, the Bank of Tanzania has maintained its key interest rate at 6%, citing strong economic growth and low inflation.

Trade and Investment: The current account deficit is expected to hover around 4% of GDP in the fiscal year 2024/25, financed through external borrowing. Efforts to attract foreign direct investment include streamlined business registration processes and sectoral incentives, particularly in energy and technology.

Despite these achievements, Tanzania must address foreign exchange pressures, improve export diversification, and mitigate external shocks from global geopolitical tensions and climate-related disruptions. This economic outlook positions Tanzania as a key player in East Africa's growth trajectory, with continued reforms and strategic investments laying a solid foundation for future development.

CHAIRMAN'S STATEMENT (continued)

THE REINSURANCE INDUSTRY

The global reinsurance industry in 2024 faces a complex landscape shaped by economic, climatic, and market challenges. High inflation, tight monetary policies, and uneven post-pandemic recovery have constrained growth across global markets. Capital availability for the sector has improved modestly, rising by 13% in 2023 due to retained earnings and investment gains, but the influx of new capital remains limited. Additionally, the industry is experiencing rate hardening driven by increased catastrophic risks and higher retrocession costs, emphasizing the need for profitability amidst rising claims and regulatory scrutiny.

Despite these challenges, the industry is discovering pathways for growth and innovation. Emerging markets, including Tanzania, are benefiting from expanding economies and a growing middle class, leading to increased demand for insurance products. However, these regions face hurdles such as low insurance penetration and heightened exposure to climate-related risks.

Structural changes in risk modeling, coupled with a shift towards sustainable practices, however, are enabling the sector to adapt to these challenges. The focus on emerging markets and the development of innovative insurance solutions are paving the way for long-term profitability. In 2024, therefore, the reinsurance industry demonstrates resilience, leveraging opportunities in both established and emerging markets by embracing innovation, reinforcing underwriting discipline, and addressing climate risks effectively.

COMPANY PERFORMANCE

Despite the challenges in the operating environment, the Company delivered a strong inaugural performance, reflecting its commitment to robust risk management, operational efficiency, and exceptional service delivery. During the period under review, the Company recorded a Profit Before Tax of TZS 2.27 Billion. This was driven by our strong market position and effective cedant relationships, both new and existing, and increased demand for facultative reinsurance solutions. A comprehensive breakdown of the financial performance and key highlights is contained in the Report of those charged with Governance.

IFRS 17 REPORTING

IFRS 17 Insurance Contracts became effective on 1 January 2023. The Company has leveraged on the substantial investments in appropriate technology made by the parent Company, East Africa Reinsurance Company Limited, to ensure smooth implementation of the standard. I am pleased to announce that the Company successfully implemented the standard in its first year of operations. The Report and Financial Statements presented herein comply with the standard.

REGULATORY AND STRATEGIC DEVELOPMENTS

In line with the Tanzania Insurance Regulatory Authority (TIRA) guidelines, the Company successfully met all regulatory requirements, including the prescribed solvency margin and minimum paid-up capital requirements. The Company had a solvency margin surplus of TZS 158 million as at 31 December 2024. Additionally, the Company's share capital as at 31 December was TZS 10.2 Billion and therefore, meets the minimum capital requirements.

The Company has also made notable progress toward compliance with the requirement on one-third local shareholding. The allotment of shares to the new local shareholders has already been approved by TIRA, and the Company is currently awaiting final approval from the Fair Competition Commission (FCC) to formalize the allotment. Details of the Company’s issued share capital as at 31 December 2024 is outlined within Report and Financial Statements presented herein.

CHAIRMAN'S STATEMENT (continued)

SECURITY RATING

During the period under review, A.M. Best affirmed the parent Company's Financial Strength Rating of B (Fair) and Long-Term Issuer Credit Rating of "bb+". GCR Ratings ("GCR") also affirmed the parent Company's International Financial Strength rating of B and maintained its National Financial Strength from AA- to AA+ with a Stable Outlook.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

In fulfilling their responsibilities, the Directors believe that they govern the Company in the best interests of all stakeholders, and the Company has continued to maintain a good relationship with all Stakeholders. The Company is working on integrating sustainability considerations and has been introducing the Environmental, Social and Governance criteria across all areas of underwriting, investments, and operations. The Company also participates in and contributes to social activities, both at the local and national levels when a suitable cause is identified and considered appropriate.

OUTLOOK

Looking ahead, the reinsurance industry in Tanzania is poised for growth amid increasing awareness of risk mitigation and expanding insurance penetration. However, challenges such as climate-related risks, inflation, and evolving regulatory frameworks will require agility and innovation.

The Company remains committed to strengthening its market position and delivering value to stakeholders. Through focused execution of our strategic plan, we aim to support sustainable growth, enhance client satisfaction, and contribute positively to Tanzania’s economic development.

APPRECIATION

As we conclude our first year of operations, I extend my heartfelt gratitude to our clients, business partners, and regulators for their trust and invaluable support in this foundational phase. Your collaboration has been instrumental in enabling us to establish our presence and deliver on our commitments.

I also thank our shareholders for their confidence in the Company’s vision and strategic direction, providing the support necessary to navigate our formative challenges. To my fellow Board members, your guidance and dedication have been pivotal in shaping our path.

Lastly, I sincerely appreciate our employees for their hard work, passion, and resilience. Your unwavering commitment has been the cornerstone of our achievements thus far, setting the stage for future success.

As we move forward, I am confident that East Africa Reinsurance (Tanzania) Company Limited will continue to build on this solid foundation, creating lasting value for all stakeholders and contributing positively to the industry and community at large.

Thank you.

A. K. Wainaina
Chairman
17 February 2025

THE REPORT BY THOSE CHARGED WITH GOVERNANCE

1. INTRODUCTION

Those charged with governance submit their report together with the audited financial statements of East Africa Reinsurance (Tanzania) Company Limited (the "Company") for the 18 months ended 31 December 2024, which discloses the state of affairs.

2. INCORPORATION

The Company is domiciled in Tanzania, where it is incorporated as a private limited liability company under the Companies Act, No.12 of 2002. The Company was incorporated on 11 July 2023 and commenced operations on 1 January 2024.

These financial statements cover the period from incorporation to 31 December 2024. The address of its registered office is set out on page XX as part of the Corporate Information.

3. PRINCIPAL ACTIVITIES

The Company's principal activity is underwriting all classes of reinsurance and reassurance businesses as defined by the Insurance Act, 2009.

4. FINANCIAL PERFORMANCE AND KEY PERFORMANCE INDICATORS

The Company's performance in the period was marked by robust underwriting performance and moderate investment returns, leading to impressive profitability in the first year of operations and growth in assets and shareholders' funds.

This success is further highlighted by the Company's reported insurance revenue of TZS 16.34 Billion for the 18 months ended 31 December 2024, as detailed below:

	2024
	TZS '000
Aviation	101,566
Engineering	795,003
Fire	7,407,590
Liability	68,184
Marine	643,411
Motor	659,263
Personal Accident	21,868
Medical	500,826
Miscellaneous	1,454,099
Ordinary Life	234,636
Group Life	4,458,089

The Company reported a profit before tax of TZS 2.27 Billion, total assets of TZS 37.33 Billion and Shareholders' Funds of TZS 11.86 Billion.

Other key performance indicators are contained under the Financial Highlights section on page 6.

5. STRATEGY AND FUTURE OUTLOOK

The Company's strategy is centred on sustainable growth and maximising value for all stakeholders. As a newly incorporated entity in 2024, the Company focused on strengthening customer relationships, delivering exceptional service to our clients, and operational excellence through technology. We are confident that this strategy will deliver sustainable growth and are committed to meeting and exceeding clients' expectations.

To achieve the strategic goals set, we have developed specific objectives and initiatives supported by measurable key performance indicators (KPIs), expected outcomes, timelines, and clearly defined responsibilities. Furthermore, a robust monitoring and evaluation framework has been integrated into the strategic plan to ensure its successful execution.

As we look to the future, the Company is committed to strengthening its positioning by delivering quality and tailored reinsurance solutions. We aim to provide exceptional customer service and maintain strong relationships with all stakeholders. Through disciplined execution of our strategic plan, we strive to support sustainable growth and profitability, contribute positively to Tanzania's insurance and reinsurance sectors and drive value creation for all stakeholders.

6. BUSINESS OPERATING MODEL

Our business model is built on strong partnerships with our clients. We aim to add value to our clients' businesses by being responsive, agile, and flexible, and by creating tailored solutions that address their specific needs. Every interaction with our clients is designed to be memorable and impactful, reinforcing trust and building long-term partnerships.

A cornerstone of our approach is maintaining financial strength and stability. Our strong balance sheet enables us to honour our obligations to our clients promptly, and our business partners and clients can rely on us when unexpected events occur. Additionally, we are supported by a strong retrocession program that provides further security and the capacity to manage claims efficiently and effectively.

Our technical expertise, backed by our financial strength and commitment to exceptional service, positions the Company to deliver value to our stakeholders.

7. DIRECTORS

The Directors who held office during the period under review and as of the date of this report were:

Name	Position	Nationality	Appointment Date
A. K. Wainaina	Chairman	Kenyan	27 July 2023
Dr. J. P. Kipokola	Director	Tanzanian	27 July 2023
P. K. Maina	Director	Kenyan	27 July 2023
P. K. Mugambi	Director	Kenyan	27 July 2023
S. Ndikimi	Director	Tanzanian	27 July 2023
A. Eyakuze	Director	Tanzanian	30 November 2023

8. SHAREHOLDING AND CAPITAL POSITION

The Company's authorised share capital is TZS 25 billion, comprising 250,000 ordinary shares with a nominal value of TZS 100,000 per share. At 31 December 2024, the paid-up capital was TZS 10.175 Billion, comprising 101,750 shares, as detailed below:

8. SHAREHOLDING AND CAPITAL POSITION (continued)

Shareholder	Number of Ordinary Shares	% Shareholding
East Africa Reinsurance Company Limited	101,749	99.99
First Chartered Securities Limited	1	0.01
	101,750	**100**

The shareholders' investments are aligned with both the requirements of insurance laws and support the business growth strategies in both the short and long term. The Company anticipates onboarding new shareholders in 2025. None of the Company's Directors has a shareholding interest in the Company.

At 31 December 2024, the Company had a solvency margin surplus of TZS 158 million and, therefore, met the positive solvency margin surplus requirements as stipulated by the Tanzania Insurance Regulatory Authority (TIRA).

9. DIVIDENDS

The Directors did not declare dividends for the 18-month period ended 31 December 2024.

10. CORPORATE GOVERNANCE

The Board of Directors and Management of the Company are committed to upholding the highest standards of corporate governance and ensuring compliance with applicable legislation, regulations and best practices in the insurance industry. The Company continues to fulfil its corporate governance obligations and responsibilities in the best interests of all its stakeholders. The Board recognises that good corporate governance enhances the Company's performance, ensures business sustainability and maintains stakeholder confidence and support.

The Board of Directors is responsible for the Company's vision and providing strategic direction in line with best practices while promoting and protecting shareholder value. This is achieved by setting appropriate business strategies and plans and monitoring performance against those strategies and plans.

The Board of Directors is accountable to the shareholders and is responsible for providing overall leadership to the Company. The roles of the Board include the following:

- Providing strategic direction to the Company by exercising sound, objective and informed judgment;
- Monitoring the Company's performance and reporting on the same to shareholders;
- Setting appropriate policies, guidelines and governance structures for effective management of business operations; and
- Ensuring that the Company ethically conducts its business and complies with applicable laws and regulations.

In carrying out the above responsibilities, the Board delegates its authority to the Country Manager and Principal Officer to oversee the Company's day-to-day management and implementation of the strategy. However, the Board retains the overall responsibility for the Company's financial performance, compliance with laws and regulations, monitoring operations and ensuring competent business management.

10. CORPORATE GOVERNANCE (continued)

Board Composition and Appointments

During the period under review, six directors served on the Board, five of whom were non-executive and one executive, the Group Chief Executive Officer. The Directors have diverse experiences and competencies in various industries, including insurance, law, banking, economics and accounting. This diversity provides the Board with a range of relevant skills in discharging its responsibilities. It brings in the element of independent judgment and risk assessment in the decision-making process.

The Board complies with the TIRA requirement, which stipulates that the Board should have a minimum of 5 directors, a third of whom must be Tanzanian.

The Board maintains transparent procedures for the appointment and induction of new Board members. All Directors have a fixed tenure in office and are required to retire every three years with a provision for re-election, subject to attaining favourable performance evaluation by the Board.

Board Meetings

The Board convenes at least four times a year, with additional meetings scheduled as necessary to address emerging issues. To maintain efficiency and clarity, an annual calendar of Board meetings is prepared in advance and shared with all directors, fostering proactive planning and engagement from the Board members. The notice of Board meetings is circulated in accordance with the Company's Articles of Association. It is distributed to all the Directors beforehand with an agenda and accompanying board papers through the Boardvantage system. This ensures that the Directors have sufficient time to review the board papers ahead of the meeting and thereby have meaningful deliberations during the sessions.

The Board of Directors has full and unlimited access to the Company's records. All reports from external consultants and regulatory authorities such as TIRA, Tanzania Revenue Authority, Auditors and Actuaries are reviewed in board meetings, and appropriate actions are taken.

Remuneration of Directors

The Board is remunerated fairly and responsibly based on a compensation structure aligned with the Company's strategy. The Directors' remuneration reflects their roles and responsibilities and considers industry benchmarks and international practices. The Shareholders approve the directors' remuneration at every Annual General Meeting.

The aggregate amount of emoluments paid to non-executive directors for services rendered during the period under review is disclosed in Note 27 (d) to the financial statements for the year ended 31 December 2024.

11. RELATED PARTY TRANSACTIONS

Transactions with related parties during the year were conducted at arm's length or terms and conditions similar to those offered to other customers and suppliers in the ordinary course of business. Details of transactions and balances with related parties are disclosed in Note 27 to the financial statements for the period ended 31 December 2024.

12. MANAGEMENT

Management of the Company is under the Country Manager and Principal Officer and is organised into the following functions:

- Technical Business
- Finance
- Risk and Compliance
- Human Resources and Administration
- Information Technology

13. OUR RESOURCES

The Company's resources consist of financial, human, intellectual, manufactured, social and relationship resources.

Financial Capital

This is comprised of the pool of funds that support our business operations and the value we create in the economies in which we operate. At 31 December 2024, the Company's share capital stood at TZS 10.175 billion, while total assets were TZS 37.48 billion.

Human Capital

Our people are important to us, making human capital one of our most significant resources. Undoubtedly, having the right talent in the right role enables us to win in the market. Based on this premise, we seek to evolve while ensuring everyone can excel, grow, and deliver value to our customers, investors, and the community we serve. We endeavour to build our human capital, drive a performance-driven culture, and support organisational diversity through;

- Attracting the best and most diverse talent while continuously upskilling/reskilling our employees.
- Fostering a culture and work environment that enables us to deliver impact and business outcomes through an engaged workforce and offering distinctive value;
- Supporting employee wellbeing.

For more information on our human capital, refer to section 18 of this report.

Intellectual Capital

This is comprised of intangible assets such as intellectual property, a strong reinsurance brand, reputation, strategic alliances, processes and procedures, such as enterprise risk management procedures, and the specialised knowledge and abilities of our staff and Board of directors.

Manufactured Capital

The Company's manufactured capital represents our physical infrastructure, motor vehicles, IT equipment and furniture, and digital infrastructure. The efficient use of manufactured capital enables us to be flexible and responsive to customer needs, resulting in the effective delivery of our services.

Social and Relationship Capital

These are the solid relationships established within our stakeholders and networks, the shared norms, common values and behaviours, key relationships, and the trust and willingness to engage that we have developed over time as we strive to create and protect our stakeholders' wealth. This capital has been instrumental to the Company's success in this first year of operation.

13. OPERATING ENVIRONMENT

Economic Environment

In 2024, the Tanzania economic landscape presented a mixed operating environment for businesses, including the reinsurance industry. According to the International Monetary Fund (IMF), economic growth has gained momentum, with the country's real GDP growth projected at 5.4% in the first half of 2024, from 5.1% in 2023, driven by agriculture, tourism, and ongoing investments in infrastructure and industrialisation.

Inflation remained within the central bank's target and stood at 3% as at November 2024, supported by moderated food and energy prices, providing a predictable environment for pricing insurance and reinsurance products.

However, challenges such as currency depreciation against major global currencies impacted the cost of retrocession and other imported services. The Tanzanian shilling's devaluation reflected foreign exchange shortages, increasing pressure on businesses reliant on external inputs. On the microeconomic front, the insurance market showed steady growth due to rising insurance penetration rates and heightened awareness of risk mitigation, particularly among corporate clients.

Regulatory Environment

The Tanzania Insurance Regulatory Authority (TIRA) continued to actively ensure the stability and growth of the insurance and reinsurance sectors. Key regulatory requirements included compliance with minimum solvency margins, prescribed capital requirements, and adherence to corporate governance guidelines.

As of 31 December 2024, the Company met the minimum paid-up capital and solvency margins requirements. The Company's approval of additional share allotments reflects its commitment to compliance.

Technology Landscape

The technology landscape in Tanzania is rapidly evolving, with increasing adoption of digital solutions across industries. The insurance sector is leveraging digital platforms for claims processing, risk modelling, and client management, enhancing operational efficiency and customer satisfaction.

However, challenges such as limited infrastructure in rural areas and the need for cybersecurity improvements remain. The Company has invested in secure digital platforms to manage data and facilitate seamless interactions with clients and brokers. These efforts align with the broader trend of digital transformation in Tanzania's financial sector.

Political Environment

The political stability in the country continues to provide a conducive environment for business operations. The government's focus on economic reforms, including improving the ease of doing business and fostering public-private partnerships, has bolstered investor confidence.

Despite global geopolitical uncertainties, Tanzania remains insulated from major disruptions, offering a relatively predictable operating environment. However, localised political challenges, such as implementing policy changes, require close monitoring to ensure compliance and alignment with government priorities.

14. STAKEHOLDER RELATIONSHIPS

The Company has various stakeholders, including cedants, brokers, retrocessionaires, the Tanzania Insurance Regulatory Authority (TIRA), other regulators, shareholders, suppliers, and employees, among others. It is the environment it operates in and the societies it serves. Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. We engage in dialogue with our stakeholders to ensure a comprehensive understanding of their needs and seek to meet their expectations to create value for them and the Company.

The table below details some of our key stakeholders and their respective needs or expectations.

Stakeholder	Stakeholder Needs and Expectations
Employees	• Professional development and advancement opportunities • Fair and competitive remuneration and performance management • A positive work culture and effective leadership • Flexible working and autonomy • Overall well-being support
Cedants	• Reinsurance capacity and support in product development • Exceptional customer service, including prompt settlement of claims
Retrocessionaires	• Prudent underwriting practices • Timely payment of retrocession premiums
Reinsurance brokers and other suppliers	• Service provision opportunities and timely settlement of amounts due to them.
Shareholders	• Shareholder value creation, including capital appreciation • Sustainable returns and dividends
Government, TIRA and other regulators	• Compliance with applicable laws and regulations • Participation and contribution in industry and regulatory working groups • Tax compliance and payments
Society	• Responsible corporate citizenry and sustainable business practices.

15. TREASURY POLICIES AND OBJECTIVES

The Company's Investment Policy Statement defines and guides its treasury policies and objectives. It also details the responsibilities of the Board and other parties involved in managing the Company's investments.

The Company's overall investment objective is to optimise investment returns while managing risk and maintaining a diversified portfolio.

The Company invests its available funds in accordance with its investment strategy, the investment policy statement, and the relevant provisions of the Insurance Act and associated Insurance Regulations. In the period under review, investments were made in government securities and deposits with financial institutions, and a gross investment income of TZS 1.012 billion was realised.

16. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board of Directors is responsible for establishing and overseeing an effective risk management and internal control framework to ensure that the Company identifies and mitigates potential threats to its financial and operational well-being and remains in compliance with applicable laws and regulations.

16. RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

An effective risk management framework ensures a systematic and orderly process of identifying, assessing, managing, monitoring, and reporting all material risks that could adversely impact the achievement of the business objectives. Conversely, the internal control framework is a set of internal policies and procedures that ensures the integrity of financial and accounting information, promotes compliance and operational efficiency, and prevents fraud. Both internal control and risk management are critical components of the Company's overall governance and compliance framework.

The Board of Directors and Management of the Company are committed to upholding the highest standards of corporate governance and ensuring compliance with applicable legislation and regulations and alignment with industry best practices. In this regard, the Board of Directors has established and approved appropriate internal policies and procedures across all critical business processes to ensure effective and efficient management of business operations. Management reviews these internal policies and procedures on a regular basis to ensure they remain relevant, effective, and aligned with prevailing legal, regulatory and market conditions; any changes to the policies are subject to Board approval.

The Risk and Compliance function is responsible for monitoring and reporting on the Company's ongoing risk management activities, assessing the effectiveness of internal controls and adherence to internal policies and procedures, and ensuring compliance with applicable laws and regulations. The Internal Audit function regularly reviews the internal control environment to give the Board assurance over its effectiveness while highlighting any areas of improvement. These control functions report ongoing audit, risk, and compliance matters to the Board on a quarterly basis, which ensures effective oversight by the Board.

The Board of Directors is satisfied that the Company's internal control environment has remained effective throughout the year to mitigate material risks facing the Company and that Management has put in place appropriate measures to ensure compliance with applicable laws and regulations.

17. PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to various risks in its day-to-day business activities. These risks include but are not limited to, underwriting risk, market risk, regulatory risk, operational risk, credit risk, and compliance risk. Notably, the Company has implemented a robust risk management framework, which ensures the identification, assessment, mitigation, monitoring, and reporting of material risks.

Underwriting Risk

Underwriting risk comprises both insurance risk and expense risk. Insurance risk arises from the inherent uncertainty about the occurrence, magnitude, and timing of claims, while expense risk is attributed to unexpectedly increased administrative costs associated with servicing insurance contracts. To mitigate this risk, the company has defined aggregation limits, retrocession programs, line of business diversification parameters, and robust underwriting processes.

Market Risk

This arises from changes in market prices, such as foreign exchange rates, interest rates and equity prices. It primarily emanates from the Company's interest-bearing assets and financial assets and liabilities denominated in foreign currencies. The Board of Directors sets the Company's strategy for managing market risk while Management oversees the implementation of that strategy and the asset-liability matching framework.

17. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Regulatory Risk

The Company operates in a highly regulated environment and has a zero-tolerance policy for non-compliance with laws and regulations. The reinsurance sector in Tanzania is subject to an evolving regulatory environment. To mitigate this risk, the Company maintains an up-to-date compliance register, keeps abreast of all regulatory developments, and engages subject matter experts.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from various causes associated with the Company's processes, personnel, technology, and infrastructure and from external factors other than credit market and liquidity risks.

The Company's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and innovation. As a newly established company, managing operational risk and implementing robust policies and internal controls has been a business priority.

Credit Risk

Credit risk arises from the possibility that a counterparty will default on its contractual obligations, resulting in financial losses to the Company. The Company manages its exposure by placing its retrocession programmes with highly rated securities, conducting business with credit-worthy counterparties, and setting exposure limits to a single counterparty or group of counterparties.

The Company remains committed to proactively identifying, evaluating, and managing risks to safeguard its financial stability and ensure long-term growth. Through prudent risk management practices, the Company aims to navigate uncertainties while maintaining its focus on delivering value to stakeholders.

Additional details on these risks and relevant risk management strategies in place are included under Note 2.

18. EMPLOYEES' WELFARE

Management and employees' relationship

The relationship between management and employees remained positive and harmonious throughout 2024. Notably, no formal complaints were raised by employees during the year, reflecting the Company's commitment to fostering a collaborative and supportive workplace environment.

Diversity, Equity and Inclusion

The Company is dedicated to supporting a culture of inclusivity and fairness across all aspects of employment. As an equal opportunity employer, it ensures that recruitment, promotion, and other employment decisions are based solely on merit, appointing the most qualified individuals without any form of discrimination. Factors such as gender, marital status, ethnicity, religion, or disability are considered only when directly relevant to the role's requirements.

A key aspect of the Company's commitment to diversity is its focus on gender parity and creating an inclusive workplace. As at 31st December 2024, 60% of the workforce comprised female employees, while 40% were male, reflecting a balanced representation that underscores its dedication to equitable opportunities. By prioritising talent and merit, the Company builds a diverse workforce aligned with its values and supports its mission for an inclusive, dynamic, and innovative workplace.

18. EMPLOYEES' WELFARE (CONTINUED)

Persons with Disabilities

The Company's policies guarantee that persons with disabilities receive the same access to training, career development, and promotion as their peers. Should any employee acquire a disability during their employment life, the Company would endeavour to ensure the continuity of their employment by offering appropriate support and training tailored to their needs.

Additionally, the Company provides group life insurance for all employees, which includes support in cases of disability during employment.

Training facilities

The Company is committed to supporting employee professional growth and skill development. During the period under review, all employees participated in annual training programs designed to enhance their knowledge, skills, and commitment. These included specialised sessions on risks, such as engineering underwriting and claims management, technical claims training, data privacy, and occupational health and safety. In addition, all new employees underwent a comprehensive induction to ensure a seamless onboarding experience. These initiatives aim to build capacity, enhance operational efficiency, and empower employees to excel in their roles while driving the Company's success.

Medical Assistance

The Company provides medical insurance to all staff members and their dependent family members.

Health and Safety

The Company is committed to building a strong culture of health and safety across the entire workforce. A safe working environment is ensured through the provision of protective equipment, relevant training, and strategically placed safety resources. Safety remained a top priority during the refurbishment of the office premises and settlement of employees.

Financial assistance to staff

Car loan schemes, staff loans, and mortgage loan schemes are available to all confirmed employees, subject to management's assessment and discretion based on individual needs and circumstances.

Employees' Retirement benefits plan

The company pays mandatory contributions to the publicly administered defined contribution plan, the National Social Security Fund (NSSF).

19. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Company has embedded Environmental, Social, and Governance (ESG) considerations in its strategy implementation, operations, and decision-making processes.

20. POLITICAL CONTRIBUTIONS AND DONATIONS

The Company did not make any political donations during the period.

21. PREJUDICIAL MATTERS

The Company is not currently involved in any prejudicial matters.

22. ACCOUNTING POLICIES

These financial statements are prepared on the underlying assumption of a going concern. The Company's accounting policies, laid out under Note 1, are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards and the Tanzania Insurance Act, 2009, and its related regulations.

IFRS 17 Insurance Contracts became effective on 1 January 2023 and governs the accounting framework for insurance contracts. As the Company commenced operations on 1 January 2024, it has adopted IFRS 17 for the first time in its financial statements without any prior period comparatives.

23. STATEMENT OF COMPLIANCE

This report is prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (TFRS No. 1) as issued by the National Board of Accountants and Auditors (NBAA). The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB) and comply with the Tanzanian Companies Act, 2002 and the Tanzanian Insurance Act, 2009.

24. INDEPENDENT AUDITOR

The Auditors, KPMG, have expressed their willingness to continue in office in accordance with the Company's Articles of Association and Section 170 of the Tanzania Companies Act, 2002. A resolution proposing their re-appointment as the Company's auditors for the subsequent year will be put to the next Annual General Meeting for approval.

Details of the Company's External Auditor:

KPMG
Certified Public Accountants
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P.O. Box 1160
Dar es Salaam, Tanzania.

25. APPROVAL OF THE REPORT OF THOSE CHARGED WITH GOVERNANCE

The report of those charged with governance was approved by the Board of Directors on 17 February 2025 and was signed on its behalf by:

A. K. Wainaina
Chairman
17 February 2025

P. K. Maina
Director
17 February 2025

STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

It is the responsibility of the those charged with Governance to prepare financial statements of the entity which show a true and fair view in accordance with applicable standards, rules, regulations, and legal provisions.

This responsibility covers the period from the beginning of the financial period to the date those charged with Governance approve the Audited Financial Statements and it covers all those charged with Governance who acted in this capacity during any part of the period covered by financial statements.

The Tanzanian Companies Act, 2002, requires the Directors of the Company to prepare the Financial Statements for each financial period that give true and fair view of the situation of the Company as at the end of the financial period and of its operating results for that period. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud, error, and other irregularities.

The Directors accept responsibility for the Annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirement of the Tanzanian Companies Act, 2002. The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Company and of its operating results and in compliance with International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Furthermore, the Directors accept their responsibilities laid out under various sections of the Insurance Act, 2009 with its subsequent regulations and assert that the same has been complied with in all material respects.

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.

Approved and authorised for issue by the Board of Directors and signed on its behalf by:

A. K. Wainaina
Chairman
17 February 2025

DECLARATION OF THE HEAD OF FINANCE

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with International IFRS Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of Directors' Responsibilities on an earlier page.

I, xxx, being an outsourced accountant of the Company, hereby acknowledge my responsibility of ensuring that Financial Statements for the 18 months ended 31 December 2024 have been prepared in compliance with International IFRS Accounting Standards and statutory requirements.

I thus confirm that the Financial Statements give a true and fair view position of East Africa Reinsurance (Tanzania) Company Limited as on that date and that they have been prepared based on properly maintained financial records.

Xxxxxxxx
Outsourced Accountant
Xxxxxxxxx Limited
Dar es Salaam, Tanzania
17 February 2025

REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of East Africa Reinsurance (Tanzania) Company Limited in accordance with Section 154 (2) of the Insurance Act of 2009 and Section 22 (2) of the Insurance Regulations of 2009 as of 31 December 2024 do hereby certify as under:

- that in my opinion, the actuarial liabilities of the Company have been investigated and assessed by me in accordance with the provisions of the Insurance Act and Regulations of 2009; and

- that the actuarial estimates of the reserves of the Company as at 31 December 2024 are adequate and have been provided accordingly.

Zamara Actuaries, Administrators and Consultants Limited
Dar es Salaam
17 February 2025

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EAST AFRICA REINSURANCE (TANZANIA) COMPANY LIMITED

[TO BE INSERTED]

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	18 months ended 31 December 2024
		TZS '000'
Insurance revenue	3	16,344,536
Insurance service expenses	4	(12,772,766)
Reinsurance recoveries	5	2,913,952
Reinsurance expenses	5	(4,582,379)
Insurance service result		**1,903,344**
Investment income	7	1,011,771
Net insurance and investment result		**2,915,115**
Other income/(expenses)	6	(641,209)
Profit before tax		**2,273,907**
Income tax expense	8	(585,569)
Profit after tax		**1,688,338**
Other comprehensive income		-
Total other comprehensive income		-
Total comprehensive income for the year		**1,688,338**

The accounting policies on pages 29 to 60 and the notes on pages 61 to 94 form an integral part of the report and financial statements.

STATEMENT OF FINANCIAL POSITION

	Note(s)	As at31 Dec 2024 TZS '000'
ASSETS		
Property and equipment	12	342,161
Intangible assets	13	102,132
Right -of-use asset	14	54,006
Government securities at amortised cost	16	5,390,852
Insurance contract assets	20	14,792,448
Reinsurance contract assets	21	5,169,276
Deferred tax asset	23	107,182
Other receivables	15	178,521
Deposits with financial institutions	17	8,541,956
Cash and bank balances	24	2,752,252
TOTAL ASSETS		**37,430,786**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	18	10,175,000
Contingency reserve	11	622,335
Retained earnings	11	1,001,848
TOTAL EQUITY		**11,799,183**
LIABILITIES		
Insurance contract liabilities	20	16,485,531
Reinsurance contract liabilities	21	5,945,090
Current income tax payable	9	343,275
Lease liability	14	57,835
Other payables	22	2,799,873
TOTAL LIABILITIES		**25,631,603**
TOTAL EQUITY AND LIABILITIES		**37,430,786**

The accounting policies on pages 29 to 60 and the notes on pages 61 to 94 form an integral part of the report and financial statements.

The report and financial statements and the notes on pages 35 to 136 were approved and authorised for issue by the board of directors on 7 March 2025 and were signed on its behalf by:

A.K. Wainaina	**A. Eyakuze**	**Dr. J. P. Kipokola**
Chairman	**Director**	**Director**
17 February 2025	**17 February 2025**	**17 February 2025**

STATEMENT OF CHANGES IN EQUITY

	Share Capital TZS '000'	Contingency reserve TZS '000'	Retained earnings TZS '000'	Total Equity TZS '000'
18 months ended 31 December 2024				
At incorporation				
Share capital issued	10,175,000			**10,175,000**
				-
Profit for the period			1,001,848	**1,001,848**
Other comprehensive income				**-**
Total comprehensive income for the period	-	-	1,001,848	**1,001,848**
Contingency reserve		622,335		**622,335**
At 31 December 2024	10,175,000	622,335	1,001,848	**11,799,183**
Note(s)	18	11	11	

The accounting policies on pages 29 to 60 and the notes on pages 61 to 94 form an integral part of the report and financial statements.

STATEMENT OF CASHFLOWS

	Note(s)	18 months period ended 31 Dec 2024 TZS '000'
Cash flows from operating activities		
Cash generated from operations	25	7,429,050
Income tax paid	9	(369,217)
Interest paid - lease liability		(8,524)
Net cash used in operating activities		**7,051,310**
Cash flows from investing activities		
Purchase of property and equipment	12	(416,642)
Purchase of intangible assets	13	(153,197)
Purchase of government securities	16	(10,025,250)
Purchase of deposits with financial institutions	17	(16,533,830)
Proceeds from disposal of government securities	16	4,534,400
Proceeds from disposal of deposits with financial institutions	17	8,192,021
Net used in from investing activities		**(14,402,498)**
Cash flows from financing activities		
Proceeds from the issue of shares	18	10,175,000
Principal lease payment	14	(23,286)
Net cash from financing activities		**10,151,714**
Net increase in cash and cash equivalents		2,800,526
Cash and cash equivalents at start of period		-
Cash and cash equivalents at end of period	24	**2,752,252**

The accounting policies on pages 29 to 60 and the notes on pages 61 to 94 form an integral part of the report and financial statements.

GENERAL INFORMATION

East Africa Reinsurance (Tanzania) Company Limited is incorporated in Tanzania under The Companies Act 2002, as a private limited liability company and is domiciled in United Republic of Tanzania. The address of its registered office and principal place of business is set out on page 4.

The Company is organised into two main divisions, Non-life business and Life business. Life business relates to the underwriting of life risks relating to insured persons. Non-life business relates to all other categories of the insurance business accepted by the Company, analysed into several sub-classes of business based on the nature of the assumed risks.

The Company transacts all classes of reinsurance business (both Life and Non-Life) in conformity with the Insurance Act, 2009.

For the Tanzanian Companies Act, No. 12 of 2002 reporting purposes, in these financial statements the balance sheet is presented as the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.1. Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Tanzanian Companies Act, No. 12 of 2002.

The financial statements have been prepared on a historical cost basis except where otherwise stated in the accounting policies below. They are presented in Tanzanian Shillings (TZS), the entity's functional and presentation currency, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.18.

1.2. New and Amended Standards

1.2.1. New and Amended Standards Adopted by the Company

The following standards and interpretations apply for the first time to the financial reporting period commencing 1 January 2024:

a) Amendments to IAS 1, 'Presentation of Financial Statements' - Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

ACCOUNTING POLICIES (continued)

1.2. New and Amended Standards (continued)

1.2.1. New and Amended Standards Adopted by the Company (continued)

a) Amendments to IAS 1, 'Presentation of Financial Statements' - Non-current liabilities with covenants (continued)

The amendment was effective on annual periods beginning on or after 1 January 2024.

b) Amendments to IFRS 16, 'Leases' - sale and leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

The amendment was effective on annual periods beginning on or after 1 January 2024.

1.2.2. New Standards and Interpretations Issued but not yet effective

a) Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The amendment is to be effective on annual periods beginning on or after 1 January 2025.

b) Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments

These amendments:

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

ACCOUNTING POLICIES (continued)

1.2. New and Amended Standards (continued)

1.2.2. New Standards and Interpretations Issued but not yet effective (continued)

c) Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments (continued)

The amendment is to be effective on annual periods beginning on or after 1 January 2026.

d) Amendments IFRS 18, 'Presentation and Disclosure in Financial Statements'

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

The amendment is to be effective on annual periods beginning on or after 1 January 2027.

1.3. Material Accounting Policies

IFRS 17 Insurance Contracts

The Company has initially applied IFRS 17 Insurance Contracts, including any consequential amendments to other standards, from 1 January 2024. This standard brought significant changes to the accounting for insurance and reinsurance contracts.

In applying IFRS 17 for the first time, all groups of insurance and reinsurance contracts are identified, recognised and measured in accordance with the requirements of IFRS 17. The effects of applying IFRS 17 are summarised below.

Recognition, Measurement and Presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

The Company has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those that are liabilities.

ACCOUNTING POLICIES (continued)

1.3. Material Accounting Policies (continued)

IFRS 17 Insurance Contracts (continued)

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the 'net insurance finance income or expenses and investment result' sub-total.

The Company includes any assets for insurance acquisition cash flows recognised before the corresponding groups of insurance contracts are recognised in the carrying amount of the related portfolios of insurance contracts issued. Further, the Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and nonfinancial portion. It includes the entire change as part of the insurance service result.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

The Company applies the premium allocation approach (PAA) to simplify the measurement of reinsurance and retrocession contracts when the coverage period of each contract in the group is one year or less or when the Company reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the general measurement method. When measuring liabilities for remaining coverage, the PAA is similar to the accounting treatment in IFRS 4. However, when measuring liabilities for incurred claims, the Company discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

For an explanation of how the Company accounts for reinsurance and retrocession contracts under IFRS 17, see Note 1.4.

1.4. Insurance and Reinsurance Contracts

a) Classification

Contracts under which the Company accepts significant insurance risk from a cedant by agreeing to compensate the cedant if a specified uncertain future event adversely affects the cedants are classified as

ACCOUNTING POLICIES (continued)

1.4. Insurance and Reinsurance Contracts (continued)

a) Classification (continued)

reinsurance contracts. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as retrocession contracts. Reinsurance and retrocession contracts also expose the Company to financial risk.

The Company's reinsurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

i. Non-Life insurance business

This represents the insurance business of any class or classes not being life assurance business. Classes of Non-life insurance include Aviation, Engineering, Fire (domestic risks, industrial and commercial risks), Liability, Marine, Motor (private vehicles and commercial vehicles), Personal Accident, Theft, Workmen's Compensation, Employer's Liability, Medical and Miscellaneous (i.e. class of business not included under those listed above). The Company's main classes, which account for over 60% of the income, are described below.

Fire insurance business comprises the business of effecting and carrying out contracts of reinsurance, otherwise than incidental to some other class of reinsurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

Medical insurance comprises the business of effecting and carrying out contracts of reinsurance against payment of expenses relating to both inpatient and outpatient treatment in respect of corporate and individual clients.

The motor insurance business comprises the business of effecting and carrying out contracts of reinsurance against loss of, or damage to or arising out of or in connection with the use of, motor vehicles, including third-party risks but exclusive of transit risks.

Miscellaneous insurance business comprises the business of effecting and carrying out contracts of reinsurance that are not principally or wholly of any types included in other classes of business but shall include reinsurance of bonds of all types, reinsurance of livestock, and crop reinsurance.

ii. Life assurance business

This includes assurance business of all or any of the following classes, namely, ordinary life assurance business, group life assurance business and business incidental to any such class of business.

Ordinary life assurance business comprises the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability reinsurance contract), and include a

ACCOUNTING POLICIES (continued)

1.4. Insurance and Reinsurance Contracts (continued)

a) Classification (continued)

ii. Life assurance business (continued)

contract, which is subject to the payment of premiums for a term dependent on the termination or continuance of human life.

Group life assurance business comprises life reassurance business, being business of, or in relation to, the issuing of or the undertaking of liability under group life and permanent health reinsurance policy.

b) Aggregation and Recognition of Insurance and Reinsurance Contracts

Insurance Contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

For reinsurance contracts accounted for applying the PAA, the Company determines that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise. The Company assesses the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous on initial recognition belong to a group with no significant possibility of becoming onerous in the future.

If facts and circumstances indicate that some contracts may be onerous at initial recognition or the group of contracts has become onerous, the Company performs a quantitative assessment to assess whether the carrying amount of the liability for remaining coverage determined applying the PAA is less than the fulfilment cash flows related to remaining coverage determined applying the General Model. If the fulfilment cash flows related to remaining coverage determined applying the General Model exceed the PAA carrying amount of the liability for remaining coverage, the difference is recognised in profit or loss and the liability for remaining coverage is increased by the same amount.

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups

ACCOUNTING POLICIES (continued)

1.4. Insurance and Reinsurance Contracts (continued)

b) Aggregation and Recognition of Insurance and Reinsurance Contracts (continued)

Insurance Contracts (continued)

of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts

The Company uses facultative and treaty retrocession programs to mitigate some of its risk exposures. Reinsurance contracts held are accounted for applying IFRS 17 when they meet the definition of an insurance contract. This includes the condition that the contract must transfer significant insurance risk.

Reinsurance contracts transfer significant insurance risk only if they transfer to the retrocessionaire substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss.

Groups of reinsurance contracts are established such that each group comprises a single contract. Some retrocession contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the retrocession contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the retrocession contracts are not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognised on the following date:

- *Reinsurance contracts initiated by the Company that provide proportionate coverage:* The date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share reinsurance contracts.

- *Other reinsurance contracts initiated by the Company:* The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date (see '*Reinsurance of onerous underlying insurance contracts*' under (v)). This applies to the Company's excess of loss and stop loss reinsurance contracts.

- *Reinsurance contracts acquired:* The date of acquisition.

c) Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. commissions), then they are allocated to that group. However, if insurance acquisition cash flows are directly attributable to a

ACCOUNTING POLICIES (continued)

1.4. Insurance and Reinsurance Contracts (continued)

c) Insurance acquisition cash flows (continued)

portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

When the Company acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Company will revise the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

(a) will recognise an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
(b) if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Company will reverse any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

d) Contract Boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance Contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the cedant to pay premiums or has a substantive obligation to provide services (including reinsurance coverage).

ACCOUNTING POLICIES (continued)

1.4. Insurance and Reinsurance Contracts (continued)

d) Contract Boundaries (continued)

A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular cedant and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from cedants to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

Reinsurance Contracts

For retrocession contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the retrocessionaire or has a substantive right to receive services from the retrocessionaire.

A substantive right to receive services from the retrocessionaire ends when the retrocessionaire has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that:

- fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary will be reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

e) Measurement – Premium Allocation Approach

The Company uses the Premium Allocation Approach (PAA) to the measurement of groups of contracts when the following criteria are met at inception.

- Reinsurance contracts: The coverage period of each contract in the group is one year or less, or the Company reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the general measurement method.

- Loss-occurring retrocession contracts: The coverage period of each contract in the group is one year or less.

- Risk-attaching retrocession contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the general measurement method. When comparing the different possible measurements, the Company considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

ACCOUNTING POLICIES (continued)

1.4. Insurance and Reinsurance Contracts (continued)

e) Measurement - Premium Allocation Approach (continued)

Insurance contracts

On initial recognition of each group of contracts, the Company measures the liability for remaining coverage at the amount of premiums received on less any acquisition cash flows paid and any amounts from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under (c)) above. The Company amortises insurance acquisition cash flows over the reinsurance coverage period.

Premiums due to the Company for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the Liability for Remaining Coverage (LRC). The carrying amount of the LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided (see (g)) and any insurance acquisition cash flows paid in the period or allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted (see below).

The Company recognises the liability for incurred claims of a group of reinsurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

Reinsurance contracts

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of reinsurance contracts.

For reinsurance contracts held, on initial recognition, the Company measures the asset for remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the retrocessionaire and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. On subsequent measurement, the remaining coverage is increased for ceding premiums and broker fees paid in the period; and decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less. Further, the Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer’s non-performance.

ACCOUNTING POLICIES (continued)

1.4. Insurance and Reinsurance Contracts (continued)

e) Measurement - Premium Allocation Approach (continued)

Reinsurance contracts (continued)

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the retrocession contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

The Company does not have any retrocession contracts held measured under the PAA with underlying contracts measured under the general measurement method.

f) Derecognition and Modification

The Company derecognizes a contract when it is extinguished (i.e., when the specified obligations in the contract expires or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

When a new contract is required to be recognised as a result of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, and contract aggregation requirements.

When a reinsurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

ACCOUNTING POLICIES (continued)

1.4. Insurance and Reinsurance Contracts (continued)

g) Presentation

Portfolios of reinsurance contracts that are assets and those that are liabilities, and portfolios of retrocession contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under (iii)) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognised in the statement of profit or loss and other comprehensive into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from retrocession contracts are presented separately from income and expenses from reinsurance contracts. Income and expenses from retrocession contracts, other than insurance finance income or expenses, are presented separately.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses are recognised as follows.

Insurance revenue

Following the Company's policy to measure contracts under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period based on the passage of time.

Loss components

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component of the liability for remaining coverage. The loss component is calculated as the difference between the carrying amount of the liability for remaining coverage and the fulfilment cash flows that relate to the remaining coverage of the group. The loss component is recognised in profit or loss and a corresponding increase in the liability for remaining coverage.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items:

- Incurred claims and other insurance service expenses
- Amortisation of insurance acquisition cash flows: The Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Loss component on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein (risk adjustment for non-financial risk).
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

ACCOUNTING POLICIES (continued)

1.4. Insurance and Reinsurance Contracts (continued)

g) Presentation (continued)

Insurance service expenses (continued)

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss and other comprehensive.

Reinsurance Expenses and Recoveries

Reinsurance expenses comprise an allocation of reinsurance premiums paid, while recoveries are the amounts recoverable from reinsurers.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period. Further, ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer, which is then allocated to profit or loss.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

Insurance Finance Income and Expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of reinsurance and retrocession contracts arising from the effects of the time value of money, financial risk and changes therein. The key components of insurance finance income and expenses are:

a. interest accreted on the liability for incurred claims (LIC); and
b. the effect of changes in interest rates and other financial assumptions.

The Company has chosen not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income (OCI). The Company presents insurance finance income or expenses in profit or loss, as the supporting assets are generally measured at fair value through profit or loss (FVTPL).

ACCOUNTING POLICIES (continued)

1.5. Revenue recognition

(i) Insurance revenue

The revenue recognition policy relating to reinsurance contracts is set out under note 1.4 above.

(ii) Investment income

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

All investment income is stated net of investment expenses.

1.6. Leases

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

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

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

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

Company as a lessee

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

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

ACCOUNTING POLICIES (continued)

1.6. Leases (continued)

Company as a lessee (continued)

Details of leasing arrangements where the company is a lessee are presented in note 15.

Lease liability

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

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

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

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

The lease liability is presented as a separate line item on the statement of financial position.

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

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

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);

ACCOUNTING POLICIES (continued)

1.6. Leases (continued)

Lease liability (continued)

- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate

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

Right-of-use assets

Right-of-use assets are presented as a separate line item on the statement of financial position.

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

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

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

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

Depreciation starts at the commencement date of a lease.

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

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

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

1.7. Property and equipment

All categories of property and equipment are initially recorded at history cost less depreciation and any accumulated impairment losses.

ACCOUNTING POLICIES (continued)

1.7. Property and equipment (continued)

Depreciation is calculated on property and equipment on a straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Motor vehicles	4 years
Computer equipment and software	3 years
Furniture, fittings and office equipment	8 years

Property and equipment values are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to their carrying amounts. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

1.8. Intangible assets – Computer software

Acquired computer software and related licenses are stated at cost less accumulated amortisation. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire and bring to use the specific software.

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

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use, not exceeding 3 years.

1.9. Financial assets

On initial recognition, the Company classifies a financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL), and
- Amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Consequently, financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

ACCOUNTING POLICIES (continued)

1.9. Financial assets (continued)

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All financial assets not classified as measured at amortised cost are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income (FVOCI) as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

a. Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

b. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Debts instruments are those instruments that meet the definition of financial liability from the issuer's perspective such as loans, government and corporate bonds. Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset:

Based on these factors, the Company classifies its debt instruments to amortised cost.

ACCOUNTING POLICIES (continued)

1.9. Financial assets (continued)

b. Measurement (continued)

- At amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

- Business model: the business model reflected how the Company manages the assets in order to generate cash flows i.e. whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

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

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

c. Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This includes listed equity securities and quoted debt instruments on major exchanges (Dar es Salaam Stock Exchange).The quoted market price used for financial assets held by the Company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. For example, a market is inactive when there is a wide bid-offer spread or a significant increase in the bid-offer spread, or there are few recent transactions.

ACCOUNTING POLICIES (continued)

1.9. Financial assets (continued)

c. Determination of fair value (continued)

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

d. Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

  a) An adverse change in the payment status of issuers or debtors in the Company; or
  b) National or local economic conditions that correlate with defaults on the assets in the Company.

ACCOUNTING POLICIES (continued)

1.9. Financial assets (continued)

d. Impairment (continued)

The expected credit loss impairment model applies to the following financial instruments that are not measured at FVTPL:

- Government securities measured at amortised cost;
- Receivables arising from reinsurance arrangements;
- Other receivables;
- Deposits with financial institutions; and
- Cash and bank balances.

No impairment loss is recognised on financial assets measured at FVTPL.

The Company recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12- month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Company will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Company will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in government securities; and
- Other financial instruments (other than trade receivables) for which credit risk has not increased significantly since initial recognition.

The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- Assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses (ECL)

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

ACCOUNTING POLICIES (continued)

1.9. Financial assets (continued)

d. Impairment (continued)

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract - e.g. a default or past-due event;
- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Expected credit losses

The key inputs into the measurement of ECL are the term structures of the following variables, Probability of Default (PD); Loss given default (LGD); and Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company uses the PD tables supplied by Standard & Poors based on the default history of obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs are recalibrated based on current bond yields and adjusted to reflect forward-looking information. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by mortgage property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

In applying the IFRS 9 impairment requirements, the Company applies both the general approach; and the simplified approach.

The General Approach

Under the general approach, at each reporting date, the Company determines whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

ACCOUNTING POLICIES (continued)

1.9. Financial assets (continued)

d. Impairment (continued)

- Stage 1 - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Company will recognise 12 month ECL and recognise interest income on a gross basis
- – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- Stage 2 - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Company will recognise lifetime ECL, but interest income will continue to be recognised on a gross basis.
- Stage 3 - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Company will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The Simplified Approach

Under the simplified approach, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of default

The Company will consider a financial asset to be in default when:

- The counterparty or borrower is unlikely to pay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The counterparty or borrower is more than 90 days past due on any material credit obligation to the Company and 2 years for receivables arising from reinsurance arrangements. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Company.

In assessing whether the counterparty or borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

ACCOUNTING POLICIES (continued)

1.9. Financial assets (continued)

d. Impairment (continued)

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and forecast scenarios based on consideration of a variety of external actual and forecast information. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

ACCOUNTING POLICIES (continued)

1.9. Financial assets (continued)

d. Impairment (continued)

Write off policy
The Company writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) the Company is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

1.10Financial liabilities

Financial liabilities are initially recognized at fair value. After initial recognition, the Company measures all financial liabilities at amortized cost. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.11. Impairment of other non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

1.12. Cash and bank balances

Cash and bank balances are carried in the statement of financial position at amortised cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and government securities and deposits with financial institutions with original maturities of 90 days or less.

1.13.Employee benefits

(i) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the end of each reporting period is recognized as an expense accrual.

ACCOUNTING POLICIES (continued)

1.13. Employee benefits (continued)

(ii) Retirement benefit obligations

The Company and all its employees contribute to the National Social Security Fund, which is a statutory defined contribution scheme.

1.14. Share capital

Ordinary shares are recognized at par value and classified as 'share capital' in equity.

1.15. Current and Deferred income tax

Income tax expense represents the sum of the current tax payable and the deferred income tax. Tax is recognized as an expense/ (income) and included in the profit or loss except to the extent that the tax arises from a transaction which is recognized in other comprehensive income.

(i) Current income tax

Current tax is computed in accordance with the Tanzania income tax laws applicable to insurance companies. The current income tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting or taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets attributable to tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

ACCOUNTING POLICIES (continued)

1.16. Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Tanzania shillings, which is the Company's presentation currency. The financial statements are presented in Tanzania Shillings (TZS) rounded to the nearest thousand.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for differences arising on translation of non-monetary financial assets carried at fair value through other comprehensive income, which are recognised in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss account within "finance income or costs". All other foreign exchange gains and losses are presented in the statement of profit or loss for the year within "other gains/losses-net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

1.17. Provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

1.18. Use of Judgements and Accounting Estimates

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that will have the most significant effect on the amounts recognised in financial statements:

ACCOUNTING POLICIES (continued)

1.18. Use of Judgements and Accounting Estimates (continued)

a) The ultimate liability arising from claims payable under reinsurance contracts

The estimation of future benefit payments in relation to life reassurance and non-life reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. The determination of the liabilities under non-life reinsurance contracts and life reinsurance contracts is undertaken by the Company's consulting actuaries on an annual basis.

The main assumption applied in the estimation of the ultimate claims liability is the expectation that the Company's past claims experience can be used to project future claims development and hence ultimate claims costs. Actuarial methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by event years. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

Further details on this process are disclosed in Note 24.

b) Determining Fulfilment Cash Flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

ACCOUNTING POLICIES (continued)

1.18. Use of Judgements and Accounting Estimates (continued)

a) Determining Fulfilment Cash Flows (continued)

Estimates of future cash flows (continued)

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) cedants, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the group will incur in providing investment services;
- costs that the group will incur in performing investment activities to the extent that the group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Company's insurance acquisition cash flows comprises of commissions, deferred acquisition costs (DAC) and pipeline commissions. Commissions within each group are determined by actual bookings, while DAC and pipeline commissions are allocated proportionally to total premiums within each group. Additionally, maintenance and administration costs are assigned to each group based on their respective total premiums. Other costs are recognised in profit or loss as they are incurred.

The Company estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the Chain-ladder and Bornhuetter- Ferguson methods. These techniques assume that the Company's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each line of business, except for large claims, which are assessed separately from other claims.

ACCOUNTING POLICIES (continued)

1.18. Use of Judgements and Accounting Estimates (continued)

b) Determining Fulfilment Cash Flows (continued)

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

Discount Rates

Cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company generally determines the risk-free rates using the observed government bond yield curves. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. The practical approach the Company will apply is to use covered bonds, where illiquid bonds are covered with a collateral that is considered safe. The illiquidity premium in this case is equal to the covered bond spread over the risk free rate. To compute the illiquidity premium, the Company will compare yield on government and corporate bonds of the same maturity profile. The difference determined constitute both credit and liquidity premiums. External rating agencies credit rating are used as the proxy for the credit risk factor and the balance is then considered to be illiquidity premium.

The tables below set out the yield curves used to discount the cash flows of insurance contracts

At 31 December	2years	5years	7years	10years	15years	>20years
2024	11.68%	12.50%	13.04%	13.15%	14.00%	15.7%

Risk Adjustments for Non-financial Risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as and indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

ACCOUNTING POLICIES (continued)

1.18. Use of Judgements and Accounting Estimates (continued)

c) Determination of the contract boundary

The measurement of a group of reinsurance contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, from applicable law, regulation and customary business practices. Cash flows are considered to be outside of the contract boundary if the Company has the practical ability to reprice existing contracts to reflect their reassessed risks, and if the contract's pricing for coverage up to the date of reassessment only considers the risks until the next reassessment date. The Company applies its judgement in assessing whether it has the practical ability to set a price that fully reflects all the risks in the contract or portfolio.

d) Level of aggregation

The Company applies judgement when identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently.

e) Assessment of directly attributable cash flows

The Company uses judgement in assessing whether cash flows are directly attributable to a specific portfolio of reinsurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. When estimating fulfilment cash flows, the Company also allocates fixed and variable overheads fulfilment cash flows directly attributable to the fulfilment of insurance contracts.

f) Assessment of eligibility for Premium Allocation Approach (PAA)

For reinsurance contracts with a coverage period extending beyond one year, the Company has elected to apply the premium allocation approach (PAA), if at the inception of the group, the Company reasonably expects that it will provide a liability for remaining coverage that would not differ materially from the General Model. The Company exercises judgement in determining whether the PAA eligibility criteria are met at initial recognition.

g) Selecting a method of risk adjustments for non-financial risk and allocation of coverage units

IFRS 17 establishes a principle for determining coverage units, not a set of detailed requirements or methods. The selection of the appropriate method for determining the amount of coverage units is not an accounting policy choice. It involves the exercise of significant judgement in determining the techniques for estimating risk adjustments for non-financial risk and development of estimates of the coverage units provided under a contract considering individual facts and circumstances. The Company selects the appropriate method on a portfolio-by-portfolio basis.

ACCOUNTING POLICIES (continued)

1.18. Use of Judgements and Accounting Estimates (continued)

h) Pipeline income and expense transactions

At each reporting period, estimates are made for revenue earned but not reported by the Company's cedants, claims, insurance benefits incurred and other related expenses. Retrocession costs and associated commissions receivable and acquisition costs are also estimated by application of the appropriate ratios to the annualised retrocession costs.

i) Measurement of expected credit losses on financial assets

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of cedants defaulting and the resulting losses). A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for a forward-looking scenarios for each type of product/market and associated ECL;
- Establishing groups of similar assets for the purposes of measuring ECL; and
- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets.

The Company uses historical data to project the possibility of default. Further, the Company uses the possibility of default tables supplied by S&P based on the default history of a particular company with the same credit rating. This also applies to unrated investments which are mapped to the equivalent external credit ratings. Any change in the counterparty leads to a change in the estimated possibility of default.

Note 2 sets out information about the impairment of financial assets and the Company's exposure to credit risk.

i) Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Other areas of judgement

Management exercises critical judgment in determining the classification of debt and equity instruments and considers the substance of the contractual terms of the various instruments.

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

2. RISK AND CAPITAL MANAGEMENT

Insurance and reinsurance contracts expose the Company to underwriting risk, which comprises insurance risk, and expense risk.

In addition, the Company is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk and market risk. Market risk comprises currency risk, interest rate risk, equity prices risk and other price risk.

This note presents information about the Company's risk exposures, and the Company's objectives, policies and processes for measuring and managing risks and for managing capital, in the sections below.

A. Risk management framework
B. Key risks arising from contracts issued
i. Life risk contracts
ii. Non-life contracts
C. Underwriting risk
iii. Management of underwriting risk
iv. Concentrations of underwriting risk
v. Sensitivity analysis
vi. Market risk
vii. Management of market risk
viii. Currency risk
ix. Interest rate risk
x. Equity price risk
D. Liquidity risk
E. Credit risk
F. Fair Value Estimation
G. Operational Risk
H. Capital management

A. Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for approving and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

2. RISK AND CAPITAL MANAGEMENT (continued)

A. Risk management framework (continued)

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. It is assisted in its oversight role by internal audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

Under the risk management framework, the Company employs risk management programmes, including asset-liability matching (ALM) processes, and retrocession programmes.

B. Key Risks Arising from Contracts Issued

The Company issues insurance contracts and the nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related retrocession contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Company.

Product	Key risks	Risk mitigation
Life Contracts Term assurance and critical illness	• Mortality risk: death of policyholder earlier than expected • Morbidity risk: diagnosis of critical illness earlier than expected	• Reinsurance with financially strong reinsurers
Non-Life Contracts Property and casualty	• Extreme weather events • Natural catastrophes • Legislative changes giving rise to increased claims • Emergence of long-tailed claims: e.g. latent disease type claims	• Diversification of types of risk, industries and geographic locations in which risks are written • Extensive analysis of data to enhance risk selection, segmentation and profitability • Reinsurance with financially strong reinsurers, including excess of loss catastrophe cover

These key risks reflect only the downside risk to the Company. However, for most of these risks, there is also an upside risk.

Life Contracts

All life contracts expose the Company to significant insurance risk. Although mortality, morbidity and longevity experience may be affected by unexpected events (e.g. epidemics), the most significant changes to insurance risk factors (e.g. lifestyle changes, medical advances and improvements in social conditions) tend to occur over a long period of time. The longer the coverage period, the greater the Company's exposure to insurance risk.

2. RISK AND CAPITAL MANAGEMENT (continued)

Life Contracts (continued)

B. Key Risks Arising from Contracts Issued (continued)

Term assurance contracts provide policyholders with a fixed lump sum payable on death. Term assurance contracts provide coverage over a fixed term. Term assurance premiums may be level or increasing over time (for yearly renewable contracts).

Critical illness contracts are similar to term assurance but pay out a lump sum if the policyholder is diagnosed with an illness specified in the contract.

For details of the credit risk from reinsurance contract assets and investments, see section E.

Non-Life contracts

The key risks arising from non-life contracts are the unknown frequency and severity of claims, which are influenced by the nature of the risks covered and the geographic location in which the risks are written.

The frequency and severity of non-life claims is affected by the occurrence of extreme weather events (e.g. floods, wildfires and hurricanes) and other natural catastrophes (e.g. earthquakes). In particular, the cost of rebuilding or repairing a property, together with the cost of business interruption, is a significant feature in the overall value of claims in this portfolio. In addition, increasing climate risk could potentially introduce material uncertainty in assumptions and result in inaccurate pricing of insurance risk. In addition, the severity of claims is significantly affected by increases in the value of settlements awarded for latent diseases and inflation. The nature and frequency of claims may be affected by emerging trends and changes in legislation.

C. Underwriting risk

Underwriting risk comprises insurance risk and expense risk.

- *Insurance risk:* the risk transferred from the client to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
- *Expense risk:* the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

i. Management of underwriting risk

The Board of Directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives such as, aggregation limits, reinsurance protection thresholds and line of business diversification parameters, are prepared and reviewed by Management. The Board continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present themselves.

Life Contracts

A key aspect of the underwriting process for life contracts is pricing contracts with regard to the insurance risks assumed. Prices charged for the cost of insurance risk are set through a generally accepted reinsurance pricing model which takes into account emerging trends in insurance risk factors.

2. RISK AND CAPITAL MANAGEMENT (continued)

C. Underwriting risk (continued)

i. Management of underwriting risk (continued)

Life Contracts (continued)

Mortality, morbidity and longevity risks are mitigated by the use of retrocession programmes. The aggregation of risk ceded to individual reinsurers is monitored. Expense risk is managed through the annual budgeting process and regular expense analyses.

Non-life contracts

A key component of the management of underwriting risk for the Company's non-life products is a disciplined underwriting strategy that is focused on writing quality business. Product pricing is intended to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Company's total exposure to specific risks, together with limits on geographic and industry exposures. The aim is to ensure that a diversified book is maintained, with no over-exposure in any one geographic region.

Non-life contracts are renewable annually and the ability to reprice contracts on renewal in response to changes in policyholder risk profiles, claims experience and market considerations is a significant mitigant to pricing risk. Contracts may also contain other features that constrain underwriting risk – e.g. the use of deductibles and capping on the maximum permitted loss or number of claims (subject to local regulatory and legislative requirements).

The Company uses various techniques to assess risk exposure and endeavour to optimise the pricing of non-life contracts. The possibility of weather-related calamities is built into pricing, considering trends in historical data and leading indicators of climate risk. In property, the Company leverages advanced analytics (e.g. flood mapping) for identifying properties most at risk and improving risk selection.

The Company uses reinsurance to mitigate the risk of incurring significant losses linked to single events, including excess of loss and stop loss reinsurance. Certain non-life businesses are required to protect against catastrophe events. Where an individual exposure exceeds the Company's risk appetite, additional facultative reinsurance is also purchased.

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

For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its reinsurance contracts is that the actual claims and benefit payments may exceed the carrying amount of the reinsurance liabilities and the pricing is inadequate to meet its obligations. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar reinsurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its reinsurance underwriting strategy to diversify the type of risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

2. RISK AND CAPITAL MANAGEMENT (continued)

C. Underwriting risk (continued)

i. Management of underwriting risk (continued)

Factors that aggravate reinsurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company minimizes its exposure by purchasing retrocession protection from credible counter parties. The Company's retention (net exposure) is protected by retrocession treaties as follows:

Class Limit (TZS)	**Limit (TZS)**
Property Excess of Loss Treaty	54,800,000,000 in excess of 1,200,000,000
Property Surplus Treaty	12,000,000,000
Marine	16,520,000,000 in excess of 280,000,000
Miscellaneous Accident	1,120,000,000 in excess of 480,000,000
Terrorism and Political Risks	20,200,000,000
Life business Warranted	Warranted minimum number of victims: 3 Company's Catastrophe (CAT) retention: 120 million Reimbursable portion: 100% Reinsurer's max liability: 40 million per life, 8 billion per CAT and 16 billion per period

The tables below provide disclosure of the concentration of reinsurance exposure by the main classes of business in which the Company operates. The amounts are the carrying amounts of the reinsurance exposure (gross and net of retrocession) arising from reinsurance contracts:

2. RISK AND CAPITAL MANAGEMENT (continued)

C. Underwriting risk (continued)

i. Management of underwriting risk (continued)

Year ended 31 December 2024		**TOTAL EXPOSURE**			
Life & Non-life business		**0 – 400 million TZS '000'**	**400 M – 5 Billion TZS '000'**	**5B – 20 Billion TZS '000'**	**Total TZS '000'**
Ordinary life	Gross	2,928,902	-	-	2,929
	Net	2,100,679	-	-	2,101
Group life	Gross	1,107,434,874	32,203,521	50,724,180	1,190,363
	Net	735,380,097	1,672,000	266,000	737,318
Fire	Gross	13,666,447	183,970,566	485,459,014	683,096,028
	Net	12,504,388	162,713,180	264,055,131	439,272,700
Miscellaneous	Gross	12,509,467	36,723,596	23,368,764	72,601,827
	Net	9,370,125	25,654,359	12,283,398	47,307,881
Motor	Gross	3,735,471	5,870,000	-	9,605,471
	Net	3,357,002	3,935,000	-	7,292,002
Others	Gross	898,995	9,121,783	52,691,453	62,712,231
	Net	863,345	6,705,567	-	7,568,913
Total	**Gross**	**1,141,174,156**	**267,889,466**	**612,243,412**	**829,208,849**
Total	**Net**	**763,575,637**	**200,680,107**	**276,604,529**	**502,180,915**

The Company's earthquake exposure is estimated at TZS

ii. Concentrations of underwriting risk

The following table sets out the carrying amounts of the Company's insurance contracts (net of reinsurance) by type of product.

Class	**2024 TZS '000'**
Aviation	82,389
Engineering	1,180,104
Fire	5,453,711
Liability	66,678
Marine	835,518
Motor	272,871
Personal Accident	49,824
Medical	541,849
Miscellaneous	1,576,386
Ordinary Life	62,846
Group Life	1,194,077
Total	**11,316,253**

2. RISK AND CAPITAL MANAGEMENT (continued)

C. Underwriting risk (continued)

iii. Sensitivity analysis

The table below analyses how the profit or loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by retrocession and assumes that all other variables remain constant.

2024	Impact on P&L		Impact on Equity	
	Gross TZS '000'	Net TZS '000'	Gross TZS '000'	Net TZS '000'
Best estimate insurance contract liabilities				
Ultimate Claims (after 5% increase)	(412,917)	(351,934)	(412,917)	(351,934)
Ultimate Claims (after 5% decrease)	412,917	351,934	412,917	351,934

Changes in underwriting risk variables mainly affect the profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

a. Profit or loss
- Changes in fulfilment cash flows relating to loss components.
- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.

b. Equity
- The effect on profit or loss under (a) above.

iv. Market risk

Market risk is the risk that changes in market prices, such as, foreign exchange rates, interest rates and equity prices, will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk.

Market risk principally arises from the Company's interest-bearing financial assets and financial liabilities, financial assets and financial liabilities denominated in foreign currencies, and equity investments, but these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts. The nature of the Company's business and asset-liability matching processes means that it is exposed to market risk on net assets representing shareholders' equity.

v. Management of market risk

The Board of Directors sets the Company's strategy for managing market risk. Management oversee the implementation of this strategy and the asset liability matching framework. The framework seeks to match the cash flows arising from the Company's financial investments with the cash flows arising from its insurance contracts while optimising long-term investment return on its financial investments representing shareholders' equity for an acceptable level of risk.

2. RISK AND CAPITAL MANAGEMENT (continued)

C. Underwriting risk (continued)

vi. Currency risk

Exposure to currency risk

The Company deals with cedants in a number of countries and writes business in various currencies. It is therefore exposed to foreign currency transaction risk to the extent that the currencies in which insurance and reinsurance contracts and financial instruments are denominated differ from the functional currency of Company. Foreign currency exposures exist with respect to the United States Dollar and Kenya Shilling.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities, to the extent that it is deemed to be both practical and appropriate. The Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Foreign currency gains and losses on insurance and reinsurance contracts and financial instruments are recognised in profit or loss.

At 31 December 2024, if the Tanzania Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the net assets for the year would have been TZS higher/lower, mainly as a result of translation differences on US Dollar denominated receivables, payables and bank balances. This is insignificant as the portion of US Dollar denominated net assets constitute only 2% of the Company's net assets.

vii. Interest rate risk

Exposure to interest rate risk

Interest rate risk on financial instruments arises primarily from the Company's investments in debt securities. These investments are exposed to the risk of adverse changes in fair values or future cash flows because of changes in market interest rates.

The Company manages interest rate risk by closely monitoring of the asset positions. The Board of Directors monitors the interest rate risk, assisted by risk management in its day-to day monitoring activities.

The Company's interest earning financial assets include investments in government securities and deposits with financial institutions.

2. RISK AND CAPITAL MANAGEMENT (continued)

C. Underwriting risk (continued)

vii. Interest rate risk (continued)

The sensitivity analysis presented below shows how profit and equity would change if the interest rates had increased/ (decreased) on the reporting date with all other variables held constant.

	Effect on profit 2024 TZS '000	Effect on equity 2024 TZS '000
+5 percentage point movement	33,102	33,102
-5 percentage point movement	(33,102)	(33,102)

Besides the effect of interest rates on financial assets above, interest rates also impact the insurance finance income or expenses recognised in profit or loss for insurance and reinsurance contracts as a result of discounting future cash flows at a revised current rate.

The sensitivity analysis presented below shows how profit and equity would change if the discount rates had increased/ (decreased) on the reporting date with all other variables held constant.

	Impact on P&L 2024 TZS '000'	Impact on Equity 2024 TZS '000'
+5% increase in discount rate	30,212	30,212
-5% decrease in discount rate	(30,544)	(30,544)

D. Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The Company is exposed to daily calls on its available cash for claims settlement and other expenses. The Company maintains adequate cash resources to meet all of these needs and does not require overdraft facilities. Management monitors the level of call deposits to ensure their adequacy to cover expenditure at unexpected levels of demand. These call deposits are placed at competitive interest rates.

The table below presents a maturity analysis of the portfolio of insurance contracts and reinsurance contracts held that are in a liability position based on estimated timing of the remaining contractual undiscounted cashflows. The amounts presented do not include those relating to liability for remaining coverage of insurance and reinsurance contracts.

2. RISK AND CAPITAL MANAGEMENT (continued)

D. Liquidity risk (continued)

At 31 December 2024	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total TZS '000'
Insurance contract Liabilities	5,888,296	3,170,621	-	-	-	-	9,058,917
Reinsurance contract liabilities	869,642	468,269	-	-	-	-	1,337,911
Total	**6,757,938**	**3,638,890**	**-**	**-**	**-**	**-**	**10,396,828**

E. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas that the Company is exposed to credit risk are:

- Receivables arising out of reinsurance arrangements both inward and outward;
- Retrocessionaires' share of outstanding claims;
- Deposits and cash balances held with banks and other financial institutions; and
- Investments in government securities.

The Company manages its exposure in the following ways:

- placing its retrocession programme with rated securities – investment grade and above;
- dealing with only credit-worthy counterparties;
- placing limits on the Company's exposure to a single counterparty or group of counterparties while placing investments.

In respect of its exposure from receivables arising out of reinsurance arrangements the Company manages this through regular analysis of the ability of the existing and potential clients to meet premium obligations and by reviewing signed treaty shares where appropriate, having close relations with cedants and intermediaries to enhance timely settlement of premiums, offsetting of outstanding premiums against claims and avoiding renewal of treaties with cedants who have poor underwriting and credit history.

For banks and financial institutions, only reputable well established financial institutions are accepted. For reinsurance receivables, the credit controller assesses the credit quality of each cedant, taking into account its financial position, past experience and other factors.

(i) Receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

The expected loss rates are based on the provision matrix for the receivables balances over a period of two to five years and the corresponding development of the balances within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the

2. RISK AND CAPITAL MANAGEMENT (continued)

E. Credit risk (continued)

(i) Receivables (continued)

ability of the cedants to settle the receivables. The company has assessed the impact of macroeconomic factors and the impact has been incorporated in the model.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a cedant to engage in a repayment plan with the company and where the cedant has been declared insolvent.

Debts that are considered to be non-performing are impaired at 100%.

(ii) Related party receivables

Related party receivable balances are assessed for impairment based on the counterparty's ability to settle on demand.

(iii) Cash and cash equivalents

For cash at bank, management assesses the expected credit loss based on probability of default attached to the various banks by external rating agencies.

(iv) Government securities

Management assesses the expected credit loss on government securities based on the probability of default attached to the Government of Kenya by external rating agencies.

(vi) Deposits with financial institutions

For term and call deposits, management assesses the expected credit loss based on the probability of default attached to the various banks by external rating agencies.

The table below details the maximum exposure to credit risk:

At 31 December 2024	Gross Amounts TZS' 000	Expected Credit Loss (ECL) TZS'000	Net TZS'000
Government securities (Note 20)	5,396,111	(5,258)	**5,390,852**
Deposits with financial institutions (Note 21)	8,553,931	(11,976)	**8,541,956**
Reinsurance contract assets			
Bank balances (Note 28)	2,756,111	(3,860)	**2,752,252**
Other receivables (excluding prepayments) (Note 18)			

2. RISK AND CAPITAL MANAGEMENT (continued)

E. Credit risk (continued)

(vi) Deposits with financial institutions (continued)

Movement of ECLs 2024	**At 1 January**	**Credit/ (Charge) for the year**	**At 31 December**
	TZS' 000	**TZS'000**	**TZS'000**
Government securities (Note 20)	-	(5,258)	**(5,258)**
Deposits with financial institutions (Note 21)	-	(11,976)	**(11,976)**
Reinsurance contract assets	-		
Bank balances (Note 28)	-	(3,860)	**(3,860)**
	-		

The following table sets out information about the credit quality of reinsurance contract assets:

Based on AM BEST Ratings	**2024 TZS'000**
Reinsurers rated above A-	
Reinsurers rated above BBB	
Total	

F. Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

(i) Financial instruments not measured at fair value

The fair value of investment securities held at amortised cost (government securities) at 31 December 2024 is estimated at TZS compared to their carrying value of TZS. The fair values of the Company's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates.

(ii) Fair value hierarchy

The Company's financial assets measured at fair value are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

2. RISK AND CAPITAL MANAGEMENT (continued)

F. Fair Value Estimation (continued)

(ii) Fair value hierarchy (continued)

- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques such as discounted cash flow analysis and market comparables are used to determine fair value for the remaining financial instruments.

There were no transfers between levels during the year (2022: Nil).

G. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as the risks of mis-selling of products, modelling errors and non-compliance with legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

2. RISK AND CAPITAL MANAGEMENT (continued)

G. Operational risk (continued)

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- IT, data security and cyber risks; and
- risk mitigation.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by the internal audit function. The results of internal audit reviews are discussed with management and submitted to the Board of Directors.

H. Capital Management

The Company's capital Management policy is to hold sufficient capital to cover the statutory requirements based on the TIRA directives, including any additional amounts required by the regulator.

In reporting financial strength, capital and solvency is measured using the rules prescribed by TIRA. These regulatory capital tests are based upon required levels of solvency capital and a series of prudent underwriting expertise. Throughout the financial year, the Company met the requirements from TIRA.

The Tanzania Insurance Act requires that no (re)insurer may carry on business as a (re)insurer unless he maintains a prescribed solvency margin and the minimum required capital. Further, re (insurance) companies are required to maintain a positive solvency margin. Accordingly, the admissible assets of a reinsurer shall exceed the liabilities by the greater of:

- Sum of 33% of the general insurance net premiums written and 10% of the long-term business liabilities; OR
- The minimum paid-up capital.

The Company had a solvency margin surplus of TZS 158 million as at 31 December 2024 and, therefore, met the positive solvency margin surplus requirements.

The minimum paid-up capital to be maintained by a reinsurer as at 31 December 2024 is TZS 10.175 Billion. The Company's share capital as at 31 December was TZS 10.175 Billion and therefore, meets the minimum capital requirements.

3. INSURANCE REVENUE

	18 months period ended 31 Dec 2024 TZS '000'
Contracts measured under the PAA	
Aviation	101,566
Engineering	795,003
Fire	7,407,590
Liability	68,184
Marine	643,411
Motor	659,263
Personal accident	21,868
Medical	500,826
Miscellaneous	1,454,099
Ordinary life	234,636
Group life	4,458,089
Total insurance revenue	**16,344,536**

4. INSURANCE SERVICE EXPENSES

The tables below show an analysis of insurance service expenses recognised in the period.

	Total 18 months period ended 31 Dec 2024 TZS '000'
Claims and benefits incurred	7,202,630
Change in risk adjustment for incurred claims (Note 20)	235,537
Amortisation of acquisition cash flows (Note 20)	2,850,656
Losses on onerous contracts and reversal of such losses (Note 20)	
Attributable expenses (Note 7)	2,483,943
Total	**12,772,766**

5. INCOME OR EXPENSES FROM REINSURANCE CONTRACTS HELD

	Total 18 months period ended 31 Dec 2024 TZS '000'
Amounts recoverable for incurred claims	2,888,026
Change in risk adjustment for incurred claims (Note 21)	27,933
Change in non-performance risk (Note 21)	(2,008)
Change in reinsurance loss recovery component (Note 21)	-
Reinsurance recoveries	**2,913,952**
Reinsurance expenses (Note 21)	**(4,582,379)**
Net expenses from reinsurance contracts	**(1,668,427)**

6. EXPENSES

	Total 18 months period ended 31 Dec 2024 TZS '000'
Employee benefits expense	126,631
Auditor's remuneration	66,250
Directors' fees (Note 32 (d))	80,318
Depreciation of property and equipment (Note 13)	74,481
Amortisation of intangible assets (Note 14)	27,114
Provision for expected credit losses arising from investments	51,066
Net foreign exchange gains	21,094
Other expenses	222,153
Total	**3,125,152**

	Total 18 months period ended 31 Dec 2024 TZS '000'
Represented by	
Attributable expenses (Note 4)	2,483,943
*Other incomes	641,209
Total	**3,125,152**

*Other income/expenses mainly relate to forex changes, impairment of financial assets and investment related expenses.

6. EXPENSES (continued)

The average number of employees by category were:

	2024
Management	1
Other staff	5
Total	**6**

Employee benefits expense comprise the following:

	Total 18 months period ended 31 Dec 2024 TZS '000'
Salaries and wages	650,925
National social security benefit cost	46,337
Total	**697,262**

7. INVESTMENT INCOME

	Total 18 months period ended 31 Dec 2024 TZS '000'
Investments held at amortised cost	
Interest income on government securities	536,093
Interest income on bank deposits	471,081
Interest income on staff loans	4,597
	1,011,771

8. INCOME TAX EXPENSE

The Company's current tax charge is computed in accordance with income tax rules applicable to Tanzanian non-life and life insurance and reinsurance companies.

a) Tax expense

	Total 18 months period ended 31 Dec 2024 TZS '000'
Current income tax	712,491
Deferred income charge/(credit) (Note 27)	(107,182)
Income tax expense	**605,309**

8. INCOME TAX EXPENSE (continued)

b) Reconciliation of tax expense to expected tax based on accounting profit

	Total 18 months period ended 31 Dec 2024 TZS '000'
Profit before income tax	2,273,907
Less income not subject to tax	(315,540)
	1,958,367
Tax at the applicable tax rate of 30%	587,510
Tax effect of adjustments on taxable income	
Tax effect of income not subject to tax	(47,542)
Tax effect of expenses not deductible for tax purposes	134,859
Ineligible depreciation	37,664
Income tax expense	**712,491**

Key expenses not deductible for tax purposes include depreciation.

9. CURRENT INCOME TAX

	Total 18 months period ended 31 Dec 2024 TZS '000'
At start of period	-
Tax expense for the period	(712,491)
At end of period	343,275
Income tax paid	**(369,217)**

10. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

Earnings per ordinary share of TZS 100,000 each are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares issued as follows:

	Total 2024
At 31 December	
Profit attributable to the shareholders (TZS '000')	1,668,597
Weighted average number of shares ('000')	102
TZS	**16,399**

There were no potentially dilutive shares outstanding as at 31 December 2024. Diluted earnings per share is therefore the same as basic earnings per share.

11. RESERVES

a) CONTINGENCY RESERVE

The insurance regulations require insurance companies to maintain a contingency reserve as follows:

- **Non-life business**: The reserve shall not be less than three per cent of the total premium or twenty percent of the net profits, whichever is the greater, and that amount shall accumulate until it reaches the minimum paid-up capital or fifty per cent of the net premium, whichever is the greater.

- **Life business**: The reserve shall be credited with an amount equal to one per cent of the premiums.

Therefore, the above reserve is based on 3% and 1% of premiums written for the Non-Life and Life businesses, respectively.

b) RETAINED EARNINGS

Retained earnings represent accumulated profit retained by the Company after payment of dividends to the shareholders. The amount is available for distribution to shareholders.

12. PROPERTY AND EQUIPMENT

2024	Cost	Accumulated depreciation	Carrying value
TZS '000'			
Furniture and fixtures	210,702	(19,820)	190,881
Motor vehicles	155,407	(38,852)	116,555
Computers	50,534	(15,809)	34,724
Total	**416,642**	**(74,481)**	**342,161**

12. PROPERTY AND EQUIPMENT (continued)

Reconciliation of property and equipment 2024

2024	Opening balance TZS'000'	Additions TZS'000'	Depreciation TZS'000'	Total TZS'000'
TZS '000'				
Furniture and fixtures	-	210,702	(19,820)	190,881
Motor vehicles	-	155,407	(38,852)	116,555
Computers	-	50,534	(15,809)	34,724
Total	**-**	**416,642**	**(74,481)**	**342,161**

13. INTANGIBLE ASSETS

2024	Cost	Accumulated amortisation	Carrying value
TZS '000'			
Computer software	153,197	(51,066)	102,132
Total	**153,197**	**(51,066)**	**102,132**

Reconciliation of Intangible Assets 2024

2024	Opening balance TZS'000'	Additions TZS'000'	Depreciation TZS'000'	Total TZS'000'
TZS '000'				
Computer software	-	153,197	(51,066)	102,132
Total	**-**	**153,197**	**(51,066)**	**102,132**

14. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

The Company leases office space, and the average term is 3 years. The lease agreement commenced in 1 December 2023. Details pertaining to leasing arrangements, where the company is lessee are presented below:

14. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS (continued)

(a) Lease liabilities

Movement of lease liabilities is shown below:

	As at 31 Dec 2024 TZS '000'
At start of period	81,121
Additions	-
Interest expense	8,524
Payments in the year	(23,286)
Interest paid	(8,524)
At the end of the period	**57,835**

Maturity analysis of the lease liabilities recognised on 30 April is analysed as below:

	As at 31 Dec 2024 TZS '000'
Non-current	27,422
Current	30,412
	57,835

(b) Right-of-use assets

Movement of right-of-use assets is shown below:

	As at 31 Dec 2024 TZS '000'
At start of period	81,121
Additions	-
Amortisation	(27,114)
At the end of the period	**54,006**

15. OTHER RECEIVABLES

	Total 2024 TZS '000'
Prepayments	49,327
Other receivables	70,048
Car loans (staff)*	59,146
	178,521

*These are car loans extended to members of staff. There were no impairment losses recorded against car loans in 2024. The car and staff benefits act as collateral for the loans extended.

16. GOVERNMENT SECURITIES AT AMORTISED COST

2024

Movement during the year

	Total 2024 TZS '000'
At start of period	0
Additions (Treasury bills)	10,025,250
Maturities (Treasury bills)	(4,534,400)
Movement in accrued interest	449,909
Movement in unearned interest (Treasury bills)	(544,648)
	5,396,111
Movement in expected credit losses	(5,258)
At end of period	**5,390,852**

Movement for expected credit losses

	Total 2024 TZS '000'
At start of period	-
Credit for the period	5,258
At end of period	**5,258**

16. GOVERNMENT SECURITIES AT AMORTISED COST (continued)

Maturity profile

	Total 2024 TZS '000'
Treasury bills maturing:	
- within 90 days	4,899,692
- In 1 to 5 years	496,419
	5,396,111
- Provision for expected credit losses	(5,258)
Total	**5,390,852**

Included above are Treasury bills amounting to TZS 5.09 Billion held in trust by the Bank of Tanzania in compliance with the Insurance Regulations that require the Company to hold 50% of the prescribed minimum capital in short-term investments with the Bank of Tanzania.

17. DEPOSITS WITH FINANCIAL INSTITUTIONS AT AMORTISED COST

2024

Movement during the year

	Total 2024 TZS '000'
At start of period	-
Additions	16,533,830
Disposals	(8,192,021)
Movement in accrued interest	212,123
	8,553,931
Movement in expected credit losses	(11,976)
At end of period	**8,541,956**

Movement for expected credit losses

	Total 2024 TZS '000'
At start of period	-
Charge for the year	(11,976)
At end of period	(11,976)

17. DEPOSITS WITH FINANCIAL INSTITUTIONS AT AMORTISED COST (continued)

Deposits maturity profile

	Total 2024 TZS '000'
- Within 90 days	4,523,892
- In 91 days to 1 year	4,030,040
- Provision for expected credit losses	(11,976)
	8,541,956

The following table summarises the average effective interest rates at the year end on the principal interest bearing investments:

	Total 2024 TZS '000'
Investment types	
Government securities	11.71%
Deposits with financial institutions (TZS)	9.93%
Deposits with financial institutions (USD)	3.24%

18. SHARE CAPITAL

	Number of ordinary shares	Total TZS '000'
Balance at start of period		
Issued during the period		
As at 31 December 2024	101,750	10,175,000

The total authorised number of ordinary shares is 250,000 with a par value of TZS 100,000 while the total number of issued shares is 101,750 with a par value of TZS 100,000. All issued shares are fully paid. All ordinary shares rank equally with regards to the Company's residual assets.

The rights of the shareholders are as below:

- Right to vote at the Annual General Meeting (AGM);
- Right to attend or be represented by a proxy at the AGM;
- Right to receive dividends when declared and approved at the AGM;
- Right to receive information regarding the Company's performance and strategic direction.

19. INSURANCE CONTRACTS

A) Non-Life insurance contracts

The outstanding claims reserve for the non-life business consists of an Incurred but Not Reported (IBNR) reserve.

Given that the Company has been in operation for only one year, the Company's external actuaries applied the Ultimate Loss Ratio technique to estimate the IBNR reserve as at 31 December 2024. Ultimate Loss Ratio technique is applied when there is insufficient claims experience to establish a stable development pattern of claims. The selected ultimate loss ratio was based on the Tanzania's non-life insurance industry experience over the last ten years.

The IBNR reserve is the difference between the ultimate cost of claims and the cumulative claims paid to the reserving date.

The Company's actuaries ensured that the IBNR reserve was not less than 5% of the net earned premium as stipulated in the Insurance Regulations, 2009.

B) Life assurance contracts

a) Valuation methodology

The Company underwrites three types of life reassurance contracts, namely ordinary life, supplementary benefits under ordinary life and group life business. Ordinary life business is written on a 'risk premium' basis. This type of business can thus be viewed as a series of one year renewable term assurances reinsured on guaranteed risk premium rates on a specific cohort of business and hence valued as such. Supplementary benefits under ordinary life business are written on a similar basis as ordinary life business. Group life business is also written on a 'risk premium' basis but with less guarantees as the risk premium rates used at each policy anniversary date can change.

The Company's life business is predominantly short-term group life business and short-term valuation methodologies are used. Given the Given that the Company has been in operation for only one year, the Company's external actuaries applied the Ultimate Loss Ratio technique to estimate the IBNR reserve as at 31 December 2024. Ultimate Loss Ratio technique is applied when there is insufficient claims experience to establish a stable development pattern of claims. The selected ultimate loss ratio was based on the Tanzania's life insurance industry experience over the last ten years. The claim reserve is the difference between the ultimate cost of claims and the cumulative claims paid to the reserving date.

20. INSURANCE CONTRACTS (continued)

C) Assumptions

b) Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2024 are summarized below.

i) Loss ratio assumptions

The ultimate loss ratio assumption applied for both life and non- life businesses was based on Tanzania's insurance industry experience over the last 10 years.

ii) Expenses and expense inflation

The current level of management expenses is taken to be an appropriate expense base. The actuarial method used does not make explicit assumptions on the level of allocated and unallocated expenses and expense inflation.

20. INSURANCE CONTRACTS (continued)

The tables below illustrate how the Company's estimates of total insurance contract liabilities for each underwriting year has changed at successive year ends.

	2024 TZS '000'	Total TZS '000'
Accident Year	8,003,199	8,003,199
One year later		
Two years later		
Three years later		
Current estimate of cumulative claims		
Gross cumulative payments to date	(1,055,717)	(1,055,717)
Gross liabilities	1,348,803	1,348,803
Gross liability in respect to prior years	-	-
Total gross liability	9,058,917	9,058,917
Effect of discounting	800,569	800,569
Liability for Incurred Claims	**8,258,347**	**8,258,347**

	Total TZS '000'
31 December 2024	
Insurance contract liabilities:	
Insurance contract balance	16,485,531
	16,485,531
Insurance contract assets:	
Insurance contract balances	14,792,448
	14,792,448

20. INSURANCE CONTRACTS (continued)

Movements in insurance contract balances

			Liability for Incurred Claims Contracts under the PAA		
	Liabilities for Remaining Coverage excluding Loss Component	**Loss Component**	**Estimates of PV of future cash flows**	**Risk adjustment for non-financial risk**	**Total 2024 TZS '000**
Opening assets	**-**	**-**	**-**	**-**	**-**
Opening liabilities	**-**	**-**	**-**	**-**	**-**
Net opening balance	-	-	-	-	-
Changes in the statement of profit or loss					
Insurance revenue (Note 3)	16,344,536	-	-	-	16,344,536
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	(9,314,065)	(235,537)	(9,549,602)
Amortisation of insurance acquisition cash flows (Note 4)	(2,850,656)	-	-	-	(2,850,656)
Adjustment to liabilities for incurred claims	-	-	-	-	-
Losses and reversals of losses on onerous contracts (Note 4)	-	-	-	-	-
Total insurance service expenses (Note 4)	**(2,850,656)**	**-**	**(9,314,065)**	**(235,537)**	**(12,400,257)**
Insurance service result	**13,493,881**	**-**	**(9,314,065)**	**(235,537)**	**3,944,279**
Insurance finance expenses (Note 6)			**-**		**-**
Total changes in profit or loss					-
Cash flows					
Premiums received	(11,355,524)				(11,355,524)
Insurance acquisition cash flows paid	4,662,445				4,662,445
Claims and other insurance service expenses paid			1,055,717		1,055,717
Total cash flows	**(6,693,079)**	**-**	**1,055,717**	**-**	**(5,637,362)**
Net closing balance	**6,800,802**	**-**	**(8,258,347)**	**(235,537)**	**(1,693,082)**
Closing assets	14,792,448				14,792,448
Closing liabilities	(7,991,646)		(8,258,347)	(235,537	(16,485,531)
Net closing balance	**6,800,802**	**-**	**(8,258,347)**	**(235,537)**	**(1,693,082)**

21. REINSURANCE CONTRACTS

	Total TZS '000'
31 December 2024	
Reinsurance contracts	
Reinsurance contract assets	5,169,276
Reinsurance contract liabilities	5,945,090

Reinsurance contract assets include: claim recoveries, asset for remaining coverage, risk adjustment for non financial risk and the reinsurance loss recovery component as shown in the movements in reinsurance contract balances below:

21. REINSURANCE CONTRACTS (continued)

Movements in reinsurance contract balances			Assets for Incurred claims		
	Assets for Remaining Coverage	Asset for Remaining Coverage RLRC	Assets for Incurred Claims PVFCF	Risk Adjustment for Non-Financial Risk	Total 2024 TZS '000
Opening assets	-	-	-	-	-
Opening liabilities	-	-	-	-	-
Net opening balance	-	-		-	-
Changes in statement of profit or					
Reinsurance premium cost (Note 5)	(4,582,379)	-	-	-	(4,582,379)
Amounts recoverable from reinsurance	-	-	-	-	-
Recoveries for incurred claims	-	-	(448,676)	27,933	(420,743)
Adjustments to assets for incurred claims	-	-	-	-	-
Change in risk of non-performance (Note 5)	-	-	(2,008)	-	(2,008)
Change in reinsurance loss recovery component (Note 5)	-	-	-	-	-
Net expenses from reinsurance contracts (Note 5)	**(4,582,379)**	**-**	**(450,684)**	**27,933**	**(5,005,129)**
					-
Reinsurance finance expenses through P&L (Note 6)	-	-	-	-	-
Total changes to profit or loss	**(4,582,379)**	**-**	**(450,684)**	**27,933**	**(5,005,129)**
Cash flows					
Reinsurance premiums paid	2,560,965	-	-	-	2,560,965
Reinsurance recoveries	-	-	1,668,351	-	1,668,351
Total cash flows	**2,560,965**	**-**	**1,668,351**	**-**	**4,229,316**
				-	-
Net closing balance	**(2,021,414)**	**-**	**1,217,668**	**27,933**	**(775,813)**
Closing assets	3,923,676	-	1,217,668	27,933	5,169,276
Closing liabilities	(5,945,090)	-	-	-	(5,945,090)
Net closing balance	**(2,021,414)**	**-**	**1,217,668**	**27,933**	**(775,813)**

22. OTHER PAYABLES

	Total 2024 TZS '000'
Accrued expenses and other liabilities	2,799,873
	2,799,873

23. DEFERRED TAX

Deferred income tax is calculated using the enacted tax rate of 30% except for capital gains, for which the enacted tax rate of 10% is used. The movement on the deferred income tax account is as follows:

	Total 2024 TZS '000'
At start of period	-
Charge/(credit) to profit or loss	(107,182)
	(107,182)

	Total 2024 TZS '000'
Deferred income tax liability	
Excess depreciation over capital allowance	19,283
	19,283
Deferred income tax asset	
Provisions	(125,317)
Effects of IFRS 16	(1,148)
	(126,465)
Net deferred tax liability/(asset)	**(107,182)**

24. CASH AND BANK BALANCES

Cash and bank balance consist of:

	Total 2024 TZS '000'
Cash and Bank Balances	2,756,111
Less: Provision for expected credit losses	(3,860)
	2,752,252
Cash and Cash equivalents consist of:	
Cash and Bank Balances	2,756,111
Deposits with financial institutions maturing within 90 days (Note 21)	4,523,892
	7,280,003

Movement for expected credit losses	**Total 2024 TZS '000'**
At the start of the period	0
Credit for the period	(3,860)
At the end of the period	**(3,860)**

25. CASH GENERATED FROM OPERATIONS

	Total 2024 TZS '000'
Profit before income tax	2,273,907
Adjustments for:	
Depreciation on property and equipment (Note 7)	74,481
Depreciation on right-of-use assets (Note 7)	27,114
Interest expense - lease liability	8,524
Change in insurance contract liabilities	16,485,531
Change in reinsurance contract liabilities	5,945,090
Change in other payables	2,799,873
Change in insurance contract assets	(14,792,448)
Change in reinsurance contract assets	(5,169,276)
Change in other receivables	(178,521)
Movement in accrued interest	(117,383)
Amortisation of intangible assets (Note 14)	51,066
Loss on impairment of financial assets (excluding trade receivables)	21,094
	7,429,050

26. CAPITAL COMMITMENTS

Authorised capital expenditure

	Total 2024 TZS '000'
Approved capital expenditure	503,430

The above relates to capital expenditure authorised but not contracted for at the end of the year. It has not been recognised in the financial statements.

27. RELATED PARTIES

The Company is controlled by East Africa Reinsurance Company Limited, a company incorporated and domiciled in Kenya, which is its immediate parent company. The Company's ultimate holding company is Asset Managers Limited. There are several other companies that are related to the Company through common shareholdings or common directorships.

In the normal course of business, the Company issues reinsurance policies and has banking relationships with its related parties. All transactions with related parties are at arm's length. The terms and conditions of the reinsurance and banking-related party transactions are equivalent to those available to other customers.

Transactions with related parties during the year and related outstanding balances are disclosed below:

	Total 2024 TZS '000'
a) Transactions with related parties during the year	
Insurance revenue	2,215,055
Interest earned on bank deposits	128,503
Total	**2,343,558**
b) Balances with related parties	
i. Receivable balances with related parties	
ICEA LION General Insurance Company (T) Ltd.	1,295,361
Total	**1,295,361**

27. RELATED PARTIES (continued)

	Total 2024 TZS '000'
ii. Payable balances with related parties	
East Africa Reinsurance Company Limited	1,096,279
Total	**1,096,279**
iii. Investments balances with related parties	
Staff mortgages, Fixed deposits and Bank balances	
Fixed deposits with NCBA Bank Tanzania Limited	1,835,049
Bank balances with NCBA Bank Tanzania Limited	2,639,837
Total	**4,474,887**

	Total 18 months period ended 31 Dec 2024 TZS '000'
d) Directors' fees	
Directors' emoluments	80,318
e) Key management personnel remuneration	
Salaries	
National social security benefit cost	
Retirement benefit costs	
Other benefits	
Total	

Key management personnel remuneration comprises salaries and non-cash benefits.

f) Loans to Directors and Key management of the Company

The Company did not advance loans to its non-executive directors in the period. Loans to Key management staff amounted to TZS 59,146.

28. EVENTS SUBSEQUENT TO YEAR END

There were no material subsequent events after the reporting date requiring disclosure in these financial statements as at the date of the financial statements approval.