2018-19
ANNUAL REPORT

CONTENT

Synopsis of NICE's Profile

NICE is the first private insurance company established in 1994 to engage in general insurance business following partial liberalization of the Ethiopian economy. Its Head Quarter is situated in Addis Ababa, capital city of Ethiopia. NICE is dedicated to deliver quality insurance solutions to its customers through its 44 business channels in the country, out of which 23 of the branches are located in the capital and the rest 21 of them are situated in economically vibrant regional towns.

The founding shareholders of NICE were 12 prominent business persons and professionals with wider knowledge and experience of the Ethiopian economy and business, and with extensive exposure to the world economic and business realities.

By the time the founding shareholders came up with an idea of establishing private insurance company, there was no other private insurance company with the exception of one public insurance company, under Government Monopoly, Ethiopian Insurance Corporation (EIC).

Then the founding shareholders realized the need for establishing a private insurance company that can serve the dynamically changing economy before any other business communities in Ethiopia. It is, therefore, possible to say that NICE's founding shareholders were the pioneers for establishing a private insurance company in Ethiopia after partial liberalization of the Ethiopian Economy. It is only then that others followed NICE's suit.

Following the formation of NICE many other insurance companies mushroomed and began insurance operations. Currently there are 16 private insurance companies operating in Ethiopian insurance market.

After traversing through dynamic economic environments for two and half decades, NICE became one of the few most profitable insurance companies in Ethiopia. The following table clearly depicts the continuous successes registered by NICE:

Description	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Net profit in million	18.0	21.1	20.1	31.0	21.2	25.8	41.3	41.9
EPS per birr 1,000	1,096	625	439	604	366	383	497	443
EPS in %	109.6	62.5	43.9	60.4	36.6	38.3	49.7	44.3

Table 1: Profit and EPS of eight consecutive Fiscal Years

The last five years average EPS is 45.86 %. By all means, this is the best return on investment. The shareholders had fully secured their initial invested capital from EPS obtained in 2011/2012, i.e. 109.6% which was the very remarkable achievement in the history of NICE.

The 44.3% EPS in the period under discussion was also encouraging because it was attained in the hard time of economic scenario.

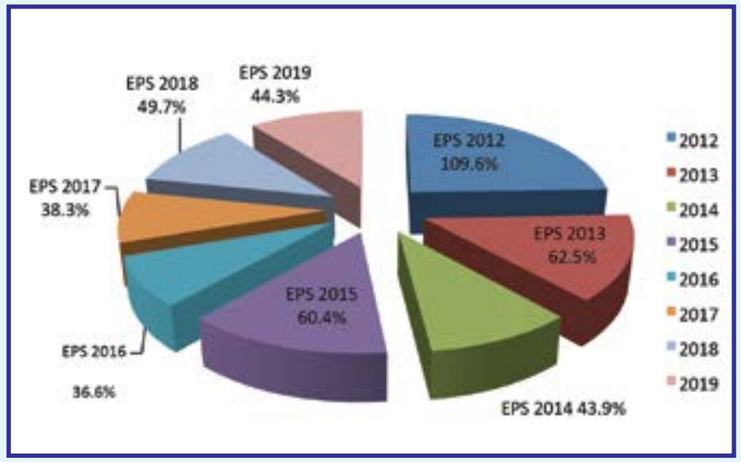

Figure 1: Earnings perShare (EPS)

Your Friendly Insurance Company!

Founding Shareholders

Below are list of NICE's Founding shareholders that harbingered the opening of the first private insurance company in Ethiopia (1994)

Ato Mekuria Worku

Ato Habtemariam Shumgizaw

Ato Hailu Gebrehiwot

Ato Yilma Tekleyohannes

Ato Alemayehu Haile

Mr. Hrair Behesni

Ato Kahsay Gebrehiwot

Mr. Omar Nursubagleh

Mr. Ahmed Abdu Mohamed

W/o Lefki Parri

Ato Yohannes Bayonakis

Ato Mesfin Meheret

Some years back, new shareholders bought additional shares and joined NICE. Now the shareholders have reached 61. Compared with other similar insurance companies, the number of shareholders of NICE is relatively on the low side.

The BoDs and Management of NICE have better understanding for the need of having strong capital and reached consensus to raise it to half a billion birr, after communicating the issue to shareholders on the upcoming Annual General meeting.

BOARD OF DIRECTORS

Alemu Reba
Chairman

Yilma T/Yohannes
Deputy chairman

Zadigwa Tsehay
Director

Abrham Atlabachew
Director

Maaza Zewde
Director

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BOARD OF DIRECTORS

Gebeyehu Bekele
Director

Ayele Asfawossen
Director

Maeregu Hadgu
Director
(Representative of Tsemex Global Ent.)

Addisu Demissie
Advisor & Secretary

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Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (BoDs), Management and staff, it gives me great pleasure and honor to welcome our respected Shareholders to this 26th Annual General Meeting and 13th Extraordinary Meeting of Shareholders.

I am glad to report to our Shareholders that, despite all constraints and challenges faced during the year under report, our company has concluded another year of great success and registered a net profit of birr 41.9 million which is 1.01% greater than last year's similar period achievement.

I am also delighted to report that, the total asset of our company as at June 30, 2019 is birr 513.9 million showing an increase of birr 19.2 million (3.9%) over that of last year. On the other hand the total liability of the company at similar time was birr 351.0 million, which is far below our asset, showing that our company is solvent and financially healthy.

Since taking over responsibility from the previous Board, the new BoDs have been working persistently with utmost team spirit and professionalism in providing overall guidance and support to the management. The new Board gave great emphasis to system development and also strategic issues in important areas of concern which is believed to have immense contribution in enhancing the efficiency and effectiveness of the company's operational as well as customer service related activities.

During the year the Board made 12 Regular and 10 Non-regular meetings, which demonstrate the unreserved efforts and dedication made to put the company on the right track. Furthermore, the Board's Human Resource Affairs, Audit and Risk Management Sub-Committees continuously assisted the management through instituting various working systems and strategies to further strengthen and make the company more viable and trust worthy.

On behalf of the BoDs, I would like to take this opportunity and extend my gratitude to our respected customers who gave us their confidence and continued placement of their business with us. Their unreserved support with their valuable and constructive feedback is always appreciated.

I also express my thanks and appreciations to Supervisory Authority, our company's Re-insurers and Brokers and all stakeholders for their invaluable contribution in the past and creating favorable environment for our company in achieving the desired growth and profitability.

My sincere and heartfelt thanks and appreciation also goes to company's Board Members, the Management team, the staff and Sales Agents who should be congratulated for the remarkable achievement.

The year ahead:-
key project areas that require utmost attention and priority, and shall be carried-out in 2019/20 budget year are: raising the company's capital to its highest level possible, finalization of the Architectural Design of the Head Office Building to be constructed at Tewedros Square and related projects, retouching company's Strategic Plan and Organizational Structure, New IT System Development and upgrading different Manuals not yet reviewed.

Dear Shareholders,

Finally, in accordance with article 418 and 419 of the Commercial Code of Ethiopia 1960 edition and Article 5.1.3 of the company's Article of Association, I kindly present Board of Directors' report and the report of Auditors for the fiscal year ended June 30, 2019 for your consideration and approval.

Thank you and God Bless Ethiopia!

Alemu Reba
Chairman of Board of Directors and
Annual Shareholders General and Extraordinary Meetings

SENIOR MANAGEMENT

Tesfaye Debella
Chief Executive Officer

Abi H/Selassie
A/Senior D/CEO

Zewdu Astatke
D/CEO Business Development

Tewabech Wolde
A/D/CEO Corporate Affairs

Abebe Tegegn
Director, Finance and Investment Department

Misrak Wondafrash
Director, Claims Department

Tesfu Kidane
Director, HR and GS Department

Alem Damte
A/Director, Enterprise Risk Management Department

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SENIOR MANAGEMENT

Alemayehu Zewdie
Director, IT Department

Kebede G/Mariam
Director, UW and Branch Operations Department

Gezahagne Sitotaw
Director, Legal Department

Alemtsehay Degaga
Director, Reinsurance Department

Getinet Aweke
Director, Marketing Department

Teklemariam H/Michael
Manager, Financial Audit Division

Elias Yitagessu
A/Director, Engineering Department

CEO's Remark

Dear Shareholders,

National Insurance Company of Ethiopia S.C. (NICE) has registered a notable performance during 2018/19 financial year under challenging environment. The cut-throat competition among insurance companies, sky-rocketed price of spare parts and escalating house rent etc are among the problems that stressed our performance in the period under review.

In spite of all the challenges, the Gross Written Premium (GWP) has reached birr 279.8 million achieving 85% of the target set in this regard. The lion share of the GWP went to motor policy and 46% of the total GWP was from issuance of new policy which is an encouraging result.

During the financial year, we scored a loss ratio of 59% which is below the industry average of 61% and our result of 62% last year same period. Again this is a remarkable achievement.

In the reporting period, our company opened five additional branches, raising the total number of branches to 40. Accordingly 3 branches in Addis Ababa and 2 others in economically vibrant towns of the country were opened including the coming into picture of Woldiya and Durame contact offices, which has created easy access to our customers.

Regarding capacity building, focus has been made to human development program, and in this respect training programs and refreshment courses were given to 126 employees to upgrade their salesmanship capacity to the intended level. As at the close of fiscal year, the staff strength of NICE reached 318, out of which 202 or 63.5% are females.

In the coming fiscal year, the company planned to improve its customer service by implementing state of the art ICT, building the skill of its sales agents through different capacity building programs, reduce the claims ratio by giving different safety trainings to corporate clients, recruiting qualified and competent employees.

Finally, I would like to present my heartfelt thanks to our BoDs for their valuable strategic guidance and shareholders for their confidence in us and continued trust. I also want to thank our fellow management members for their fruitful leadership and our employees in general for their dedication and commitment throughout the year, and their initiative to combat new challenges and help the company to thrive out of the fierce competitive environment.

Thank you

Tesfaye Debella
Chief Executive Officer

Your Friendly Insurance Company!

Key Performance Indicators as at June 30, 2019

Gross Written Premium	9.4%	↑
Earnings Per Share	5.4 %	↓
Deposit in Banks	1.0%	↓
Claims Expenses	3.2%	↑
Investment Income	7.9%	↑
Expenses	22.35 %	↑
Profit after tax	1.01%	↑
Total Assets	3.9%	↑
Total Equity	9.6%	↑
No. of Branch	14.3%	↑
No. of Staff	8.2 %	↑

Out of the above mentioned performance indicators only the EPS and deposit in Banks have declined as compared with the preceding year. These were because:-

- No retained earning .
- Cumulative outstanding claim payment was settled from fixed time deposit.
- Investment on Fixed Assets worth significant sum of money.

BOARD OF DIRECTORS' REPORT

The BoDs of National Insurance Company of Ethiopia S.C. is pleased to present hereby the Annual Performance Report as well as Audited Financial Statements of the company for the year ended 30th June, 2019 to the 26th Annual General meeting of its shareholders as follows.

1. GLOBAL ECONOMY

A glimpse at the performance of Global Economy is essential for strategic observation of the far business environment. According to the IMF world economic situation and prospects report in July, 2019, Global growth was not doing well. Accordingly, global growth is forecasted to be 3.2 percent in 2019.

The African Development Bank report of 2019 states that the continent's general economic performance continues to improve. The Gross Domestic Product growth reached 3.5 percent in 2018 and was projected to accelerate to 4.0 percent in 2019.

2. ETHIOPIAN ECONOMY

According to the African Economic Outlook (AEO 2019), Ethiopia's real GDP growth was projected to recover from 7.7% in 2017/18 to 8.2% in 2018/19 supported by industry and service sector expansion and agricultural sector revival. Industrial growth will be boosted by ongoing industrial zone development, and agriculture will benefit from investments in fertilizer, irrigation, and improved seeds. Public investment will remain moderate, reflecting efforts to stabilize the public debt. The impending privatization of the state-owned railway, maritime and air transports, logistics, electricity, and telecommunication sectors is expected to boost private investment and mitigate the reduction in public spending.

In the year under discussion, both African and Ethiopian economic growths were in the increase side and played its part for the growth of Ethiopian insurance Industry, in general and NICE, in particular.

3. ETHIOIPIAN INSURANCE INDUSTRY

During the year under review, Ethiopian insurance industry's total GWP has reached birr 9.1 billion. The premium generated by life insurance constituted only 5.65% while the remaining 94.35% accounted for non-life insurance businesses, the later was where NICE scrambled for its share with other 16 insurers in the country. Against the previous year same period, this year's premium of non-life and life businesses growth showed 5.78% and 11.62%, respectively. The total capital and total asset of insurance companies reached birr 8.2 billion and birr 20.8 billion, respectively.

4. OPERATIONAL PERFORMANCE HIGHLIGHTS

4.1 GROSS WRITTEN PREMIUM (GWP)

In its first year of operation (October to December 1994), NICE had succeeded to register birr 1.3 million GWP income. After traversing long way from 1994 to 2019, NICE has registered birr 279.8 million GWP income in 2018/19 fiscal year.

Class of Business	2017/18 Actual	2018/19 Actual	Growth % 2018/19 Vs 2017/18	Portfolio Mixes (in %)	
				2017/18	2018/19
Motor	216,943,724	233,034,012	7.42	84.79	83.27
G. Accident	21,874,061	24,719,152	13.01	8.55	8.83
Marine	4,890,995	6,891,222	40.90	1.91	2.46
Fire	7,198,422	8,779,900	21.97	2.81	3.14
Bonds	4,949,044	6,422,995	29.78	1.93	2.30
Total	255,856,247	279,847,281	9.38	100	100

Table 2: GWPs comparison and Portfolio mixes of 2017/18 and 2018/19

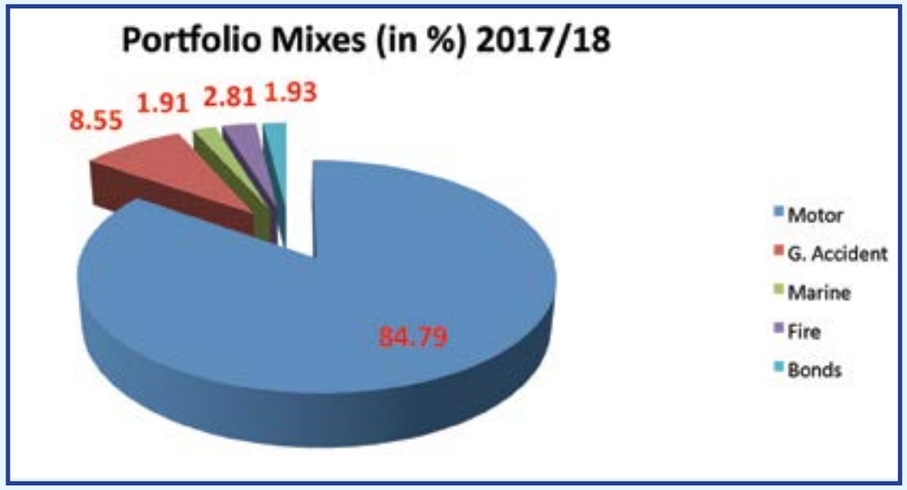

Figure 2a: Comparative GWP by class of businesses for the Year 2017/18

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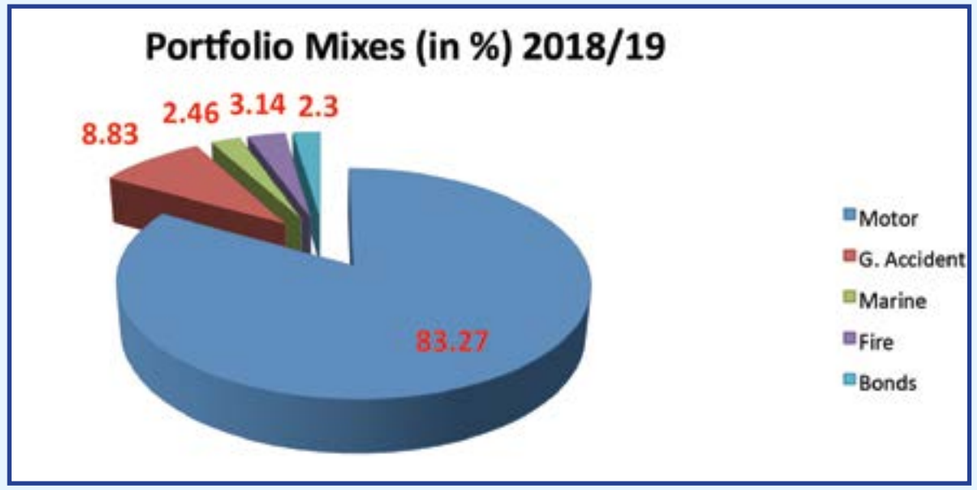

Figure 2b: Comparative GWP by class of businesses for the Year 2018/19

It is quite customary to observe an increase on the prices of almost all goods and services. But, premium payment for insurance service is continuously reducing due to price based competition among insurers. If the floor price is promulgated, all industry players would be forced to compete on their respective merits.

Regarding the portfolio mixes' of GWP in the period under discussion, Motor, General Accident, Marine, Fire and Bond constituted 83.27%, 8.83%, 2.46%, 3.14% and 2.3%, respectively. Even if the portfolio has been dominated by Motor class of business, the underwriting result is so far encouraging. Though results obtained from all classes of businesses have registered growth compared to last year same period performance, marine class of business has illustrated significant growth, i.e. 40.9 % due to opportunities tapped from around newly mushrooming industries.

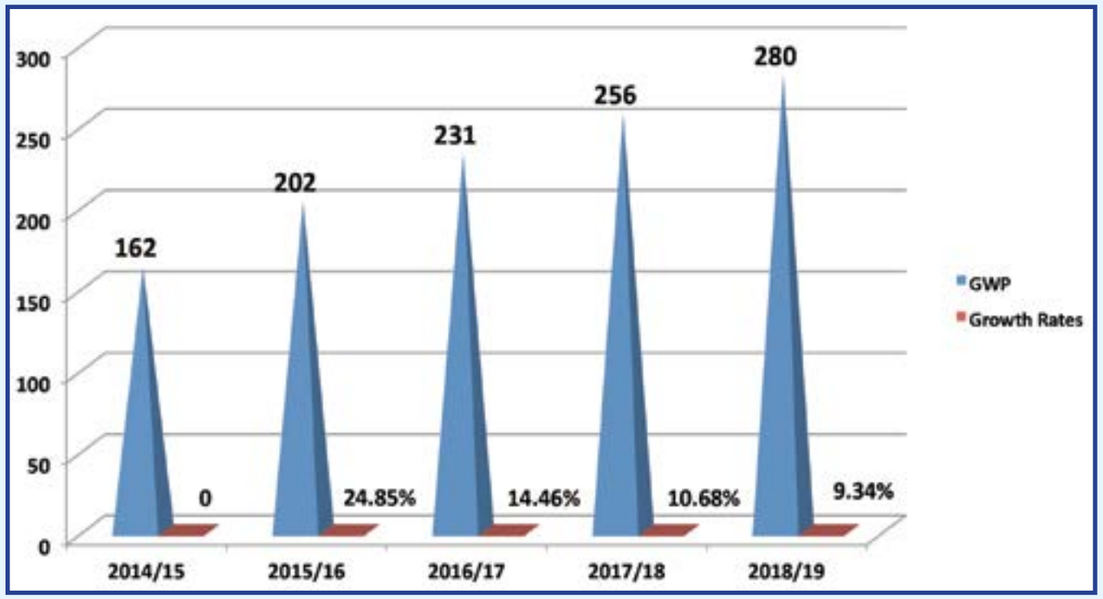

Figure 3: Five Fiscal Years Growth Trend of GWP in Million

4.2 LOSS RATIOS

The net earned premium for the year 2018/19 was birr 244.2 million and net claims incurred for same year was birr 144.7 million.This resulted in an overall loss ratio of 59 % for the period under review illustrating 3% and 2% improvement from the previous year ratio of 62% and the industry average of 61 %. This result was registered due to prudent underwriting and claims handling practice. The company will exercise its efficiency and effectiveness both in underwriting and claims in order to provide high quality customer service and maintain its profitability from its core business.

Class of business	2018/19 Actual		Claim to Premium Ratio(in %)	2017/18 Actual		Claim to Premium Ratio(in %)
	Net Earned Premium by class of business (in'000 birr)	Net Claims Incurred by class of business (in'000 birr)		Net Earned Premium by class of business (in'000 birr)	Net Claims Incurred by class of business (in'000 birr)	
Engineering	4,353	2,667	61	3,210	2,299	72
Fire	3,225	177	5	2,422	335	14
Marine	3,116	758	24	2,731	2,402	88
Motor	215,487	129,957	60	196,955	123,474	63
Workmen's	4,802	1,257	26	4,669	208	4
Pecuniary	3,449	169	5	2,831	732	26
General Liability	9,793	9,709	99	10,304	8,656	84
Total	**244,225**	**144,694**	**59**	**223,121**	**138,106**	**62**

Table 3: Loss Ratios by Class of Business (In '000 Birr)

5. FINANCIAL PERFORMANCE HIGHLIGHTS

5.1 UNDERWRITING RESULT

Despite the challenges during the year, NICE registered underwriting surplus of birr 31.7 million which has increased by 19.36% from the preceding year's performance. This encouraging result was achieved due to the application of prudent underwriting practice and efficient claims management. Since underwriting surplus is a direct result of company's core business, it indicates the efficiency and effectiveness of NICE's operations.

During the period under review, as it is clearly depicted in the following table, General Liability class of business registered negative underwriting result whereas the remaining businesses illustrated positive result. When we compare the results of 2018/19 with the previous year's performance all classes of businesses registered growth except Workmen's Compensation and General Liability.

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Class of Business	Actual 2018/19	Actual 2017/18	Growth/ Decline (in %)
Engineering	536	35	1431
Fire	2,974	1,285	131
Marine	922	(645)	---
Motor	25,514	21,696	17.6
Workmen's	2,042	3,169	(35.6)
Pecuniary	2,913	1,661	75.4
General Liability	(3,050)	(668)	---
Total	**31,671**	**26,531**	**19.37**

Table 4: Underwriting Results by Class of Business (In 000' Birr)

5.2 CAPITAL AND INVESTMENT

At the outset, NICE had begun providing insurance service with minimum required capital recommended by National Bank of Ethiopia. Currently the paid up capital of the company reached birr 100 million. In order to meet its promise to its customer, NICE is backed by renowned International reinsurers, which are high rated for their financial strength and prudence. With its strong reinsurance arrangement, NICE is highly committed to provide superior customer service and working to remain one of the most trustful and dependable companies in Ethiopia.

Moreover, NICE's Board of Directors and Management have clearly realized the need for raising capital to meet different demands of the company for investment, reinsurance negotiations and to cope up with the competition of new domestic and foreign entrants. Accordingly, the Board of Directors has reached consensus to communicate the importance of raising capital at least to half a billion to its fellow esteemed shareholders so as to withstand the urgent requirement of financial need.

The current NICE's investment in Zemen Bank S.C., Nib Bank S.C., Bank of Abyssinia S.C., Ethio-Re S.C. and Access Capital S.C.in the form of equity investments has reached birr 25.9 million , 32.4 million, 10.8 million, 14.4 million and 0.5 million, respectively. Total equity investment of the company has reached birr 84 million. The amount of NICE's Fixed-Time-Deposit as at June 30, 2019 was birr 219.2 million. Investing some portion of its capital in profitable business is a wise decision.

5.3 EXPENSES

During the budget year, the General and Administrative Expenses of the company reached birr 85 million altogether,exceeding last year's expenses by 22.35%, out of which substantial amount of the expense went to Salary and benefit, birr 45.3 million and Rent and Utilities, birr 9.9 million, the rest was incurred as other expense items.

Double digit inflation coupled with investment cost related to new business channel development has escalated the overall expense and will be expected to reduce following the overall improvement of the country's economy.

5.4 PROFIT

During the period under review, NICE managed to register birr 41.9 million profit after tax and 44.3% EPS which is computed based on the paid up capital. As compared with last year similar period, profit of the fiscal year was more by 1.01 % .

5.5 ASSET AND LIABILITY

As at June 30, 2019, total asset of the company increased from birr 494.7 million of previous year to birr 513.9 million depicting 3.88% growth. Total liability stood at birr 351 million showing an increase of 1.42% over the preceding year.

6. CAPACITY BUILDING

6.1 HUMAN RESOURCE

At the end of 2018/19 Fiscal Year, total number of employees reached 318; out of which 202 or 63.5% are females. The company believes that employees are the most valuable assets and strives to enhance the knowledge and skills of employees through continuous education and training. To this effect, it has offered capacity building trainings for a total of 126 employees. NICE has also solid belief of promoting merit based selection and will exercise same practice in the years to come.

Training for Sales Agents has been given to upgrade their understanding of NICE's insurance solutions. It enabled to promote NICE via its sales agents both in and outside the capital.

6.2 BRANCH EXPANSION

For nearly two decades branch offices in Addis Ababa and regional towns had been limited to 23 in number. However, in the past five years, branch expansion has remarkably grown and reached 40 branches and 4 contact offices. Addis Ababa branches are located in the best identified areas of the city where customers can easily access them for their insurance solutions. Besides, providing services in well distributed business channels, NICE's staff deliver door to door service around their vicinity upon customers' requests. This is what we call providing insurance solutions "at customers' gates".

Outlying branches are situated in economically strong towns of the country and arranged in such a way that it can provide infrastructural services in addition to their day to day operational duties.

6.3 IT SYSTEM UPGRADING

NICE has been using SIICON for nearly a couple of decades. But the growing business need and expansion of business channels demanded for upgraded IT system towards the betterment of the overall operational efficiency and effectiveness of the company. In view of this, the company has designed the first draft of new IT system proposal and is ready for approval.

7. PROMOTION AND SOCIAL RESPONSIBILITY

NICE's insurance business solutions communicated to targeted audiences via different FM radios, newspapers and exhibitions in the period under discussion. The company also participated in different public occasions such as Great Ethiopian Run, Traffic Safety Awareness Campaign and Physicians Association that is working to build a big referral hospital in the country for patients who are suffering from heart related problems throughout the country.

By doing so NICE succeeded to play its part in building its intangible assets such as trust, goodwill and customer confidence. It was an arena where NICE has demonstrated its empathy, responsiveness and commitment towards its customers and the public at large.

8. FUTURE PLANS

8.1. CONSTRUCTION OF HEAD QUARTER BUILDING:

Investment in multipurpose building brings sustainable benefits from rent income, total asset value increment and image building to the company. After many years struggle by the Board and management members, the company managed to bring back the land from the Land Bank. Currently the status of Tewedros Square Head Quarter project is found in the process of finalizing the land ownership certificate. Simultaneously, the project team has given assignment for the consultant to prepare a preliminary architectural design.

8.2 LIFE INSURANCE

Ethiopia is one of a highly populated country in the continent next to Nigeria. It has a prospective business atmosphere for life insurance sector.

Spurred by its achievements for the last 25 years, NICE would therefore like to further enhance its business performance by launching Life insurance business.

Under the auspices of the Board of Directors, NICE is underway to conduct feasibility study and make the company composite insurer that provides both non-life and life insurance solutions to its customers under one roof.

8.3 MICRO INSURANCE

Agriculture is the dominant sector in the Ethiopian economy by which more than 80% of the population fully depends on it to feed their family and generate income. Therefore, the sector is untapped market for insurance companies. It is dominated by subsistence farming wherein more than 90% is owned by small holder farmers who are dependent on rain fed farming. These small holder farmers are highly exposed to the negative impact of climate change mainly reflected in shortage of rainfall during the rainy season. NICE has planned to start micro insurance to indemnify the impact of climate risk experienced by Ethiopian farmers.

9. CHALLENGES AND FUTURE STRATEGIC DIRECTIONS

Despite the various challenges in the overall economic and political conditions, the company has achieved a promising result during the reporting year. Some of the challenges faced by the company were:

- Continuous rise in office rent expense, cost of stationery items and cost of spare parts;
- Inadequacy of other investment income;
- Absence of professional manpower in the market;
- Price-cutting competition;

The coordinated effort of the Board of Directors and the Management has enabled the company to do away with the problems encountered from time to time. Accordingly, the following major activities have to be given priority during the 2019/20 fiscal year.

- Top priority will be given to new system development and upgrading the existing one.
- Follow-up the progress of the company's 2 five years strategic plan (2016/17-2020/21);
- Starting the construction of Headquarter building at Tewedros Square;

- Implementation of the new ICT system to improve customer service quality and prompt reporting system;
- Building the capacity of employees through on the job and formal training and, retaining competent and professional employees;
- Improving the underwriting results of the company by increasing premium production and exercising prudence in both underwriting and claims handling practices.
- To conduct a feasibility study on Life Insurance demand in the country.
- To implement an efficient and effective customer-oriented organizational structure.

10. VOTE OF THANKS

NICE's Board of Directors and the Management would like to express their sincere gratitude to all esteemed customers for their trust in giving us the opportunity to serve them, respected shareholders for their investment and valuable support for the growth of the company, business intermediaries and reinsurers for their partnership, the National Bank of Ethiopia and its Supervision Directorate for their guidance and support.

NICE's success lasting for a decade would have not been possible without the dedication of its staff. The Board of Directors and the management would also like to thank the employees for their unreserved contribution in making NICE profitable. Finally, the BODs and the Management would like to reassure the staff that it will continue providing its utmost support in their efforts towards achieving the planned goals for the forthcoming fiscal years.

AUDIT REPORT 2018/19

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
REPORTS AND ANNUAL FINANCIAL STATEMENTS
DIRECTORS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30 JUNE 2019

Board Members (as at June 2019)

		Date of appointement
Ato Alemu Reba	Chairman	June 18/2018
Ato Yilma T/yohannes	V/Chairperson	June 18/2018
Ato Gebeyehu Bekele	Member	June 18/2018
Ato Ayele Asfawossen	Member	June 18/2018
Ato Abrham Atlabachew	Member	June 18/2018
W/ro Meaza Zewdie	Member	June 18/2018
Wro Zadigwa Tsehay	Member	June 18/2019
Ato Addisu Demisse	Advisor &Secretary	June 18/2020

Senior managment *(as of 30 June 2019)*

		Date of appointment
Ato Tesfaye Debella	Chief Executive Officer (CEO)	May 15/2015
Ato Abi Hailesilasse	Senior Deputy CEO	January 10/2017
W/ro Tewabech Wolde	Deputy CEO Corporate Affairs	February 21/2017
Ato Zewdu Astatke	Deputy CEO Business Development	March 1/2015
Ato Gezehagn Sitotaw	Legal Service Department Director	July 6/2017
Ato Abebe Tegegn	Director Finance and Investments	July 30/2014
Ato Tesfu Kidane	Director, Human Resource & General Services	July 30/2014
Ato Misrak Wondafrash	Director, Claims Department	December 01/2016
Ato Alemayehu Zewdie	Director, IT and system development	December 09/2016
Ato Kebede G/mariam	Director, UnderWriting and Branch Co-ordination	June 1/2017
Ato Getenet Aweke	Director, Research ,Strategic Planning and Market	Mach 1/2019
W/ro Alemtsehaye Degaga	Director, Reinsurance Department	November 1/2018
W/t Alem Damite	A/Director.Enterprise Risk Management Departme	May 01/2017
Ato Mahider Sileshi	Project Manager	January 21/2019

Independent auditor

TMS plus Chartered Certified Accountants (UK) and Authorized Auditors (Ethiopia)
Addis Ababa
Ethiopia

Corporate office

Debrezeit road,
Zefco Building
P.O. Box 12645
Addis Ababa
Ethiopia

Principal bankers

Dashen Bank S.C.
Bank of Abyssinia S.C.
Commercial Bank of Ethiopia
NIB International Bank S.C.
Awash International Bank S.C.
Cooperative Bank of Oromia S.C.
Zemen Bank S.C.
Bunna International Bank S.C.
Enat Bank S.C.
Addis International Bank S.C.

Consulting Actuaries

Actuarial Service (East Africa) Limited
26th floor, UAP-Old Mulual Towers
Upper Hill Road, Upper Hill
P.O.Box 10472-00100
Nairobi, Kenya

Principal Re-insurer

Afro-Asian Insurance Service Limited
3rd floor, 16 St. Clare Street
London, United Kingdom

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
REPORTS AND ANNUAL FINANCIAL STATEMENTS
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2019

The Directors have pleasure of presenting their report on the affairs of National Insurance Company of Ethiopia (NICE) S.C. or "the Company" together with the financial statements for the year ended 30 June 2019, to the shareholders of National Insurance Company of Ethiopia (NICE) S.C. This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

National Insurance Company of Ethiopia (NICE) S.C. ("the Company) is a private commercial insurance company domiciled in Ethiopia. The Company was established in October 1994 in accordance with the provisions of the Commercial Code of Ethiopia of 1960 and Licensing and Supervision of Insurance Business Proclamation no. 86/1994.

Principal activities

The Company is principally engaged in the provision of general insurance services and other ancillary business activities to a wholesale, retail and SME clients base in Ethiopian market.

Dividends

During the year under review, the directors declared and paid dividend in the sum of ETB 37,399,752 (2018: ETB 30,548,211) per ordinary share on the issued capital of 73,818 (2017: 60,000) Ordinary Share of ETB 1,000 each.

Operating results

The Company's results for the year ended 30 June 2019 are set out on page 8. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2019 ETB	**30 June 2018 ETB**
Net premiums	244,225,241	223,120,903
Profit before income tax	45,023,667	44,638,546
Income tax expense	(3,111,534)	(3,258,783)
Remeasurement loss on retirement benefits obligations	13,197	(57,183)
Profit for the year	41,925,330	41,322,580

Directors

The Directors who held office during the year and to the date of this report are set out on page 3.

Alemu Reba
Chairman, Board of Directors
Addis Ababa, Ethiopia

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
REPORTS AND ANNUAL FINANCIAL STATEMENTS
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2019

The Commercial Code of Ethiopia 1960 and Licensing and Supervision of Insurance Business Proclamation no. 746/2012 of the Government of Ethiopia require the Directors to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Commercial Code of Ethiopia 1960 also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the statement of financial position of the Company at the reporting date and of its comprehensive income in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The responsibilities include;

a) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;

b) selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and

c) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of Licensing and Supervision on Insurance Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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 profit or loss.

Nothing has come to the attention of the Board of Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Alemu Reba
Chairman, Board of Directors
18 November 2019

Tesfaye Debella
Chief Executive Officer
18 November 2019

TMS Plus
Tafesse,Shisema and Ayalew Certified Audit Partnership
Chartered Certified Accountants (UK) and Authorised Auditors (Ethiopia)
HLB Ethiopia
Member Firm of HLB International
THE GLOBAL ADVISORY AND ACCOUNTING NETWORK
Tel. 251-011-8961752 /011 6180638 Mob. 0911 229425 /0930 034356/0930 034357 Fax: 251-011 662 12 70/60
E-mail:- tmsplus@ethionet.et / tafessef@hotmail.com P.O.Box 110690 Addis Ababa - Ethiopia

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS ACCOUNTS OF NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Insurance Company of Ethiopia (NICE) S.C, which comprise the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are presented fairly, in all material respects,or give a true and fair view of the financial position of the Company as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Management for the Financial Statements

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

In preparing the financial statements, Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Directors are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of your directors so far as it related to these financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia of 1960, recommended approval of the above mentioned financial statements.

Taf, Shi & Ay

Tafesse,Shisema and Ayalaw Certified Audit partnership
Chartered Certified Accountants (UK)
Authorized Auditors (Eth)

Addis Ababa
14 November 2019

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	30 June 2019 ETB	30 June 2018 ETB
Gross premium income	5	268,493,094	247,284,877
Premium ceded to reinsurers	5	(24,267,853)	(24,163,974)
Net premium income		244,225,241	223,120,903
Fee and commission income	6	5,747,821	3,846,556
Net underwriting Income		**249,973,062**	**226,967,458**
Claims expenses	7	(156,947,880)	(152,011,319)
Claims expenses recoverable from reinsurers	7	12,011,653	13,905,764
Underwriting expenses	8	(15,693,940)	(13,724,650)
Net underwriting expenses		**(160,630,167)**	**(151,830,204)**
Underwriting profit		**89,342,895**	**75,137,254**
Investment income	9	36,440,643	33,771,964
Other income	10	1,079,729	1,905,444
Net Income		**126,863,267**	**110,814,662**
Other operating expenses	11	(81,839,600)	(66,176,116)
Profit before income tax		**45,023,667**	**44,638,546**
Income tax expense	12	(3,111,534)	(3,258,783)
Profit for the year		**41,912,133**	**41,379,763**
Other comprehensive income		-	-
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain loss on retirement benefits obligations	25	13,197	(57,183)
Deferred tax (liability)/asset on remeasurement gain or loss		-	-
Total comprehensive income for the year		**41,925,330**	**41,322,580**
Basic & diluted earnings per share (ETB)	27	443	497

The notes on pages 7 to 59 are an integral part of these financial statements.

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	Notes	30 June 2019 ETB	30 June 2018 ETB
ASSETS			
Cash and balances with banks	13	258,378,138	260,905,180
Investment securities			
– Available for sale	14	83,940,182	67,707,400
– Loans and receivables	14	3,031,228	2,868,523
Insurance receivables	15	-	-
Reinsurance assets	16	91,137,994	96,149,222
Other assets	17	17,885,460	16,468,195
Deferred acquisition cost	18	9,685,111	9,214,819
Investment property	19	4,300,878	4,386,812
Property, plant and equipment	20	30,427,104	23,511,668
Statutory deposit	21	15,142,391	13,535,425
Deferred tax Asset	12d	-	-
Total assets		**513,928,485**	**494,747,244**
LIABILITIES			
Insurance contract liabilities	22	289,747,279	272,264,226
Insurance payables	23	30,836,780	42,039,501
Other liabilities	24	24,722,968	25,580,664
Retirement benefit obligation	25	2,113,405	1,769,771
Current income tax liabilities	12c	2,705,156	3,471,284
Deferred tax liability	12d	899,648	975,896
Total liabilities		**351,025,236**	**346,101,341**
EQUITY			
Share capital	26	98,989,125	89,257,358
Retained earnings	28	39,098,542	38,764,177
Share premium account	28a	1,198,380	1,198,380
Legal reserve	29	23,617,201	19,425,987
Total equity		162,903,248	148,645,902
Total equity and liabilities		**513,928,485**	**494,747,243**

The notes on pages 7 to 59 are an integral part of these financial statements.

Alemu Reba
Chairman, Board of Directors

Tesfaye Debella
Chief Executive Officer

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
STATEMENT OF CHANGES IN EQUITY
AT 30 JUNE 2019

	Notes	Share capital ETB	Retained earnings ETB	Legal reserve ETB	Share premium account ETB	Total ETB
As at 1 July 2017		73,818,215	32,127,784	15,288,011	-	121,234,010
Profit for the year	27	-	41,379,763	-	-	41,379,763
Other comprehensive income: Re-measurement gains on defined benefit	25	-	(57,183)	-	-	(57,183)
Sub total		73,818,215	73,450,364	15,288,011	-	162,556,590
their capacity as owners						
Issue of shares		15,439,143	-	-	-	15,439,143
Dividend distributed to		-	(30,548,211)	-	-	(30,548,211)
Transfer to legal reserve		-	(4,137,976)	4,137,976	-	-
Share premium account		-			1,198,380	1,198,380
As at 30 June 2018		**89,257,358**	**38,764,177**	**19,425,987**	**1,198,380**	**148,645,902**
As at 1 July 2018		89,257,358	38,764,177	19,425,987	1,198,380	148,645,902
Profit for the year	27	-	41,912,133	-	-	41,912,133
Other comprehensive income		-		-	-	-
Re-measurement gains on defined benefit plans (net of tax)	25	-	13,197	-	-	13,197
Sub total		**89,257,358**	**80,689,507**	**19,425,987**	**1,198,380**	**190,571,232**
Transactions with owners in their capacity as owners						
Issue of shares		9,731,767	-	-	-	9,731,767
Dividend distributed to shareholders		-	(37,399,752)	-	-	(37,399,752)
Transfer to legal reserve		-	(4,191,213)	4,191,213	-	-
As at 30 June 2019		**98,989,125**	**39,098,542**	**23,617,201**	**1,198,380**	**162,903,248**

The notes on pages 7 to 59 are an integral part of these financial statements.

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 ETB	30 June 2018 ETB
Cash flows from operating activities			
Cash generated from operations	30	55,534,508	55,187,534
Retirement benefit paid	25d	(225,226)	(230,070)
Income tax paid	12c	(3,953,908)	(4,048,948)
Net cash inflow from operating activities		**51,355,374**	**50,908,516**
Cash flows from investing activities			
Purchase of equity investment	14	(16,232,782)	(11,015,450)
Purchase of Ethiopian government bonds	14	(162,705)	(168,939)
Purchase of investment property	19	(0)	(427,617)
Purchase of property, plant and equipment	20	(9,833,198)	(3,083,456)
Disposal of property, plant and equipment	20	14,253	
Additional investment in fixed deposit	13	6,780,474	(35,785,396)
Net cash outflow from investing activities		**(19,433,958)**	**(50,480,858)**
Cash flows from financing activities			
Dividend paid	28	(37,399,752)	(30,548,211)
Proceeds from issues of shares	26,28a	9,731,767	16,637,523
Net cash outflow from financing activities		**(27,667,984)**	**(13,910,688)**
Net decrease in cash and cash equivalents		**4,253,432**	**(13,483,031)**
Cash and cash equivalents at the beginning of the year	13	34,925,989	48,409,018
Cash and cash equivalents at the end of the year	13	**39,179,420**	**34,925,989**

The notes on pages 7 to 59 are an integral part of these financial statements.

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1 General information

National Insurance Company of Ethiopia (NICE) S.C. ("the Company) is a private commercial insurance company domiciled in Ethiopia. The Company was established in October 1994 in accordance with the provisions of the Commercial Code of Ethiopia of 1960. The registered office is at:

Debre Zeit Road ZEFCO Building
P.O.Box: 12645
Addis Ababa,
Ethiopia

The Company is principally engaged in the provision of general insurance services and other ancillary business activities to a wholesale, retail and SME clients base in Ethiopian market.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the year ended 30 June 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations are included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements for the year ended 30 June 2018 are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The Directors have no doubt that the Company would remain in existence after 12 months.

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2.2.2 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

New Standards, amendments, interpretations issued but not yet effective (continued)

IFRS 16 - Leases

This standard was issued in January 2016 (effective 1 January 2019) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessons provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. It also substantially carries forward the lesser accounting requirements in IAS 17. The Company is yet to assess the expected impact of this standard.

IFRS 17 - Insurance contracts

IFRS 17 was issued in May 2017 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

This standard requires a company that issues insurance contracts to report insurance obligations and risks on the balance sheet as the total of:
(a) the fulfillment cash flows— the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and
(b) the contractual service margin— the expected profit for providing future insurance coverage (i.e. unearned profit).

The measurement of the fulfillment cash flows reflects the current value of any interest-rate guarantees and financial options included in the insurance contracts.

The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2.3 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 functional currency and presentation currency of the Company is the Ethiopian Birr (ETB).

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

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

2.4 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate (years)
Building	50
Motor vehicles	10
Furniture & fittings	10
Computer equipment	7
Office equipment	7

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The Company commences depreciation when the asset is available for use. Freehold land is not depreciated.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

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

Properties in the course of construction are carried as work in progress at cost, less any recognized impairment loss. Cost includes professional fees. Such properties are reclassified to the appropriate categories of asset when completed and ready for intended use.

2.5 Investment property

Property that is held by the Company to earn rental income or for capital appreciation, or both, and is not occupied by the Company, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. the Company has opted to subsequently carry investment property at cost and disclose fair value. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Company's investment property is determined by the Company's staff who have recent experience in the location and category of the investment property being valued. Professional values were not involved.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Earned rental income is recorded in profit or loss for the year within (other operating income). Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

Investment properties are derecognized when they have been disposed.

Asset class	Depreciation rate (years)
Office property	50

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2.6 Deferred acquisition costs (DAC)

Acquisition costs comprise all direct and indirect costs arising from the writing of non-life insurance contracts. Deferred acquisition costs represent a proportion of commission which are incurred during a financial period and are deferred to the extent that they are recoverable out of future revenue margins. it is calculated by applying to the acquisition expenses the ratio of unearned premium to written premium.

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an intangible asset (DAC). All other costs are recognized as expenses when incurred.

DAC is subsequently amortized over the life of the contracts as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortized over the terms of the policies as premium is earned.

2.7 Statutory deposit

Statutory deposit represents 15% of the paid up capital of the Company deposited with the National Bank of Ethiopia in pursuant to Article 20 of the Insurance business proclamation No. 746/2012. Statutory deposit is measured at cost.

2.8 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

2.9 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.9.1 Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value plus transaction costs for all financial assets not initially recognized at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. In the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement of the Company's financial assets are classified into two categories:
- Loans and receivables
- Available-for-sale financial investments

a) ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and similar income in income statement. The losses arising from impairment are recognized in income statement in loan impairment charge.

The Company's loans and receivables comprise of insurance receivables, investment in government bonds, reinsurance assets and other receivables.

Insurance receivables relate to receivables from agents, brokers and insurance companies in respect of premium income.

Government securities: Government securities represent investment in Ethiopian government bonds.

Reinsurance asset: The Company cedes businesses to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Reinsurance assets are measured at amortized costs. Reinsurance assets relate to prepaid reinsurance, reinsurers' share of incurred but not reported (IBNR) claims and claims recoverable.

Other receivables: Other receivables are made up of other amounts due from parties which are not directly linked to insurance or investment contracts. These are measured at amortized costs. Discounting is omitted where the effect of discounting is immaterial.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

b) ***Available-for-sale (AFS) financial assets***

AFS investments include equity investments. Equity investments classified as AFS are those which are neither classified as held–for–trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Interest earned whilst holding AFS financial investments is reported as interest and similar income using the EIR method. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the Directors have the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss. Refer to the information below under reclassification.

'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'other operating income'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.

Reclassification of financial assets

Reclassification is at the election of the Directors, and is determined on an instrument by instrument basis. The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

For a financial asset reclassified out of the 'Available–for–sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to income statement over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to income statement.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

The Company may reclassify a non-derivative trading asset out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from date of change in estimate.

Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Company has transferred substantially all the risks and rewards of the asset, or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as loans and receivables), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Derecognition of financial assets

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'loan impairment charge'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

(ii) Available-for-sale (AFS) financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognized in profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

2.9.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include insurance payables, other payables, accrued charges .

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortized cost

Financial instruments issued by the Company, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

All financial liabilities of the Company are carried at amortized cost.

Derecognition of financial liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2.9.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 Other assets

(a) Prepayments

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.

(b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received.

The Company's other receivables are staff advances and other receivables from debtors.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash and restricted balances with National Bank of Ethiopia.

2.12 Insurance contracts

(a) Classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts where a party (the policy holder) transfers significant insurance risk to another party (insurer) and the latter agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary. Such contracts may also transfer financial risk when the insurer issues financial instruments with a discretionary participation feature. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of the insured event that are at least 10% more than the benefit payable if the insured event did not occur.

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

The Company's insurance contracts are all non-life insurance contracts.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

The Company's insurance contracts are classified as short-term.

Short-term insurance contracts

These contracts are accidents and casualty, property and short-duration life insurance contracts. Accidents and casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. the Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

(b) Liability adequacy test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Tafesse, Shisema & Ayalew Certified Audit Partnership TMS Plus

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(c) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in note 2.12 (a) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortized over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in note 2.9.

(d) Receivables and payables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables.
The impairment loss is calculated under the same method used for these financial assets. These processes are described in note 2.9.

Tafesse, Shisema & Ayalew Certified Audit Partnership TMS Plus

(e) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). the Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.13 Revenue recognition

Premium income

For all insurance contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums. Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognized as income in line with the decrease of unexpired insurance risk of the contracts in force.

Fees and commission income

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

Investment income

Interest income is recognized in the statement of profit or loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognized as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Dividend income

This is recognized when the Company's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

2.14 Gross benefits and claims

This includes all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

2.15 Reinsurance claims

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

2.16 Underwriting expenses

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses and other direct costs.

Underwriting expenses for insurance contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

2.17 Employee benefits

The Company only post-employment schemes is defined contribution pension plans.

(a) *Wages, salaries and annual leave*

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.

(b) *Defined contribution plan*

The Company operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively;

ii) provident fund contribution, funding under this scheme is 7% and 11% by employees and the Company respectively based on the employees' salary.

Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account.

(c) *Profit-sharing and bonus plans*

The Company's recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. the Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

2.18 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions note 4.8.1 and notes 3
- Quantitative disclosures of fair value measurement hierarchy note 4.8.2
- Financial instruments (including those carried at amortized cost) note 4.8.3

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Directors determine the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2.19 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

2.20 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

2.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit of loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the efforts of all diluted potential ordinary shares.

2.22 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which it is incurred.

Company as a lesser

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

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

2.23 Income taxation

(a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. The Directors 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.

(b) Deferred tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for 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 neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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

Deferred 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 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.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires the Directors to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management note 4.7
- Financial risk management and policies note 4.3
- Sensitivity analyses disclosures note 4.2

3.1 Judgments

In the process of applying the Company's accounting policies, the Directors have made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments -Company as lesser

The Company has entered into commercial property leases on its investment property. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.2 Estimates and assumptions

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

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Valuation of insurance contract liabilities

Non-life insurance (which comprises general insurance) contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these 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 analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g., 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 features 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.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provide by a contract requires amortization of unearned premium on a basis other than time apportionment.

Impairment losses on Insurance receivables

The Company assesses at the end of every reporting period whether there is any objective evidence that its premium receivable is impaired. The Company determines whether impairment losses are incurred if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the receivable (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivable that can be reliably estimated, or a trigger event is identified.

The following impairment triggers have been set by the Company:
(a) significant financial difficulty of the policy holder;
(b) significant financial difficulty of the broker;
(c) a breach of agreements, such as payment defaults or delinquency in premium payments;
(d) Economic, regulatory or legal reasons relating to the premium debtor's financial difficulty, granting to the premium debtor a concession that the Company would not otherwise consider;
(e) High probability that the premium debtor will enter bankruptcy or other financial reorganization.

The Directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

The use of historical loss experience is supplemented with significant judgment by the Directors to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgment applied in the calculation of the Company's impairment charge on financial assets are set out in the Financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques using inputs from unobservable sources. A degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment by the Directors is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

4 Insurance and financial risk management

4.1 Introduction

The Company's activities expose it to a variety of financial risks, including insurance risk, financial risk, credit risk, and interest rates risk. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

4.1.1 Risk management structure

The Board of Directors have the ultimate responsibility for establishing and ensuring the effective functioning of the Risk and Compliance Management activities of the Company.

The Board Risk and Compliance Management sub-committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and risk appetite. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to executive management and the Board of Directors.

The Executive Management is responsible for translating and implementing the Company's risk management strategy, priorities and policies as approved by the Board of Directors.

The Company's policy is that risk management processes throughout the Company are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the Company

4.1.2 Risk measurement and reporting systems

The Company's risks are measured using methods that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected regions. In addition, the Company measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

The Company uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigants, identified and approved for the Company, are documented for existing and new processes and systems.

The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently reviewed as part of the review process.

4.2 Insurance risk

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

The Company is involved in only non-life insurance activities.

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

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Insurance and financial risk management (continued)

Non- life insurance contracts

These include the non-life contracts namely: Motor, engineering, fire, accident, marine, pecuniaries, general liability and employee . Risks under non-life insurance policies usually cover twelve months duration.

a) ***Frequency and severity of claims***

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of reimbursment for the damages suffered as a result of road accidents. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling and investigations. Underwriting limits are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include treaty and excess of loss coverage, it helps to mitigate the Company's risk of total net insurance losses, increases the underwriting capacity, reduces our exposures to catastrophic risk and gives us an opportunity of benefit from the reinsurers' expertise.

b) ***Sources of uncertainty in the estimation of future claim payments***

Claims on non-life insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures adopted. The reserves held for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unearned premiums at the end of the reporting period.

c) ***Process used to decide on assumption***

Depending on the volume of data in the reserving classes, the appropriate methodologies were used. Two methods were used for the projection of claims. The Basic Chain Ladder Method (BCL) and a Loss ratio method, adjusted for assumed experience to date. The Bornheutter – Ferguson Method was used based on expected loss ratios. Claims data was grouped into triangles by accident year. Payment development patterns were used instead of the reporting year patterns to allow for the longer tail development that would be seen in payment/settlement delays as well as to allow for the movement of partial payments in the data.

d) ***Sensitivity Analysis***

Sensitivity analyses are performed to test the variability around the reserves that are calculated at a best estimate level. The estimated claim amounts can never be an exact forecast of future claim amounts and therefore looking at how these claim amounts can vary can provide valuable information for business planning and risk appetite considerations.

The table below sets out the concentration of insurance contract liabilities by type of contract:

30 June 2019	**Gross ETB**	**Reinsurance ETB**	**Net ETB**
Motor	234,823,394	79,208,579	155,614,815
Fire	4,725,577	2,712,768	2,012,809
Engineering	8,975,088	2,355,195	6,619,893
Employee	4,548,040	-	4,548,040
Marine	11,641,356	5,868,114	5,773,242
Accident	1,749,364	256,789	1,492,575
Pecuniaries	6,182,215	2,145,280	4,036,935
General liability	19,086,745	4,273,277	14,813,468
Salvage value recovery	(1,984,500)	-	(1,984,500)
Reinsurance impairment allowance	-	(5,682,007)	5,682,007
Total non-life insurance contract liabilities	**289,747,279**	**91,137,994**	**198,609,285**

30 June 2018			
Motor	214,195,536	75,126,785	139,068,751
Fire	11,640,277	7,997,762	3,642,515
Engineering	8,878,600	4,611,896	4,266,704
Employee	466,918	-	466,918
Marine	10,894,327	4,213,957	6,680,370
Accident	7,295,304	1,292,246	6,003,059
Pecuniaries	5,202,643	825,171	4,377,471
General liability	14,449,127	4,263,412	10,185,715
Salvage value recovery	(758,505)	-	(758,505)
Reinsurance impairment allowance	-	(2,182,007)	2,182,007
Total non-life insurance contract liabilities	**272,264,226**	**96,149,222**	**176,115,004**

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 **Insurance and financial risk management (continued)**

d) Sensitivity Analysis (continued)

Insurance risk (continued)

1 July 2017

	Gross ETB	Reinsurance ETB	Net ETB
Motor	199,077,309	60,769,380	138,307,929
Fire	11,391,479	8,789,470	2,602,009
Engineering	7,101,470	3,037,590	4,063,880
Marine	11,662,271	6,358,218	5,304,053
Accident	6,509,539	191,097	6,318,442
Pecunaries	5,039,239	1,241,374	3,797,865
General liability	16,562,346	5,466,273	11,096,073
Salvage value recovery	(2,127,500)		(2,127,500)
Reinsurance impairment allowance	-	(1,306,044)	1,306,044
Total non-life insurance contract liabilities	**255,216,153**	**84,547,358**	**170,668,795**

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to ETB at the rate of exchange that applied at the end of the accident year.

Gross insurance contract outstanding claims provision for 2019:

Accident year	2015 ETB	2016 ETB	2017 ETB	2018 ETB	2019 ETB	Total ETB
2015	47,467,781	44,335,635	54,928,248	51,571,768	59,459,615	257,763,047
2016	7,092,077	4,608,961	10,051,916	12,878,031	-	34,630,985
2017	2,116,726	4,160,545	3,251,464	-	-	9,528,734
2018	3,864,152	1,601,564	-	-	-	5,465,716
2019	1,924,954	-	-	-	-	1,924,954

Gross insurance contract outstanding claims provision for 2018:

Accident year	2015 ETB	2016 ETB	2017 ETB	2018 ETB	Total ETB
2014	54,912,752	69,836,732	73,193,076	72,943,329	270,885,889
2015	44,335,635	54,928,248	51,571,768	-	150,835,651
2016	4,608,961	10,051,916	-	-	14,660,877
2017	4,160,545	-	-	-	4,160,545

Gross insurance contract outstanding claims provision for 2017:

Accident year	2014 ETB	2015 ETB	2016 ETB	2017 ETB	Total ETB
2013	44,678,036	54,912,752	69,836,732	73,193,076	242,620,596
2014	36,124,421	44,335,635	54,928,248	-	135,388,304
2015	4,592,834	4,608,961	-	-	9,201,796
2016	1,064,130	-	-	-	1,064,130

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 **Insurance and financial risk management (continued)**

4.3 **Financial risk**

Financial instruments by category

The Company's financial assets are classified into the following categories: available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortised cost.

The Company's classification of its financial assets is summarised in the table below:

	Notes	Available-For-Sale ETB	Loans and receivables ETB	Total ETB
30 June 2019				
Cash and balances with banks	13		258,378,138	258,378,138
Investment securities		-	-	-
– Available for sale	14	83,940,182	-	83,940,182
– Loans and receivables	14	-	3,031,228	3,031,228
Insurance receivables	15	-	-	-
Reinsurance assets	16	-	91,137,994	91,137,994
Other assets excluding prepayments	17	-	12,585,207	12,585,207
Statutory deposit	21	-	15,142,391	15,142,391
		83,940,182	**380,274,958**	**464,215,140**
30 June 2018				
Cash and balances with banks	13	-	260,905,180	260,905,180
Investment securities			-	-
– Available for sale	14	67,707,400	-	67,707,400
– Loans and receivables	14	-	2,868,523	2,868,523
Insurance receivables	15	-	-	-
Reinsurance assets	16	-	96,149,222	96,149,222
Other assets excluding prepayments	17	-	11,994,863	11,994,863
Statutory deposit	21	-	13,535,425	13,535,425
Total financial assets		**67,707,400**	**385,453,212**	**453,160,612**

4.4 **Credit risk**

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

-reinsurers' share of insurance liabilities;
-reinsurance assets;
- insurance receivables.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Insurance and financial risk management (continued)
4.4 Credit risk (continued)

4.4.1 Management of credit risk

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Companies of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

The table below show the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is show gross before the effect of mitigation:

	30 June 2019 ETB	30 June 2018 ETB
Cash and balances with banks	258,378,138	260,905,180
Investment securities		
– Available for sale	83,940,182	67,707,400
– Loans and receivables	3,031,228	2,868,523
Insurance receivables	-	-
Reinsurance assets	91,137,994	96,149,222
Other assets excluding prepayments	12,585,207	11,994,863
	449,072,749	**439,625,188**

4.4.2 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2018, 30 June 2017 and 30 June 2016 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. The Company has no cash or cash equivalent that are held in foreign currency.

(b) Credit quality of Insurance and other receivables

30 June 2019	Neither past due nor impaired ETB	Past due but not impaired ETB	Individually impaired ETB	Total ETB
Insurance receivables				
Due from policy holders	-	-	10,385,349	10,385,349
Due from reinsurer	55,371,141	-	2,182,000	57,553,141
Other receivables				
Staff advances	524,140	-	-	524,140
Other account receivables	12,061,067	-	-	12,061,067
	67,956,348	-	12,567,349	80,523,697
Gross				
Less: impairment allowance (note 16&17)	(1,604,650)	-	(12,567,349)	(14,171,999)
Net	**66,351,698**	-	-	**66,351,698**

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Insurance and financial risk management (continued)
4.4 Credit risk (continued)

4.4.2 Credit quality analysis(continued)

(b) Credit quality of Insurance and other receivables (continued)

30 June 2018	Neither past due nor impaired ETB	Past due but not impaired ETB	Individually impaired ETB	Total ETB
Insurance receivables				
Due from policy holders	-	-	10,454,783	10,454,783
Due from reinsurer	54,479,668	-	2,182,000	56,661,668
Other receivables				
Staff advances	499,803	-	-	499,803
Other account receivables	11,495,060	-	-	11,495,060
	66,474,530	-	12,636,783	79,111,313
Gross				-
Less: impairment allowance (note 16,17)	(1,604,650)	-	(12,636,783)	(14,241,433)
Net	64,869,880	-	-	64,869,880

(i) Receivables - neither past due nor impaired

The credit quality of the portfolio of loans and receivable that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Loans and advances to customers in this category are term loans past due for less than 30 (thirty) days.

Insurance receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

	30 June 2019 ETB	30 June 2018 ETB
Neither past due nor impaired	66,351,698	64,869,880
	-	-
(ii) Receivables- past due but not impaired		
Past due up to 30 days	-	-
Past due up to 30 - 60 days	-	-
Past due by 60 - 90 days	-	-
Past due by 90 - 180 days	-	-
	-	-
Collective impairment		
Receivables (net)	-	-

Loans and advances to customers that have been classified as neither past due nor impaired or past due but not impaired are assessed on a collective basis.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 **Insurance and financial risk management (continued)**
4.4 **Credit risk (continued)**
4.4.2 **Credit quality analysis(continued)**
(b) **Credit quality of Insurance and other receivables (continued)**

(iv) Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its receivables from policy holders. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Companies of homogeneous assets in respect of losses that have been incurred but have not been identified on receivables subject to individual assessment for impairment.

	30 June 2019 ETB	30 June 2018 ETB
Specific impairment	10,385,349	10,454,783
Collective impairment	-	-
	10,385,349	10,454,783

4.4.3 **Credit concentrations**

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentations of credit risk at 30 June 2019 and 30 June 2018. The Company concentrates all its financial assets in Ethiopia.

30 June 2019	Public ETB	Private ETB
Cash and balances with banks	-	258,378,138
Investment securities:		
- Available for sale	14,361,399	69,578,782
- Loans and receivables	3,031,228	-
	17,392,628	**327,956,920**

30 June 2018		
Cash and balances with banks	-	260,905,180
Investment securities:		
- Available for sale	12,500,000	55,207,400
- Loans and receivables	2,868,523	-
	15,368,523	**316,112,580**

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 **Insurance and financial risk management (continued)**

4.5 **Liquidity risk**

Liquidity risk is the risk that the the Company cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms.

Liquidity risk management in the Company is solely determined by Asset and Liability Disbursement Committee, which bears the overall responsibility for liquidity risk. The main objective of the Company's liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.5.1 **Management of liquidity risk**

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Company's reputation.

4.5.2 **Maturity analysis of financial liabilities**

The table below analyses the the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

30 June 2019	0-180 days ETB	181 - 365 days ETB	Over 1 year ETB	Total ETB
Insurance contract liabilities	84,925,647	139,472,448	65,349,183	289,747,278
Insurance payables	(894,367)	8,589,076	23,142,071	30,836,780
Other liabilities	15,005,644	494,806	10,586,639	26,087,089
Total financial liabilities	99,036,925	148,556,329	99,077,893	346,671,147

30 June 2018				
Insurance contract liabilities	82,681,484	112,700,203	76,882,538	272,264,225
Insurance payables	6,302,961	2,316,893	33,419,647	42,039,501
Other liabilities	13,514,271	1,122,278	10,944,115	25,580,664
Total financial liabilities	102,498,716	116,139,374	121,246,300	339,884,390

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Insurance and financial risk management (continued)

4.6 Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.

The the Company does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.6.1 Management of market risk

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk.

The Company's exposure to the risk of changes in market interest rates relates primarily to the the Company's obligations and financial assets with floating interest rates. The Company is also exposed on fixed rate financial assets and financial liabilities. The Company's investment portfolio is comprised of Ethiopian government bonds and cash deposits.

The Company has no loans and borrowings and therefore is not exposed to interest rate risk as far as loans and borrowings are concerned. Loans and receivable assets are carried at cost, hence any movement in market interest rate has no effect on the value of such assets.

The table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2019	Fixed ETB	Floating interest bearing ETB	Non-interest bearing ETB	Total ETB
Assets				
Cash and balances with banks	219,198,718	39,179,420	-	258,378,138
Investment securities				
– Available for sale	-	-	83,940,182	83,940,182
– Loans and receivables	3,031,228	-	-	3,031,228
Insurance receivables	-	-	10,385,349	10,385,349
Other receivables	-	-	12,061,067	12,061,067
Total	222,229,946	39,179,420	106,386,598	367,795,964
Liabilities				
Insurance contract liabilities	-	-	289,747,279	289,747,279
Insurance payables	-	-	30,836,780	30,836,780
Other liabilities	-	-	24,722,968	24,722,968
Total	-	-	345,333,516	345,333,516
30 June 2018				
Assets				
Cash and balances with banks	225,979,192	34,925,988	-	260,905,180
Investment securities				
– Available for sale	-	-	67,707,400	67,707,400
– Loans and receivables	2,868,523	-	-	2,868,523
Insurance receivables	-	-	10,454,783	10,454,783
Other receivables	-	-	11,495,060	11,495,060
Total	228,847,715	34,925,988	89,657,242	353,430,946
Liabilities				
Insurance contract liabilities	-	-	272,264,226	272,264,226
Insurance payables	-	-	42,039,501	42,039,501
Other liabilities	-	-	25,580,664	25,580,664
Total	-	-	339,884,390	339,884,390

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Insurance and financial risk management (continued)
4.6 Market risk (continued)
(i) Interest rate risk (continued)

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency. The Company is therefore not exposed to currency risk.

4.7 Capital management

The Company maintains an efficient capital structure of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

The Company has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Company is regulated by the National Bank of Ethiopia and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Company manages capital in accordance with these rules and has embedded in its risk management framework the necessary tests to ensure continuous and full compliance with such regulations.

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Insurance and financial risk management (continued)
4.7 Capital management (continued)

Margin of Solvency ratio

According to the Licencing & Supervision of Insurance Business Margin of Solvency directive No. SIB/45/2016 of the National Bank of Ethiopia, an insurer carrying on general insurance business shall keep admitted capital amounting to the highest of 25% of its technical provision, or 20% of the net written premiums in the last preceeding financial year, or the minimum paid capital.

Margin of solvency ratio is the excess of assets over liabilities to be maintained for general insurance business. Admissable assets and liabilities stated below is in accordance with margin of solvency directive No.SIB/45/2016.

	30 June 2019 ETB	30 June 2018 ETB
Admissable assets		
Cash and balances with banks	258,378,138	260,905,180
Investment securities		
– Available for sale	83,940,182	67,707,400
– Loans and receivables	3,031,228	2,868,523
Other assets	17,885,460	16,468,195
Property, plant and equipment	30,427,104	23,511,668
Statutory deposit	15,142,391	13,535,425
	408,804,502	384,996,391
Admissable liabilities		
Insurance contract liabilities	289,747,279	272,264,226
Insurance payables	30,836,780	42,039,501
Other liabilities	24,722,968	25,580,664
Current income tax liabilities	2,705,156	3,471,284
Deferred tax liability	899,648	975,896
	348,911,831	344,331,570
Admitted capital	59,892,671	40,664,821
Minimum required (highest of 25% of technical provision or 20% of net written premiums of last preceding year or the minimum paid up capital)	98,989,125	89,257,358
	(39,096,454)	(48,592,537)
Margin of solvency ratio	61%	46%

4.8 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.8.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

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

- Level 2: 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) .This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Insurance and financial risk management (continued)
4.8.1 Valuation models (continued)

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	30 June 2019		30 June 2018	
	Carrying amount ETB	Fair value ETB	Carrying amount ETB	Fair value ETB
Financial assets				
Cash and balances with banks	258,378,138	258,378,138	260,905,180	260,905,180
Investment securities				
– Available for sale	83,940,182	83,940,182	67,707,400	67,707,400
– Loans and receivables	3,031,228	3,031,228	2,868,523	2,868,523
Statutory Deposit	15,142,391	15,142,391	13,535,425	13,535,425
Trade receivables	10,385,349	10,385,349	10,454,783	10,454,783
Reinsurance assets	91,137,994	91,137,994	96,149,222	96,149,222
Other receivables	12,061,067	12,061,067	11,495,060	11,495,060
Total	474,076,349	474,076,349	463,115,592	463,115,592
Financial liabilities				
Insurance contract liabilities	289,747,279	289,747,279	272,264,226	272,264,226
Trade payables	30,836,780	30,836,780	42,039,501	42,039,501
Other liabilities	24,722,968	24,722,968	25,580,664	25,580,664
Total	345,307,027	345,307,027	339,884,390	339,884,390

4.8.2 Fair value methods and assumptions

Loans and receivables including trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

4.8.3 Valuation technique using significant unobservable inputs – Level 3

The Company has no financial asset measured at fair value on subsequent recognition.

4.8.4 Transfers between the fair value hierarchy categories

During the two reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.9 Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

		30 June 2019 ETB	30 June 2018 ETB
5	**Net premium income**		
	Gross premium written	279,847,282	255,856,247
	Gross premium income:		
	Gross premium written	279,847,282	255,856,247
	Change in unearned premiums provision	(11,354,188)	(8,571,370)
	Premium revenue arising from insurance contracts issued	268,493,094	247,284,877
	Premium ceeded to reinsurer	(24,267,853)	(24,163,974)
	Total net premiums	**244,225,241**	**223,120,903**
6	**Fee and commission income**		
	Insurance contracts	5,747,821	3,846,556
	Total fees and commission income	**5,747,821**	**3,846,556**

Fee income represents commission received on direct business and transactions ceded to re-insurance companies during the year.

		30 June 2019 ETB	30 June 2018 ETB
7	**Net claims and benefits paid**		
	Gross benefits & claims paid	154,772,796	142,591,710
	Changes in outstanding claims	3,309,047	10,065,075
	Changes in technical provision IBNR	729,441	(1,182,749)
	Losses recognized as a result of liability adequacy test	121,095	1,163,288
	Claims recovery from salvage	(1,984,500)	(626,005)
		156,947,880	**152,011,319**
	Recoverable from re-insurance:		
	Claims paid recoverable	(17,609,622)	(10,152,047)
	Decreasing in provision for outstanding claims recoverable	5,640,233	(4,679,287)
	Increase in provision for technical provision IBNR	(42,263)	925,570
		(12,011,653)	**(13,905,764)**
	Net claims and benefits expenses	**144,936,227**	**138,105,554**
8	**Underwriting expenses**		
	Commission paid	16,164,232	16,560,974
	Changes in deferred acquisition cost	(470,292)	(2,836,324)
		15,693,940	**13,724,650**
	Analysis of acquisition cost is as shown below:		
	Acquisition cost paid during the year		
	Movement in deferred acquisition cost	(470,292)	(2,836,324)
9	**Investment income**		
	Interest income on loans and receivables financial instruments	25,022,961	23,946,959
	Dividend income	10,610,103	9,329,638
	Rental income (note 19a)	497,673	333,500
	Interest income on statutory deposits	309,906	146,867
	Gain from sale of property and equipment	-	15,000
	Total investment income	**36,440,643**	**33,771,964**

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

		30 June 2019 ETB	30 June 2018 ETB
10	**Other income**		
	Sundry income	1,079,729	1,905,444
		1,079,729	**1,905,444**
11	**Other operating expenses**		
	Employee benefits (note 11.1)	45,304,219	37,035,322
	Depreciation & amortization (note 19 & 20)	2,989,443	2,316,153
	Rental expenses	9,768,081	9,162,423
	Stationery and printing	2,690,873	2,836,879
	Other expenses	2,548,007	2,427,376
	Communication	1,430,863	2,099,858
	Repair and maintenance	2,260,518	1,798,755
	Fuel and Lubricant	2,030,897	1,567,868
	Insurance	2,081,447	1,505,596
	Legal and professional fees	381,376	1,190,171
	Entertainment	881,260	932,536
	Director's allowance	1,172,727	527,333
	Advertising and publicity	2,795,512	425,166
	Bank charges	199,131	471,636
	Audit fee	113,850	345,000
	Perdiem	224,349	371,549
	Transportation	250,001	268,648
	Utilities	113,516	111,847
	Consultation expense	1,103,529	-
	Impairment of claim recoverable asset	3,500,000	782,000
		81,839,600	**66,176,116**
11.1	**Employee Benefits**		
	Wages and salaries	34,436,826	26,593,688
	Allowances	5,612,356	5,591,406
	Pension costs – defined contribution plans	3,563,947	2,997,894
	Other employee costs	1,334,259	1,589,008
	Severance costs - Defined benefit plans	356,831	263,327
		45,304,219	**37,035,322**
12	**Company income and deferred tax**		
12a	**Current income tax**		
	Company income tax (note 12b)	3,187,782	4,145,367
	Deferred income tax/(credit) to profit or loss (note 12d)	(76,248)	(886,584)
	Total charge to profit or loss	3,111,534	3,258,783
	Tax (credit) on other comprehensive income	-	-
	Total tax in statement of comprehensive income	3,111,534	3,258,783

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

12b Taxation charge

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	30 June 2019 ETB	30 June 2018 ETB
Profit before tax	45,023,667	44,638,546
Non-deductible expenses		
Entertainment	881,260	932,536
Retirement benefit expense	356,831	263,327
Depreciation as Per IFRS	2,989,443	2,316,153
Expected Recoveries on salvage	-	626,005
Other tax Paid expense	425,401	-
Provision for doubtful receivables	3,500,000	782,000
Less:		
Interest income taxed at source	(25,022,961)	(23,946,959)
Bond income taxed at source	(309,906)	-
Dividend income taxed at source	(10,610,103)	(9,329,638)
Depreciation as Per Tax Law	(3,997,189)	(2,464,080)
Expected Recoveries on salvage	(1,984,500)	-
Expected Recoveries on salvage (Last year)	(626,005)	-
Taxable income	**10,625,939**	**13,817,889**
Current Tax Expense (30%)	**3,187,782**	**4,145,367**

12 Company income and deferred tax (continued)

12c Current income tax liability

	30 June 2019 ETB	30 June 2018 ETB
Balance at the beginning of the year	3,471,283	3,374,864
Charge for the year (note 12b)	3,187,782	4,145,367
WHT Paid	(482,625)	(529,765)
Payment during the year	(3,471,283)	(3,519,183)
Balance at the end of the year	**2,705,156**	**3,471,283**

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

12d Deferred income tax

	30 June 2019 ETB	30 June 2018 ETB
The analysis of deferred tax (assets)/liabilities is as follows:		
To be recovered after more than 12 months	899,649	975,896
To be recovered within 12 months	-	-
	899,649	975,896

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss , in equity and other comprehensive income are attributable to the following items:

Deferred income tax (assets)/liabilities:	At 1 July 2018 ETB	Credit/ (charge) to profit or loss ETB	Credit/ (charge) to equity ETB	30 June 2019 ETB
Property, plant and equipment	(1,508,808)	(24,862)	-	(1,533,670)
Post employment benefit obligation	532,911	101,110		634,022
Total deferred tax (assets) /liabilities	(975,896)	76,248	-	(899,649)
Deferred income tax assets/(liabilities):				
Property, plant and equipment	(2,297,180)	788,373	-	(1,508,808)
Post employment benefit obligation	434,700	98,211	-	532,911
Total deferred tax assets/(liabilities)	**(1,862,480)**	**886,584**	-	**(975,896)**

13 Cash and cash equivalents

	30 June 2019 ETB	30 June 2018 ETB
Cash in hand	86,847	28,965
Deposits with local banks	258,291,291	260,876,216
	258,378,138	260,905,180
Maturity analysis		
Current	258,378,138	260,905,180
Non- current	-	-
	258,378,138	260,905,180

For the purpose of the cash flow statement, cash and cash equivalent is made up of the following:

	30 June 2019 ETB	30 June 2018 ETB
Cash in hand	86,847	28,965
Short-term deposits with local banks	39,092,573	34,897,024
	39,179,420	34,925,988

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

14 Investment securities	30 June 2019 ETB	30 June 2018 ETB
Available for sale:		
Equity investment	83,940,182	67,707,400
	83,940,182	67,707,400
Loans and receivables:		
Ethiopian Government bonds	3,031,228	2,868,523
	3,031,228	2,868,523
Maturity analysis		
Current	3,031,228	2,868,523
Non-current	-	-
	3,031,228	2,868,523

The Company holds equity investments in the following entities;

	30 June 2019		30 June 2018	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Bank of Abyssinia S.C.	432,969	0.27%	382,216	0.38%
NIB International Bank S.C.	64,728	0.65%	45,704	1.14%
Zemen Bank S.C.	25,891	2.30%	22,300	1.98%
Ethiopian Reinsurance S.C.	1,436	1.44%	1,250	1.25%
Access Capital S.C.	500	-	500	-

These investments are unquoted equity securities measured at cost.

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment (if any).

15 Insurance receivables	30 June 2019 ETB	30 June 2018 ETB
Due from policy holders	10,385,349	10,454,783
Gross amount	10,385,349	10,454,783
Less impairment allowance	(10,385,349)	(10,454,783)
	-	-

15a Impairment allowance on insurance receivables

A reconciliation of the allowance for impairment losses for loans and receivables by class, is as follows:

	30 June 2019 ETB	30 June 2018 ETB
At 1 July	10,454,783	10,548,746
Charge for the year (note 11)	(69,624)	(93,963)
At 30 June	10,385,159	10,454,783

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

16 Reinsurance assets	30 June 2019 ETB	30 June 2018 ETB
Claims recoverable (see note 16a)	88,211,185	92,917,689
Reinsurer share of unearned premium	8,608,816	5,413,540
	96,820,001	98,331,229
Less: Impairment allowance	(5,682,007)	(2,182,007)
	91,137,994	96,149,222

At 30 June 2019, the Company conducted an impairment review of the reinsurance assets and recognized an impairment loss of ETB3,500,000 in other operating and administrative expenses. The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

During the year, the Company entered into reinsurance arrangements that resulted in profits on inception of ETB 857,059 (2018: ETB 972,629). This profit has been reflected in the statement of profit or loss fees and commission income (note 6).

16 Reinsurance assets (continued)

	30 June 2019 ETB	30 June 2018 ETB
16a Claims recoverable are analyzed as follows:		
Recoverable on claims - Incurred but not reported claims	2,153,187	2,110,924
Recoverable on outstanding claims	86,057,998	90,806,765
	88,211,185	92,917,689
16b The movement in claims recoverable is analyzed as follows:		
Balance at the beginning of year	92,917,689	79,508,124
Recoveries during the year	2,774,522	3,036,280
Decrease in recoverable during the year	7,481,026	10,373,285
	88,211,185	92,917,689
16c The movements in impairment allowance for reinsurance assets is analyzed below;		
Balance at the beginning of year	2,182,007	1,306,044
(Recovery)/allowance made during the year for doubtful recoverable	3,500,000	875,963
	5,682,007	2,182,007

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

		'30 June 2019 ETB	30 June 2018 ETB
17	**Other assets**		
	Staff advances	524,140	499,803
	Other account receivables	12,061,067	11,495,060
	Prepayments	6,904,902	6,077,982
	Gross amount	19,490,110	18,072,845
	Collective impairment	(1,604,650)	(1,604,650)
		17,885,460	**16,468,195**
	Maturity analysis		
	Current	12,760,127	11,844,381
	Non- current	6,774,364	6,228,464
		19,534,492	**18,072,845**

18 Deferred acquisition cost

This represents commission on unearned premium relating to the unexpired tenure of risk.

Deferred acquisition cost- Motor	7,440,830	7,410,785
Deferred acquisition cost- Fire	638,743	512,963
Deferred acquisition cost- Engineering	387,045	347,947
Deferred acquisition cost- Liability	421,503	321,008
Deferred acquisition cost- Gen. Accident	296,684	230,004
Deferred acquisition cost- Goods in transit	275,152	185,146
Deferred acquisition cost- Pecuniaries	194,021	189,521
Deferred acquisition cost- Burglary	31,133	17,446
	9,685,111	**9,214,819**

The movement in deferred acquisition cost is as follows:

Balance at beginning of year	9,214,819	6,378,495
Movement in deferred acquisition cost	470,292	2,836,324
Balance at the end of the year	**9,685,111**	**9,214,819**

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

		30 June 2019 ETB	30 June 2018 ETB
19	**Investment property**		
	Cost:		
	At the beginning of the year	4,805,983	4,378,366
	Addition	0	427,617.0
	At the end of the year	4,805,983	4,805,983
	Accumulated depreciation:		
	At the beginning of the year	419,171	361,321
	Charge for the year	85,935	57,850
	At the end of the year	505,105	419,171
	Net book value	**4,300,878**	**4,386,812**

19a Amounts recognized in profit or loss for investment properties (note 9)

	30 June 2019 ETB	30 June 2018 ETB
Rental income	525,120	359,375
Direct operating expenses from property that generated rental income	(27,447)	(25,875)
	497,673	333,500

19b Fair value measurement of the Company's investment properties

The Company's investment property is measured at cost. These properties include those held for rental purposes. There are currently no restrictions on the realisability of these properties.

Investment property is initially measured at cost including transaction costs and subsequently measured at depreciated cost (less any accumulated impairment losses). Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 years. The fair value of investment properties has been disclosed as required.

The fair value of the Company's investment property as at the reporting date and has been arrived at by in-house engineers qualified estate surveyors and valuers. These valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the replacement cost concept which approximates the estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing, prudently and without compulsion. This implies a market comparable approach that reflects the recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

19c Fair value hierarchy

Details of the Company's investment properties and information about the fair value hierarchy are as follows:

	Carrying amount ETB	Level 1 ETB	Level 2 ETB	Level 3 ETB
30 June 2019				
Investment properties	4,805,983	-	-	4,805,983
30 June 2018				
Investment properties	4,805,983	-	-	4,805,983

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

20 Property, plant and equipment

	Freehold land ETB	Motor vehicles ETB	Furniture and equipment ETB	Computer equipment ETB	Work-in-progress (note 20a) ETB	Total ETB
Cost						
As at 1 July 2017	1,149,435	17,173,828	6,160,829	5,073,867	6,694,136	36,252,095
Additions	-	687,516	1,820,891	535,049	40,000	3,083,456
As at 30 June 2018	1,149,435	17,861,344	7,981,720	5,608,916	6,734,136	39,335,551
As at 1 July 2018	1,149,435	17,861,344	7,981,720	5,608,916	6,734,136	39,335,551
Additions	-	6,811,667	2,214,465	788,366	18,700.13	9,833,198
Disposal		(285,064)				(285,064)
As at 30 June 2019	1,149,435	24,387,947	10,196,185	6,397,282	6,752,836	48,883,685
Accumulated depreciation						
As at 1 July 2017	-	7,162,579	3,845,141	2,557,861	-	13,565,581
Charge for the year	-	1,285,028	430,490	542,785	-	2,258,303
As at 30 June 2018	-	8,447,607	4,275,630	3,100,646	-	15,823,884
As at 1 July 2018	-	8,447,607	4,275,630	3,100,646	-	15,823,884
Charge for the year	-	1,583,321	694,310	625,878	-	2,903,508
Disposal		(270,811)				(270,811)
As at 30 June 2019	-	9,760,117	4,969,940	3,726,523	-	18,456,581
Net book value						
As at 1 July 2017	1,149,435	10,011,249	2,315,688	2,516,006	6,694,136	22,686,514
As at 30 June 2018	1,149,435	9,413,737	3,706,090	2,508,270	6,734,136	23,511,668
As at 30 June 2019	1,149,435	14,627,830	5,226,245	2,670,758	6,752,836	30,427,104

20a Construction in progress

Construction in progress relates to the construction of head quarter for NICE S.C.

20b Impairment review

Upon impairment review, the net book value of property, plant and equipment do not exceed its recoverable value as at the end of the reporting period. Thus, the management are of the opinion that allowance for impairment is not required.

Tafesse, Shiseme & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	30 June 2019 ETB	30 June 2018 ETB
21 Statutory deposit		
Statutory deposit	15,142,391	13,535,425
	15,142,391	13,535,425
The movement during the year is as follows:		
As at 1 July	13,535,425	11,928,140
Addition/ (reduction)	1,459,765	1,460,418
Interest receivable on statutory deposit in Government bond	147,201	146,867
As at 30 June	**15,142,391**	**13,535,425**

Statutory deposits include saving bonds acquired from the Government of the Federal Democratic Republic of Ethiopia, bearing interest at the rate of 6% per annum and maturing in September 2023 and are held with the National Bank of Ethiopia and serve as the statutory reserve calculated at 15% of the paid up capital.

The statutory deposit above includes ETB 2,460,500 (2017: ETB 2,460,500, 2016: ETB 2,460,500) that is transferred to Ethiopian Government for the acquisition of Great Renaissance dam Saving Bond. The Bonds bears interest income of 6% per annum.

Although, the minimum balance required to be set aside is ETB 2,460,500 (2017: ETB 2,460,500, 2016: ETB 2,460,500), accrued interest receivable on the statutory deposit transferred to Ethiopian Savings Bond of ETB 147,201 (2018: ETB 146,867, 2017: ETB 855,000) have been included in the disclosed balance.

	30 June 2019 ETB	30 June 2018 ETB
22 Insurance contract liabilities		
Outstanding claims and loss adjustment expenses (note 22.1a)	135,880,803	132,571,755
Claims incurred but not reported (note 22.1b)	21,757,591	21,028,150
Unearned premium (note 22.1c)	129,364,293	114,814,828
Unallocated loss adjustment expense	4,729,092	4,607,997
Expected recoveries from salvage	(1,984,500)	(758,505)
	289,747,279	272,264,226
Reinsurers' share of outstanding claims	86,057,998	90,806,765
Reinsurance share of Incurred But Not Reported (IBNR) claims	2,153,187	2,110,924
Reinsurers' share of Unearned premium	8,608,816	5,413,540
Impairment of claim recoverable asset	(5,682,007)	(2,182,007)
Total reinsurers' share of insurance liabilities (see note 16)	91,137,994	96,149,222
Net insurance liability	**198,609,284**	**176,115,004**
Maturity analysis		
Current	151,186,316	142,919,711
Non- current	43,922,968	33,195,293
	195,109,284	**176,115,004**

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation.

Tafesse, Shiseme & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

		30 June 2019 ETB	30 June 2018 ETB
22.1a	Outstanding claims and loss adjustment expenses:		
	Fire	58,015	7,262,000
	Motor	104,135,017	94,890,357
	Marine	7,380,896	7,766,896
	Accidents	5,715,833	3,986,252
	Pecunaries	2,633,222	2,446,926
	Engineering	5,142,296	5,509,644
	General	10,815,524	10,709,679
		135,880,803	132,571,755
22.1b	Claims incurred but not reported		
	Fire	359,888	370,892
	Motor	19,471,380	18,617,423
	Marine	340,671	387,946
	Accidents	-	-
	Pecunaries	339,400	299,253
	Engineering	259,669	277,123
	General	986,583	1,075,513
		21,757,591	21,028,150
22.1c	Unearned premiam		
	Fire	4,454,342	3,778,398
	Motor	107,508,805	97,282,522
	Marine	3,688,142	2,494,840
	Accidents	3,458,720	3,309,053
	Pecunaries	3,120,415	2,374,078
	Engineering	3,425,765	2,918,229
	General	3,708,104	2,657,709
		129,364,293	114,814,828

The movement in unearned premiam account during the year was as follows:

Balance at the beginning of year	114,814,828	107,175,196
Increase in unearned premium	14,549,465	7,639,632
Balance at the end of year	129,364,293	114,814,828

23 Insurance payables

Insurance payables represent liabilities to customers, agents, brokers, coinsurers and re-insurers on insurance contracts at year end.

	30 June 2019 ETB	30 June 2018 ETB
Due to reinsurer	30,836,780	42,039,501
	30,836,780	42,039,501
Maturity Analysis		
Current	(7,694,709)	7,503,988
Non-current	38,531,489	34,535,512
	30,836,780	42,039,501

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

		30 June 2019 ETB	30 June 2018 ETB
24	**Other liabilities**		
	Other financial liabilities		
	Director's remuneration	1,200,000	533,333
	Dividend payable	557,616	538,411
	Unclaimed salary	-	-
	Pension payable	492,846	263,993
	Unearned Revenue	1,095,730	1,380,850
	Other non-financial liability		
	Accruals	6,213,100	7,559,734
	Deferred commission income	1,879,031	2,800,760
	Other account payables	11,411,365	11,481,683
	Other tax payable	1,873,280	1,021,898
		24,722,968	25,580,664

Other tax payable consists of VAT payable and withholding tax payable.

Maturity Analysis	30 June 2019 ETB	30 June 2018 ETB
Current	15,500,450	11,265,102
Non- current	10,586,639	14,315,562
	26,087,089	25,580,664

25	**Retirement benefit obligation**	30 June 2019 ETB	30 June 2018 ETB
	Defined benefits liabilities:		
	– Severance benefit plan (note 25.1)	2,113,405	1,769,771
	Liability in the statement of financial position	2,113,405	1,769,771
	Income statement charge included in personnel expenses:		
	– Severance benefit plan (note 25.1)	582,057	493,397
	Total defined benefit expenses	582,057	493,397
	Remeasurements for:		
	– Severance benefit plan (note 25.1)	(13,197)	57,183
		(13,197)	57,183

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

25.1 The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

The severance benefit plan is an unfunded defined benefit scheme.

The key financial assumptions are the discount rate and the rate of salary increases. The provision was based on an independent actuarial valuation performed by Actuarial Services East Africa Limited using the projected unit credit method.

The Company does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallise.

(i) *Severance benefit plan*

The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003, as amended by the Labour (Amendment) Proclamation No. 494/2006. Employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit. The final pay-out is determined by reference to final monthly salary and number of years in service computed as one month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

(i) *Severance benefit plan (continued)*

		30 June 2019 ETB	30 June 2018 ETB
25a	**Liability recognised in the financial position**		
	Severance pay	2,113,405	1,769,771

		30 June 2019 ETB	30 June 2018 ETB
25b	**Amount recognised in the profit or loss**		
	Current service cost (excluding interest)	348,550	303,909
	Interest cost	233,507	189,488
		582,057	493,397
25c	**Amount recognised in other comprehensive income:**		
	Actuarial (Gains)/Losses on demographic assumptions	-13,197	57,183
	Actuarial (Gains)/Losses on economic assumptions	-	-
	Actuarial (Gains)/Losses on experience	-	-
		-13,197	57,183
	Deferred tax (liability)/asset on remeasurement gain or loss	-	-
		-13,197	57,183

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

		30 June 2019 ETB	30 June 2018 ETB
25d	**Changes in the present value of the defined benefit obligation**		
	At the beginning of the year	1,769,771	1,449,261
	Current service cost	348,550	303,909
	Interest cost	233,507	189,488
	Actuarial (Gains)/Losses on demographic assumptions	(13,197)	57,183
	Actuarial (Gains)/Losses on economic assumptions	-	-
	Benefits paid	(225,226)	(230,070)
	At the end of the year	2,113,405	1,769,771

		30 June 2019 ETB	30 June 2018 ETB
25e	**The principal assumptions used in determining defined benefit obligations**		
	Discount rate (p.a)	13.50%	12.75%
	Long term salary increases (p.a)	10.0%	10.0%

(i) *Discount rate*

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market determined. IAS 19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

The Company therefore opted to use a discount rate of (30 June 2019: 13.5% and 30 June 2018: 12.75% based on the prevailing commercial banks lending rate as advised by the Association of Ethiopian Insurers.

(ii) *Long term salary increases*

The salary increase has been determined by the management as mutually compatible rate taking into account the likely future economic scenarios of the country.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(iii) Mortality rate

Mortality is normally expressed as the probability of death within the next year for an individual of a specific age. Different mortality rates are thus set for each age group (higher rates for older people) and this set of rates is referred to as a mortality table.

The mortality table used for the current employees was A1949/52 as published by the Institute of Actuaries.

	30 June 2019		30 June 2018	
	Males	Females	Males	Females
20	0.111%	0.111%	0.111%	0.111%
25	0.112%	0.111%	0.112%	0.111%
30	0.116%	0.113%	0.116%	0.113%
35	0.132%	0.120%	0.132%	0.120%
40	0.188%	0.147%	0.188%	0.147%
45	0.330%	0.231%	0.330%	0.231%
50	0.599%	0.420%	0.599%	0.420%
55	1.035%	0.750%	1.035%	0.750%
60	1.720%	1.272%	1.720%	1.272%

(iv) Withdrawals from service

The withdrawal rate selected was based on experience in other similar arrangements.

	30 June 2019		30 June 2018	
	Males	Females	Males	Females
20	15%	15%	15%	15%
25	12%	12%	12%	12%
30	6%	6%	6%	6%
35	2.5%	3%	3%	3%
40	1.8%	2%	2%	2%
45	1%	1%	1%	1%
50	0%	0%	0%	0%
55	0%	0%	0%	0%
60	0%	0%	0%	0%

(v) Ill-health / Disability

	30 June 2019		30 June 2018	
	Males	Females	Males	Females
20	0.040%	0.040%	0.040%	0.040%
25	0.040%	0.040%	0.040%	0.040%
30	0.040%	0.040%	0.040%	0.040%
35	0.040%	0.040%	0.040%	0.040%
40	0.060%	0.050%	0.060%	0.050%
45	0.110%	0.080%	0.110%	0.080%
50	0.200%	0.140%	0.200%	0.140%
55	0.350%	0.250%	0.350%	0.250%
60	0.570%	0.420%	0.570%	0.420%

(vi) Duration of the plan

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the retirement benefit obligation at the end of the reporting period is 2019 years (30 June 2019: 8.5 years and 1 July 2018: 8.4 years)

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

25f Quantitative sensitivity analysis for significant assumption

The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

Impact on defined benefit obligation

	Change in assumption	30 June 2019 Impact of an increase	30 June 2019 Impact of a decrease	30 June 2018 Impact of an increase	30 June 2018 Impact of a decrease
		ETB	ETB	ETB	ETB
Discount rate	1.0%	(100,034)	113,157	(88,171)	100,073
Long term salary increases	-1.0%	116,302	(104,258)	102,121	(91,309)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The following payments are expected contributions to be made in for the next five (5) years out of the defined benefit plan obligation:

	30 June 2019 ETB	30 June 2018 ETB
Within the next 12 months (next annual reporting period)	340,265	261,409
Between 1 to 5 years	64,728	68,691
Above 5 years	1,708,412	1,439,671
	2,113,405	1,769,771

25g Risk exposure

Through its post-employment benefit schemes, the Company is exposed to a number of risks. The most significant of which are detailed below:

(i) Liquidity risk

The defined liabilities are unfunded and as a result, there is a risk of the Company not having the required cash flow to fund future defined benefit obligations as they fall due.

(ii) Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Your Friendly Insurance Company!

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

26 Ordinary share capital

	30 June 2019	30 June 2018
	ETB	ETB
Authorised:		
Ordinary shares with par vallue of ETB 1,000 each	100,000,000	100,000,000
Issued and fully paid:		
Ordinary shares with par vallue of ETB 1,000 each	98,989,125	89,257,358

The Company is a private insurance company. Total subscribed shares at 30 June 2019 was ETB 98,989,125 (2018: ETB 89,257,358).

27 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year.

	30 June 2019	30 June 2018
	ETB	ETB
Profit attributable to shareholders	41,912,133	41,379,763
Weighted average number of ordinary shares in issue	94,604	83,272
Basic & diluted earnings per share (ETB)	443	497

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2018:nil) hence the basic and diluted loss per share have the same value.

28 Retained earnings

	30 June 2019	30 June 2018
	ETB	ETB
At the beginning of the year	38,764,177	32,127,784
Profit for the year	41,912,133	41,379,763
Remeasurement gain loss on retirement benefits obligations	13,197	(57,183)
Transfer to legal reserve (note 29)	(4,191,213)	(4,137,976)
Dividend distributed to shareholders	(37,399,752)	(30,548,211)
At the end of the year	39,098,542	38,764,177

28a Shared Premium Account

Share premium account	1,198,380	1,198,380

29 Legal reserve

Balance at the beginning of the year	19,425,987	15,288,011
Transfer from retained earnings (note 28)	4,191,213	4,137,976
At the end of the year	23,617,201	19,425,987

Tafesse, Shiseme & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

30 Cash generated from operating activities

	30 June 2019	30 June 2018
	ETB	ETB
Profit before income tax	45,023,667	44,638,546
Adjustments for non- cash items:		
Impairment on trade receivables	-	-
Depreciation of property, plant and equipment (note 20)	2,903,508	2,258,303
Depreciation of investment property (note 19)	85,935	57,850
Retirement benefit obligation	582,057	493,397
Changes in working capital:		
Change in insurance receivables	-	-
Change in other receivables (excluding accrued interest)	(1,417,265)	(8,394,311)
Change in deferred acquisition cost	(470,292)	(2,836,325)
Change in reinsurance asset	5,011,227	(11,601,864)
Change in statutory deposit	(1,606,966)	(1,607,285)
Change in insurance contract liabilities	17,483,053	17,048,073
Change in insurance payables	(11,202,720)	5,185,442
Change in other liabilities	(857,696)	9,945,707
	55,534,508	55,187,534

Tafesse, Shiseme & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

31 Related party transactions

A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

		Nature of relationship	30 June 2019 ETB	30 June 2018 ETB
31a	*Transactions with related parties*			
	Gross Written Premium	purchase of premium	2,665,190	1,836,867
	Gross Claims incurred	paid claims	2,012,673	4,616,755
	Directors' fees	Directors' emoluments	1,200,000	527,333
			5,877,863	6,980,955

31b *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management for is shown. There were no insurance services rendered to the key management personnel as at 30 June 2018.

	30 June 2019 ETB	30 June 2018 ETB
Salaries and other short-term employee benefits	2,114,718	1,987,338
Post-employment benefits	380,649	357,721
Termination benefits	1,119,062	1,005,241
Sitting allowance	832,000	192,000
Other expenses	1,200,000	527,333
	5,646,429	4,069,633

32 Employees

i) The average number of persons (excluding CEO) employed by the Company during the year was as follows:

	2019 Number	2018 Number
Permanent	272	247
Contract	12	11
Outsourced	34	34
	318	292

ii) The table below shows the number of emplyees (excluding CEO), emoluments in the year and were within the bands stated.

	2019 Number	2018 Number
Birr		
Less 10,000	232.00	230.00
10,000 - 30,000	83.00	60.00
30,001 - 50,000	1.00	-
50,001 - 100,000	-	-
Above 100,000	-	-
	316	290

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

33 Contingent liabilities

Claims and litigation

The Company is subjected to litigation arising in the normal course of insurance business.

34 Operating lease commitments - Company as lessee

The Company leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2019 ETB	30 June 2018 ETB
No later than 1 year	9,836,743	8,817,860
Later than 1 year and no later than 2 years	1,317,325	72,000
Later than 2 years but not later than 5 years	-	-
Total	**11,154,067**	**8,889,860**

35 Events after reporting period

In the opinion of the directors , there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 30 June 2019 and on the profit for the year ended on the date which have not been adequately provided for or disclosed.

Tafesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

Pictorial Presentation of Events

Annual Shareholders Meeting

Your Friendly Insurance Company!

Management Annual Performance Review Meeting

Management Annual Performance Review Meeting

NICE's Staff Participating in
Great Ethiopian Run

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National Insurance Company of Ethiopia (S.C.)

Secure your Future!

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Branches Address/የቅርንጫፍ ቢሮዎች አድራሻ

Addis Ababa Branches /የአዲስ አበባ ቅርንጫፎች

No	Branch Name	Telephone	Fax	Address	Location
1.	ዋብይ ቅርንጫፍ Main Branch	011 465 2515	011 466 6947	Kirkos Subcity, Woreda 4	Lancha, Zefro Building Ground floor
2.	አሱኮራን ቅርንጫፍ Abakoran Branch	011 111 5330	011 111 5394	Arada Subcity , Woreda 1, H.No. 191	Habte Giorgis Bridge, Kusitu Commercial Building.
3.	ኮልፌ ቅርንጫፍ Kolfe Branch	011 278 9141	011 278 9140	Addis Ketema Subcity, Woreda 16/17 H.No. 204	kuas meda mazoriya , ShewaTsega Building, 2nd floor
4.	አዲስ ከተማ ቅርንጫፍ Addis Ketema Branch	011 275 7786	011 278 1822	Addis ketema subcity,Woreda 2,	Tana Building, 2nd floor, Office No. 21
5.	መገናኛ ቅርንጫፍ Megenagna Branch	011 661 2569	011 661 5761	Yeka Subcity , Woreda 8	Lem Hotel, Bisrat Building Ground floor
6.	አገሀር ቅርንጫፍ Lagar Branch	011 552 6262	011 515 0221	Kirkos Subcity, Woreda 7, H.No. 304	Legehar,Tewelde Building 3rd Floor
7.	ጎፋ ሠፈር ቅርንጫፍ Gofa Sefer Branch	011 436 7085	011 466 3616	Nifas silk lafto Subcity, Woreda 6, H.N0: 791	Next to Gofa Gebriel Church, Blen Building, 1st floor
8.	ቦሌ ቅርንጫፍ Bole Branch	011 550 4229	011 550 4228	Bole Subcity,Woreda 10, H.No. 208	Mega Building., 2nd Floor
9.	ካይቴ ቅርንጫፍ Yaitu Branch	011 126 3928	011 126 3923	Arada Subcity, Woreda 1	Churchil, Haron Tower 3rd floor
10.	መሐል ገበያ ቅርንጫፍ Mehal Gebya Branch	011 278 4886	011 278 4887	Addis Ketema Subcity , Woreda 13,H.No. 780	SOBLAN BULDING 2ND FLOOR ROOM NO 202
11.	ቃሊቲ ቅርንጫፍ Kality Branch	011 470 7771	011 470 7770	Akaki Kality Subcity, Woreda 9	Around kality total , Solomon building , 2nd floor
12.	ጎዛንቺስ ገበያ ቅርንጫፍ Chazanchis Branch	011 557 1910	011 557 1930	Kirkos Subcity , woreda 8, H.no. 106	Infront of Zemen Bank, Odda Tower, 1st floor
13.	መርካቶ ቅርንጫፍ Merkato Branch	011 273 4626	011 273 4627	Addis Ketema Subcity , Woreda 8 ,H.No.101/102	Next to Ansede Gebeya, Negat Birhan building, 1st floor
14.	ጀሞ ቅርንጫፍ Jemo Branch	011 471 3180	011 471 3181	Nifas Silk Lafto subcity, woreda 2	SABA BUILDING 1ST FLOOR ROOM NO 1
15.	ላፍቶ ቅርንጫፍ Lafto Branch	011 471 1919	011 471 1593	Nifas Silk lafto Subcity , Woreda 12,	SOLODA PHARMACY 1ST FLOOR
16.	ብስራተ ገብርኤል ቅርንጫፍ Bisrategebriel	011 384 9124	011 384 9141	Nifas silk lafto Subcity, Woreda 3, H.N0: 220	Oil Gebeya, Adot Building 1st floor
17.	አዲሱ ገበያ ቅርንጫፍ Addisu Gebeya	011 154 6874	011 154 7693	Gulele Subcity, H.No 16	After Addisu Gebeya traffic light , Jambo Building, 2nd floor
18.	ሰሚት ሲ ኦሞሲ ቅርንጫፍ Summit (CMC)	011 650 8571	011 650 9454	Bole Subcity,Woreda 10, H.No. 102	After CMC round about, on the way to summit, Nacor Building, 1st floor
19.	ቦሌ መድሃኒአለም ቅርንጫፍ Bole Medhanialem	011 639 3783	011 639 2559	Bole Subcity, H.No. 110	Next to Medhanialem church, Beza Building, 1st floor
20.	ልደታ-አብነት ቅርንጫፍ Lideta-Abinet	011 557 8229	011 557 7509	Lideta Subcity	Infront of Lideta Church, Dashen Building, Ground
21.	ቤቴል Bethel	011 3697916	011 369 7230	Kolfe Keraniyo subcity, woreda 7	Next to Betel Teaching Hospital
22.	የረር በር Yerer Ber	011 6676396	011 667 6493	Bole Sub city, Woreda 14, H.No.6300	Jakros Round about, on the way to yerer, on the building where Birhan Bank is found, 3rd floor
23.	አያት AYAT	011 639 17 24	011 639 17 23	Yeka Subcity	After Ayat round about , AAT City Center 2nd floor

Outlying Branches /የከፊል ቅርንጫፎች

S.No	Branch Name	Telephone	Fax	Address	Location
1.	አለም ገና Alem gena	011 3679643	011 367 9537	Oromiya , Alem gena	kentery, Infront of Awera Godana, Ejegu Building, 1st floor
2.	አዳማ Adama	022 112 5100	022 111 1203	Oromiya , woreda 6, H.No. 19	Adama Ras Building
3.	ድሬዳዋ Dire Dawa	025 111 0274	025 111 0495	Dire Dawa, Woreda 3, H.No. 102	No.1, Baber Transit Building
4.	ሐዋሳ Hawassa	046 212 4572	046 212 4571	SNNPR, Teso woreda,	Mekane-eyesus Building, 1st floor
5.	ጅማ Jimma	047 111 1956	047 112 2785	Oromiya , Jimma Woreda	Abba Biya Building, Ground floor
6.	ባህር ዳር Bahir Dar	058 220 9156 058 226 2024	058 220 9157	Amhara , Woreda 4, H.No E-2+2	Ali Endris Building , 1st floor
7.	ሆሳዕና Hossaena	046 555 2258	046 555 3818	SNNPR, Lemo woreda,	Endalkachew Haile Building, 2nd floor
8.	ጎንደር Gonder	058 111 1222	058 111 1171	Amhara,Woreda 12,H.No. 078/09	Mekegna Pharmacy Building
9.	መቀሌ/አባገጋ Mekelle / Abanega	034 440 4419	034 440 4421	Tigray, Semen woreda	Atse Yohannes Hotel, 1st floor
10.	ደብረ ብርሀን Debre Birhan	011 681 1414	011 681 1424	Amhara, Debre Birhan	Kaleab Building, 1st floor
11.	ወልቂጤ Wolkite	011 330 0256	011 330 0275	SNNPR, Wolkite	Hussien Bade Building, 1st floor
12.	ወላይታ Wolayeta	046 551 0437	046 551 0944	SNNPR	Awol Baglu Building, 2nd floor
13.	ደሴ Dessie	033 311 5252 033 311 5253	033 311 5353	Amhara, Woreda 8	Addis General Trading
14.	አርባ ምንጭ ArbaMinch	046 881 3883	046 881 3883	SNNPR, Arbaminch	Ciro Building, Ground Floor
15.	ሻሸመኔ Shashemene	046 211 5610	046 211 7322	Oromiya, woreda 3, H.No. 203	Next to Aposto 3M Building
16.	ቢሾፍቱ Bishoftu	011 430 1818	011 430 1461	Oromiya Region, Ada'a Woreda, H.No. 564	Alemayehu Wedajo Building
17.	ሀላባ Halaba	046 556 11 11	046 556 14 11	SNNPR, Halaba Town, Lobechame Sub city	Halaba People Development Association Building , Ground floor, Office No. 20