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NILE INSURANCE

ANNUAL REPORT | 2017/18

23 | Years
25 | Folds

CATCHING TOMORROW TODAY

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NILE INSURANCE COMPANY S.C.

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Board of Directors

Ato Mekdes Aklilu
Board Chairman

Dr. Yifru Tafesse
Deputy Board Chairman

Ato Meseret Melese
Board Director

Ato Mulugeta Asmare
Board Director

Ato Aemero Belete
Board Director

Ato Yilikal Kassa
Board Director

Ato Yerom Gessesse
Board Director

Eng. Tadesse Woldeher
Board Director

Ato Mehari Alemayehu
Board Director

Senior Management Team

Ato Nigus Anteneh
Chief Executive Officer

Ato Asmare Miheret
Manager,Finance & Investment

Ato Binalf Mekonnen
Manager, Resource Management

Ato Elias Seyoum
Manager, Marketing and Branch Opr.

Ato Mekit Eshetu
Manager, Claims

Ato Tadele Tegegn
Manager, Legal

Ato Teferi Debas
D.Manager, Internal Audit

Ato Zewdu Ayalew,
Manager,Information Technology

Eng. Ali Mohammed
Manager, Project Office

Ato Abraham Chanie
Manager, Engineering

Chairman, Board of Directors

Mekdes Aklilu

Dear Stakeholders of Nile Insurance Sh.Co,

On Behalf of the Board of Directors and myself, I feel pleased and honored to present the annual directors report of Nile Insurance Sh. Co together with the audited financial statements of account for the fiscal year that ended 30th June 2018.

Our country has seen quite fast and unpredicted political changes in the year under report following prolonged unrests which hindered the day to day economic activities nationwide. As a result, the year 2017/18 was one of the most challenging years operationally.

While the overall volume of the insurance market has continued to grow from year to year and provided huge opportunity to the industry players, solely price based competition has made the business less sustainable and an issue of growing concern. The cautious moves, taken by our company in the year under review, in terms of risk selection and attempt to avoid the looming trouble, has limited the growth in the company's annual premium production and also impacted the bottom line results. With the prudent moves, we trust our company will be better rewarded in the years to come and achieve more robust long-term growth.

Looking forward, our focus will be more on the expansion of our products and customer services both in diversity and depth. This will be enabled by the ongoing fundamental shift to digitization of our operations.

The most satisfying progress was made in advancing the construction works of the Headquarter building and other properties at different parts of Addis Ababa. As most of you are well aware of, the Headquarter building which is planned to fully accommodate our office requirements and generate modest rental income is near its final completion stage. The Board of Directors and management acknowledges, with deep gratitude, the constructive comments and encouragements made by our shareholders and other stakeholders in our endeavor to make this project realty.

I would also like to thank our employees who are the major contributors of Nile's successful journey so far with their sincere and efficient services to our customers.

Mekdes A.

Mekdes Aklilu
Chairman, Board of Directors

Nile Insurance Company S.C. Head Office

Previous Years' AGM

Company Profile

Who we are

Established in April 1995 with a capital of Birr 12.5 million, Nile Insurance Company (S.C) is one of the pioneer private insurers in Ethiopia. Over the past 23 years, the subscribed capital of the company has grown to Birr 500 million, out of which Birr 302.7 million is paid up. Currently, Nile's branch network in Addis Ababa and regional towns have reached 42, making it one of the leading insurance companies in terms of accessibility. The total asset of the company grew to Birr 1.1 billion at the end of the fiscal year. This notable growth was made possible with active participation of its valuable employees, customers, shareholders, and other stakeholders.

Vision

To be the first choice private insurer in Ethiopia by 2025.

Mission

To provide unmatched value to our customers in insurance services and engage in investment through high profile expertise and state of the art technology.

The Nile Culture

We at Nile believe in Dynamism, Professionalism, Team work, Respect and Ethical practice in our engagements with customers and other stakeholders.

Value proposition to our customers

We strive to offer value added insurance solutions with superior customer service adopting the highest ethical standard.

Products

We provide our customers a wider range of insurance solutions both in the general and long-term (life) insurance categories.

Governance Structure

Nile is led by qualified, competent and experienced Board of Directors and Senior Executive Management members. The Board is further structured by committees namely; Business, Operation and Risk Management, Finance Audit and Investment, and Organization and Human Resource Management. Each committee plays advisory and consultation roles in alignment with the Company's corporate strategy.

The Board of Directors is directly accountable to the General Assembly of the shareholders. The Assembly has the ultimate authority to pass major decisions and oversee the Board of Directors (BoD). The BoD had convened 19 ordinary and 6 extra ordinary meetings during the year under review.

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Nile Insurance Company s.c.

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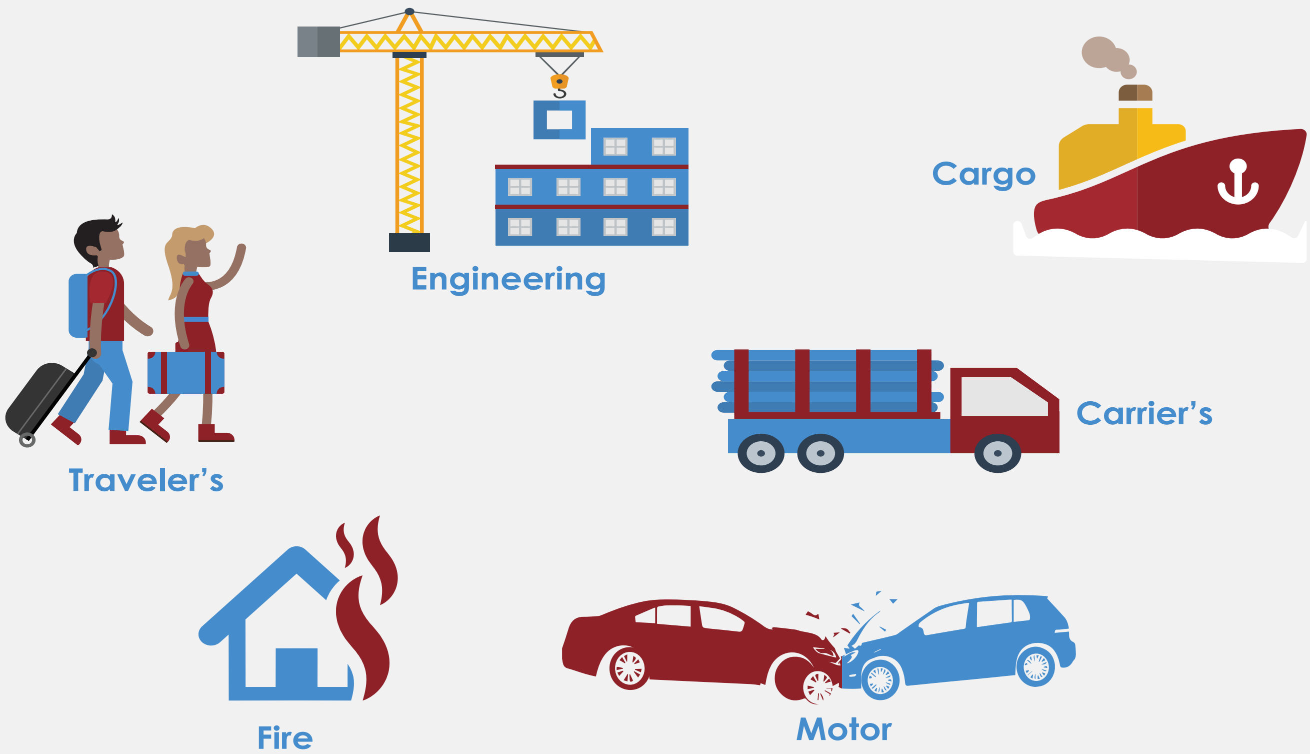
Some of our Products ...



CATCHING TOMORROW TODAY.

DIRECTORS' REPORT

The Board of Directors of Nile Insurance Share Company is pleased to present the 2017/18 annual report to its esteemed shareholders, customers, and other stakeholders. This report is prepared in accordance with the legal requirement of the Ethiopian Commercial Code and other regulatory directives issued by relevant authorities. It depicts the annual business operation of the Company along with the Audited Financial Statement of Accounts.

Performance Highlights

Business & Economic Environment

According to the latest IMF world economic outlook, global growth is estimated to reach 3.4 percent in 2017/18. The projected growth rate for advanced economies amounts to 1.9 percent in 2017/18. The primary force that will boost the overall global outlook over the period of 2017/18 is the anticipated rapid growth in emerging market and developing economies. Similarly, African economies have been resilient and gaining momentum. Overall, the recovery of growth in Africa has been faster than envisaged, especially among non-resource–intensive economies. (African Development Bank Group: AEO 2018). According to the Bank, the East African region, spearheaded by Ethiopia, showed a robust 5.9 percent growth in 2017/18. The agriculture sector is generally the main driver of East Africa's growth, followed by industry.

In the same year, Ethiopia ranked among the world's fastest-growing economies with an estimated growth rate of 7.7% (National Economic Accounts Report, 2017/18). Nevertheless, real GDP growth, while still strong, is projected to decelerate. A slowdown in industrial growth mainly driven by slowdown in construction due to foreign exchange shortages and higher prices of imported construction materials coupled with weaker performance of the manufacturing sector explain to a large extent the growth deceleration (World Bank: Macro Poverty Outlook(MPO), 2018). Furthermore, political unrest for the past three years had also affected economic activities of the country.

The Country's export revenue continued to suffer from sluggish export performance amid continued weak global prices for commodities (IMF: Country Report No. 18/18). In order to support external competitiveness of the economy 15 percent devaluation of the Birr relative to the U.S. dollar was undertaken in October 2017. Accordingly, inflation has surpassed single digit since October 2017. There is an obvious upward pressure on inflation after the devaluation, but the magnitude was not very high which could be attributed to the monetary tightening that paralleled the devaluation (UNDP: Quarterly Economic Brief Vol. 1, 2018).

Tighter monetary policy that was followed to lessen the impact of devaluation on inflation included raising of the minimum deposit rate. As a result, the average deposit interest rate increased from 5.4 percent to 8 percent and average lending rate from 12.75 percent to 13.5 percent.(National Bank of Ethiopia Quarterly Bulletin:2017/18)

According to the UNDP quarterly economic brief, the country is also looking in to partial privatization of major public enterprises as part of long term solution to improve foreign exchange shortages, reduce youth unemployment, and increase private sector participation. This is expected to bring ample opportunities for the growth of the insurance industry.

The Industry Landscape

Political and social unrest in many parts of the country adversely affected economic activity and, by extension hurt the insurance market. For this reason, the industry's premium grew at a decreasing rate in the year under review. According to the year-end figures released by the National Bank of Ethiopia, Ethiopian insurance industry produced nearly Birr 8.4 billion premium in 2017/18, showing a year-on-year increase of 12% (2016/17: 17%). 94.5% of total premium was generated by non-Life insurance and 5.5% by life insurance, with virtually no change in the composition from the previous period.

On the other hand, claims incurred to the general insurance grew to Birr 3.5 billion from Birr 3.2 Billion in 2016/17 and profit after tax stood at Birr 1.3 billion, 23% higher than the previous year (2016/17: Birr 1.1 billion). The industry's asset base grew from Birr 13.6 billion in 2016/17 to Birr 16 billion in 2017/18, a growth of 18%, signaling improving capital position. Compared to other African countries, insurance penetration in Ethiopia remained low (below 1% in 2017/18). Motor is the largest segment, followed by engineering, but workmen's and fire insurance have been growing most rapidly in recent years (37% and 20% annually since 2013/14). At the aggregate level, life insurance premium has grown more quickly than non-life, by 28%.

The Ethiopian insurance market continues to face numerous challenges including very low insurance penetration, high risk exposure, and increased competition in already crowded markets. In addition to these, foremost are shortage of skilled labor, inadequate regulatory framework, lack of insurance awareness, and sometimes cultural hurdles. However, long-term outlook is favorable, on the expectation of a growing economy.

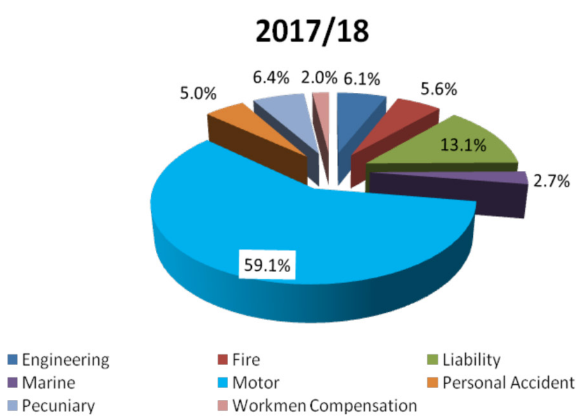
Financial Performance

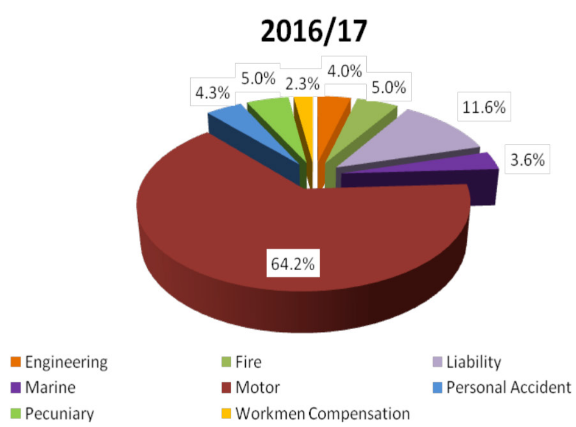
A. General Insurance Business

Gross Written Premium

Gross Written Premium (GWP) in the year under review decreased by 3% to Birr 406,921,000 from Birr 419,511,000 in 2016/17. Figure 1 below presents proportions of GWP in the different lines of business (portfolio mix).

During the reviewed period, all classes of business except marine, motor and workmen's showed improvement, with the engineering business growing by 48.3% followed by pecuniary(23.3%), personal accident (12.2%), liability(10.2%), and fire(8.2%).





The Company has continued pressure from firms in the industry competing primarily on rates in 2017/18. Despite this, the Company has maintained a disciplined and focused approach to pricing across its portfolios and markets.

The Company had a rigorous approach to pricing across its lines of business and geographic locations with the aim of achieving appropriate levels of return. The overall reduction seen in premium during the reporting period was also due to the prudent underwriting measure taken on some risky motor businesses and portfolio re-balancing. Moreover, the poor performance seen in marine business was attributed to foreign currency shortage.

Net Earned Premium

The net earned premium dropped by 7.4% to Birr 344,519,000, from Birr 371,913,000 in the previous year. This was largely due to the decline in premium as compared to the previous same period.

Claims Paid

Net claims paid amounted to Birr 219,258,000, portraying a 2.1% decrease from last year's figure of Birr 224,033,000. Despite having paid several large claims, the decrease in net claims paid was mainly due to improvements seen in fire, marine, motor, pecuniary and workmen's related losses.

Claims Incurred

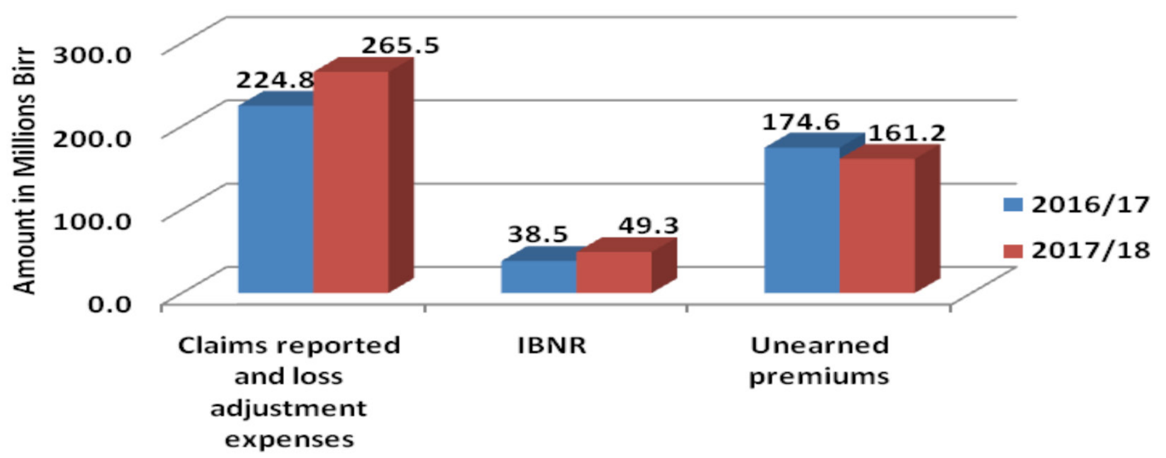
The Company's incurred net claims totaling Birr258,422,000 in 2017/18 compared to Birr 272,401,000 in 2016/17, a decrease of 5.1%. The decrease was attributable to the improvement in overall claims situation.

Insurance Contract Liabilities

Insurance contract liabilities (technical provisions) at the end of June 30, 2018 went up by 9% to Birr 475.9 million compared to Birr 437.9 million in the previous year.

As shown in figure 2 below, this was mainly impacted by the 18% (or Birr 40.6 million) rise seen in the Claims reported and loss adjustment expenses. Moreover, a 28% increase in other technical provisions (IBNR) had contributed for the increase. Claims reported and loss adjustment expenses increased mainly due to the provision kept for customs guarantee, carrier's liability and motor claims.

Fig. 2 Insurance Contract liabilities



Underwriting Surplus

The underwriting surplus for the year dropped by 14% to Birr 77,858,000 compared to Birr 90,611,000 in the previous year. Despite improvements in claims, the decrease was largely due to the decline in premium.

Investment Income

The Company has in place processes to monitor cash flows, which ensure that investment returns are maximized, whilst maintaining adequate cash resources to meet operating expense and claim requirements.

In the reporting year, interest income from time deposits grew by 20% to Birr 50,713,000 as compared to the previous year's record. Similarly, dividend income realized from shareholdings in Bank of Abyssinia (BOA) has shown an increase of 55% to reach Birr 22,821,000. Accordingly, total investment income including rental income of Birr 5,598,000 substantially increased by 32% to Birr 79,132,000 from last year of Birr 59,854,000.

Other Operating Income

During the year under review, income from other sources was Birr 2,799,000, a significant decrease from the previous year (2016/17: Birr 14,169,000). This decrease was highly attributed to the receipt of Birr 11.6 million in 2016/17 as an accumulated interest income through court process following the failure of the Company's policy holder to settle its debt.

Expenses

Other operating and administrative expenses of the Company increased by 15% to Birr 86,612,000 compared to previous year of Birr 75,541,000. This is primarily attributed to salary increment and holiday payment to employees, increased office rent and increment in other related costs of doing business.

Profit

The Company's pre-tax profit was Birr 63,511,000 compared with that for the year 2016/17 of Birr 80,432,000, representing a decrease of 21%. The decrease in profit was highly associated with the prior year and current period adjustments made due to the implementation of IFRS.

The Company, however, managed to record satisfactory returns despite the decline in premium via employing prudent underwriting practices, effective claims management and investment income management strategies throughout the year.

B. Long Term Insurance

Gross Written Premium

Gross premium income of life business stood at Birr 33,807,000 in 2017/18, a growth of 21% compared to Birr 28,026,000 in the previous year.

Life Business Outgo

In the reporting year, the net claims incurred was Birr 14,392,000, almost same as the previous year's record. Likewise, administrative and general expense of life insurance was Birr 2,146,000, showing a decrease of 6% from the previous year.

Life Fund

As at June 30, 2018, the life fund stood at Birr 61,579,000, an increase of 57% (Birr 22,472,000) from Birr 39,107,000 at the beginning of the year.

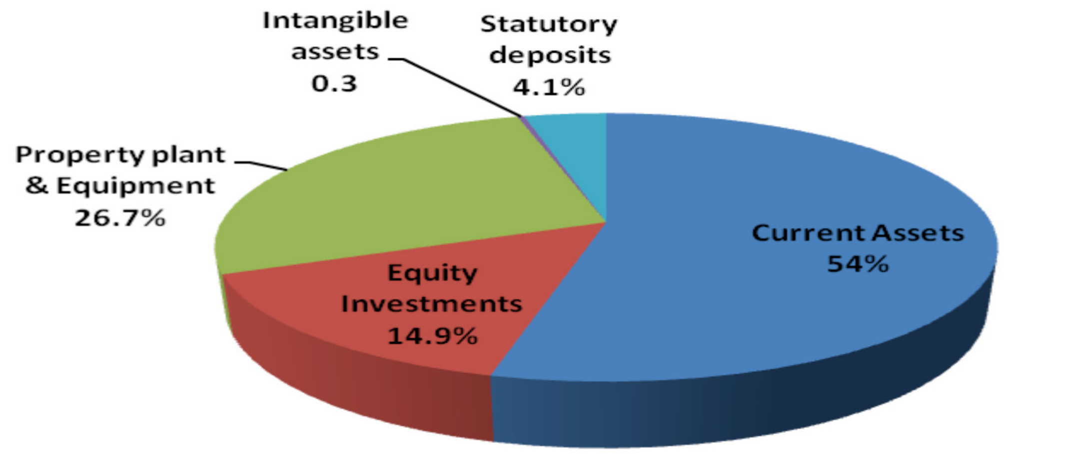
Assets and Equity

Total assets grew to Birr 1.1 billion up by 16% from Birr 0.96 billion recorded in 2016/17, while total equity grew by 28% to Birr 475.4 million from Birr 371.9 million in previous same period.

As shown in figure 3 below, out of the total Company assets, 47% (Birr 603.2 million) was current assets while fixed asset, equity investments and statutory deposits took 26.7%, 14.9% and 4.1% respectively.

During the reviewed period, the balance of fixed time deposit increased by 6.4% to Birr 422,385,000 from the previous year's record of Birr 396,878,000. This notable growth was made through careful cash management strategies that ensure cash resources are invested at competitive time deposit schemes.

Fig. 3 Assets Composition as at June 2018



Solvency Margin - General Insurance

The statutory equity, which was Birr 372,771,556 for the fiscal year was above (5 times) the minimum requirement of Birr 74,214,000 (i.e. 20% of previous year's net written premium). Similarly, the solvency margin after taking into account 25% of the technical reserve (or Birr 104,863,024) was more than 3.6 times of the standard and assuring the adequacy of the Company's capital.

Investment Highlights

Future Headquarter Building Project

The Company completed the construction of the structural framework for the three basement, ground floor and 25 storey (3B + G + 25) of the future headquarter building. To complete the remaining finishing works, the Company floated international bid. Accordingly, the management in consultation with the Board diligently evaluates the financial and technical proposal of bidders. Currently, selection of the winner company is finalized and the finishing work is to be awarded soon.

Other Building Projects

As per the project plan, the Company was expected to complete the Store building in Gurd Shola. Nevertheless, only the construction of foundation for the store building was completed due to lack of building permit and land lease agreement renewal from the relevant authorities.

On the other hand, tender has been floated and bids were submitted for warehouse building and site works at Commet project site. Thus, technical and financial evaluation was completed and selection of contractor for design and building work was made.

The Company has also started to generate rent income from one warehouse building at Gelan project site.

Human Capital

We have strong, consistent human resource policies designed to make our Company a great place to work. The Company is committed to skills development of the staff as well as creation of an enabling environment to realize their maximum potential. Nile has in-house training facility and employees are also developed through external training both locally and overseas.

At the end of this financial year, the number of employees reached 375. The educational distribution showed that 227 (61%) had first degree and above qualifications. This ensures that our resource has very good blend of experts. Similarly, the composition of male and female staffs was 60% and 40% respectively showing that Nile is an equal opportunity employer.

Capitalization

The total fund infused by the Shareholders of the Company in the period reached Birr 302.7 million grew significantly by 61% from the previous same period of Birr 188.1 million. This is mainly due to the capitalization of dividend during the reporting period as per the previous decision of shareholders to raise the capital of the Company to Birr 500 million.

Dividends

As at June 30, 2018, the Company was able to generate a net profit of Birr 63,511,000. After accounting Birr 6,351,000 for the legal reserve and Birr 833,333 for Director's share, the remaining balance of the profit including the previous year's adjustment of Birr 4,486,333 according to IFRS is Birr 60,812,000. The Board of Directors, therefore, proposes to the general meeting of shareholders that Birr 60,812,000 (26.05% of the weighted average shares) be distributed to shareholders proportionate to their respective paid up shares.

However, shareholders are expected to plowback their dividend to cover the second installment for the capital increase as they did in the previous year.

Distribution Channels

During the year under review, the Company made one additional branch operational. Thus, it is worth mentioning that Nile has a total of 42 branches positioned throughout the Country by the end of the reporting period. Moreover, personal development training on sales techniques was provided to our sales forces and bilateral discussions on possible business relationship was made with brokers.

Product Development

We continued to fulfill our promise by providing a comprehensive range of insurance products to meet customers' needs. In the reporting period, the Company launched Political Violence and Terrorism(PVT) Insurance. This will tremendously benefit in retaining corporate customers and enhance our efforts towards business excellence.

Information Technology (IT)

Our business transformation strategy is being led by IT. To ensure this, the Board and Management of the Company exerted much effort to procure the new technology from renowned system providers by floating international bid. A thorough evaluation on the technical and financial proposal of bidders was made and the procurement of the new technology was awarded to the winner international Company. Key benefits of the system will include differentiated customer service, increased efficiency, improved management reporting and decision making and product innovation (mobile app, portal, etc). The new system has more than eight modules that make the Company pioneer in the industry. Moreover, this system will enable the full automation of life business. The management and IT teams have been working on full time basis towards this project at a dedicated project office.

Risk Management

The company's risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance. These include the use of underwriting guidelines and capacity limits, reinsurance planning, and defined criteria for the approval of intermediaries and reinsurers.

Investment policies are in place to enable optimal liquidity management and to maximize returns within an acceptable level of risk. Furthermore, the internal audit, risk and compliance function helps to monitor that these policies are followed.

Corporate Social Responsibility (CSR)

The Company views Corporate Social Responsibility (CSR) as a fundamental aspect of its business. The activities undertaken in 2017/18 were in the areas of tree planting for environmental conservation, sponsoring employees to participate in the Ethiopian great run, and participation in blood donation campaign. The Company had also closely worked with partners to address road safety issues.

Future Outlook

The coming fiscal year is expected to be a tough year, but we remain positive and confident about the future growth of the Company.

Overall, we expect relative stability this year in key macro-economic indicators - inflation, interest rates and exchange rate - triggering strong consumer demand and increased economic growth.

For the coming year, we believe that Nile is well equipped to further boost its competitive position despite the challenges we face. Other areas critical for business growth in the coming year to consider include strategic positioning for emerging business areas, improving methods of attracting and engaging customers through traditional as well as new channels, and focusing on value-added customer services while carefully managing both costs and risks.

We continue to be optimistic as we focus on our strategic goals to ensure that the Company continues to perform strongly in 2018/19 and generate sustainable and stable returns for shareholders. We will continue to focus on appropriate risk selection and best management practices so as to balance our portfolio mix whilst protecting profitability. Key strategic initiatives for 2018/19 include among others the following:

Customer Relationship Management (CRM)

The company will launch a new digital strategy in the new fiscal year. This new customer relationship strategy is expected to enhance overall efficiency and will improve the delivery of services to our customers.

Market and Product Development

We will continue with branch expansion plans and have planned to set up 2 branches and 2 contact offices across the country to increase our distribution network and easy access to customers where they require us most.

As part of new business solution, two new products will be introduced with a target of different customer segments.

Information Technology

We will continue to invest heavily in technology to support our growth strategies, to develop new distribution channels and introduce innovative products for the on-going digital revolution. In the year ahead, the new system will be functional to deliver higher operational efficiency and simplify customer interactions.

Construction Activities

In the years ahead, the Company will accomplish finishing works of the head quarter as per the project plan. Accordingly, finishing works of Block-B in the Headquarter building will be fully completed. Further progress is also expected on the finishing works of Block-A. Similarly, it is in our plan to complete warehouse buildings in Comet and Gurd Shola Project sites.

Embassy of the Republic of the SUDAN

GHION Industrial & Commercial

BRITISH EMBASSY

ZHONGMEI ENGINEERING GROUP LTD

Hamlin Fistula Ethiopia

Save the Children

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Bank of Abyssinia

GAD CONSTRUCTION

JUPITER INTERNATIONAL HOTEL
Two hotels - One concept

አንበሳ Anbessa

Sher Ethiopia

ALMETA

UNIVERSAL PLASTIC FACTORY PLC

THE HUB ADDIS ABABA

EngenderHealth for a better life

IOM • OIM INTERNATIONAL ORGANIZATION FOR MIGRATION

PLAN INTERNATIONAL

Customers AT A GLANCE

Nile Insurance Company S.C
Directors, Professional Advisors and Registered Office
For the year ended 30 June 2018

Company registration number
1703/87

Board Of Directors *(as of 30 June 2018)*

Mekdes Aklilu	Board Chairman	*November 9,2017*
Yifru Taf esse	Deputy Board Chairman	*November 9,2017*
Meseret Melese	Board Director	*November 9,2017*
Mulugeta Asmare	Board Director	*November 9,2017*
Aemero Belete	Board Director	*November 9,2017*
Yilikal Kassa	Board Director	*November 9,2017*
Yerom Gessesse	Board Director	*November 9,2017*
Tadesse Woldeher	Board Director	*November 9,2017*
Mehari Alemayehu	Board Director	

Senior Management Team *(as of 30 June 2018)*

Nigus Anteneh	Chief Executive Officer
Mekit Eshetu	Manager, Claims Management
Elias Seyum	Manager, Reinsurance & Branch Operations
Zelalem Wossenu	Represntative Manager, Marketing & Strategic Planning
Asmare Miheret	Manager, Finance & Investments
Binalf Mekonnen	Manager, Resource Management
Tadele Tegegn	Manager, Legal Department
Abreham Chanie	Manager, Engineering Department
Zewdu Ayalew	Manager, Information Technology
Ali Mohammed	Manager, Project Office
Teferi Debas	A/Manager, Internal Audit & Risk Management
Diramu Tadi	Manager, Life Department

Independent auditor

TMS plus
Chartered Certified Accountants(UK) and Authorised Auditors(Ethiopia)
P.O.Box 110690
Addis Ababa,
Ethiopia

Corporate office

Nile Insurance S.C Building
Nations and Nationalities Square
Gotera,
Addis Ababa,
Ethiopia

Company secretary

Nile Insurance S.C
Nations and Nationalities Square
Gotera,
Addis Ababa,
Ethiopia

Nile Insurance Company S.C

Directors, Professional Advisers and Registered Office

For the year ended 30 June 2018

Principal bankers

Bank of Abysinnia
Dashen Bank
Commerical Bank of Ethiopia
Wegagen bank
United Bank
Oromia Cooperative Bank
Awash Bank
Enat Bank

Re-insurers

African Reinsurance Company
Zep-Re Reinsurance Company
Ethiopian Reinsurance Coporation

Consulting Actuaries

Actuarial Services East Africa Limited
26th Floor, UAP-Old Mutual Towers
Upper Hill Road, Upper Hill
Nairobi City, Kenya

Nile Insurance Company S.C

Report of the Directors

For the year ended 30 June 2018

The directors submit their report together with the financial statements for the period ended 30 June 2018, to the members of Nile Insurance Company S.C. This report discloses the financial performance and state of affairs of the Company .

Incorporation and address

Nile Insurance Company (S.C) was incorporated in Ethiopia in April 1995 as a share company, and is domiciled in Ethiopia.

Principal activities

The principal activities of the Company is to provide insurance solutions both in the general and long tern (Life) insurance categories.

Results and dividends

The Company 's results for the year ended 30 June 2018 are set out on page26. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2018 Birr'000	30 June 2017 Birr'000
Net premiums	375,413	390,898
Profit before income tax	63,511	115,482
Income tax expense	-	(13,737)
Profit for the year	63,511	101,745

Directors

The directors who held office during the year and to the date of this report are set out on page19.

Mekdes A

Mekdes Aklilu
chairman,Board of Directors
Addis Ababa, Ethiopia

Chartered Certified Accountants (UK)
TMS Plus
Authorized Auditors (ETH)

Nile Insurance Company S.C

Statement of directors' Responsibilities

For the year ended 30 June 2018

In accordance withFinancial Reporting Proclamation 847/2014 ,the Accounting and Auditing Boeard of Ethiopia may direct the Company to prepare financial statements in accordance with International Financial Reporting Standards, whether their designation changes or they are replaced, from time to time.

The Company's management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards and 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 Company is required keep such records as are necessary to:

a) exhibit clearly and correctly the state of its affairs;

b) explain its transactions and financial position; and

c) enable the National Bank of Ethiopia to determine whether the Insurance company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Company's management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards,Insurance Business Proclamation, Commercial code of 1960 and the relevant Directives issued by the National Bank of Ethiopia.

The Company's management is 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.

The Company's management 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.

Nothing has come to the attention of the management 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:

Mekdes A

Mekdes Aklilu
Board Chairman

Nigus Anteneh
Chief Executive Officer

Chartered Certified Accountants (UK) TMS Plus Authorized Auditors (ETH)

TMS Plus
Chartered Certified Accountants (UK) and Authorised Auditors (Ethiopia)
Member Firm of HLB International
HLB 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 OF NILE INSURANCE SHARE COMPANY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nile Insurance Share Company (S.C),which comprise the statement of financial position as of 30 June 2018, 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 present fairly, in all material respects, or give a true and fair view of the financial position of the Company as at 30 June 2018, and its financial performance and its cash flows for the year 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.

TMS plus

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Addis Ababa
09 November 2018

Nile Insurance Company S.C

Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
ASSETS				
Cash and bank balances	15	450,827	434,101	389,989
Investment securities				
- Available for sale	16	166,822	131,250	100,000
Trade and other receivables	17	14,745	8,471	6,392
Reinsurance assets	18	61,407	47,577	30,394
Deferred acquisition cost	19	14,662	14,186	13,177
Other assets	20	60,903	76,498	84,582
Deferred tax assets	14	648	609	791
Property, plant and equipment	21	298,637	221,017	137,559
Intangible assets	22	3,686	1,255	1,061
Statutory deposits	23	45,430	28,220	26,980
Total assets		**1,117,767**	**963,184**	**790,925**
LIABILITIES				
Insurance contract liabilities	24	477,587	439,173	385,487
Insurance payables	25	87,133	79,501	64,777
Borrowings	26	16,514	15,319	-
Current income tax liabilities	14		10,572	-
Deferred tax liabilities	14	4,997	4,298	4,018
Other liabilities	27	54,503	40,238	38,220
Retirement benefit obligation	28	1,549	2,031	2,636
Total liabilities		**642,283**	**591,132**	**495,138**
EQUITY				
Share capital	29	302,700	188,132	179,859
Retained earnings	31	60,812	100,779	26,404
Other reserve	34	855	847	-
Legal reserve	33	49,538	43,187	33,113
Life fund reserve	34	61,579	39,107	56,411
Total equity		**475,484**	**372,052**	**295,787**
Total equity and liabilities		**1,117,767**	**963,184**	**790,925**

The notes on pages 29 to 97 are an integral part of these financial statements.

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Head Office Nile Insurance Company S.C

Mekdes Aklilu
chairman,Board of Directors

Nigus Anteneh
Chief Executive Officer

Nile Insurance Company S.C

Statement of Profit or Loss and other Comprehensive Income
For the year ended 30 June 2018

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Gross premiums	6	454,090	455,735
Premiums ceded to reinsurers	6	(78,677)	(64,837)
Net premiums		375,413	390,898
Fee and commission income	7	22,697	28,183
Net underwriting income		398,110	419,081
Claims expenses	8.1	(263,444)	(246,201)
Claims recovered from reinsurers	8.2	29,794	8,886
Gross change in contract liabilities	8.3	(39,164)	(48,368)
Net benefits and claims		(272,814)	(285,683)
Underwriting expenses	9	(32,486)	(31,417)
Underwriting profit		92,810	101,981
Investment income	10	79,132	59,854
Other operating income	11	2,799	14,169
Transfer from(to) life fund	34	(22,472)	17,303
Net income		152,269	193,307
Other operating and administrative expenses	12	(36,086)	(33,070)
Employee benefits expense	13	(52,672)	(44,755)
Profit before income tax		63,511	115,482
Income tax expense	14	-	(13,737)
Profit for the year		**63,511**	**101,745**
Other comprehensive income		-	-
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	28	1,221	1,210
Deferred tax (liability)/asset on remeasurement gain or loss		(366)	(363)
		855	847
Total comprehensive income for the year		**64,366**	**102,592**
Basic & diluted earnings per share (Birr)	30	272	552

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The notes on pages 29 to 97 are an integral part of these financial statements.

Nile Insurance Company S.C

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Share capital Birr'000	Retained earnings Birr'000	Other reserve Birr'000	Legal reserve Birr'000	Life fund reserve Birr'000	Total Birr'000
As at 1 July 2016		179,859	26,404	-	33,113	56,411	295,787
Additional shares issued	29	8,273	-	-	-	-	8,273
Profit for the year		-	101,745	-	-	-	101,745
Dividends paid during the year	31	-	(17,198)	-	-	-	(17,198)
Other comprehensive income:							
Re-measurement gains on defined benefit plans (net of tax)	14			847			847
Total comprehensive income for the year		-	-	847	-	-	847
Transfer to legal reserve	33	-	(10,074)	-	10,074		-
Increase in life fund	34	-	-	-	-	(17,304)	(17,304)
Prior year adjustmet			(98)				(98)
As at 30 June 2017		**188,132**	**100,779**	**847**	**43,187**	**39,107**	**372,052**
As at 1 July 2017		188,132	100,779	847	43,187	39,107	372,052
Additional shares issued	29	114,568					114,568
Profit for the year			63,511				63,511
Dividends paid during the year	31		(90,665)				(90,665)
Other comprehensive income:							
Re-measurement gains on defined benefit plans (net of tax)	14			8			8
Total comprehensive income for the year		-	-	8	-	-	8
Transfer to legal reserve	33		(6,351)		6,351		-
Increase in life fund	34					22,472	22,472
Prior year adjustment			(6,461)				(6,461)
As at 30 June 2018		**302,700**	**60,813**	**855**	**49,538**	**61,579**	**475,485**

The notes on pages 29 to 97 are an integral part of these financial statements.

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Nile Insurance Company S.C

Statement of Cash Flow

For the year ended 30 June 2018

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Cash flows from operating activities			
Cash generated from operations	35	101,565	147,204
Prior year adjustment		(7,097)	(2,561)
Defined benefit paid	28	(99)	(266)
Income tax paid	14	(10,756)	-
Net cash inflow from operating activities		**83,613**	**144,377**
Cash flows from investing activities			
Purchase of investment securities	16	(35,572)	(31,250)
Purchase of property, plant and equipment	21	(84,473)	(88,946)
Purchase of intangible assets	22	(2,709)	(414)
Net cash (outflow) from investing activities		(122,754)	(120,610)
Cash flows from financing activities			
Increase in statutory deposits	23	(17,210)	(1,240)
Proceeds from short term borrowings	26	1,195	15,319
Proceeds from issues of shares	29	114,568	8,273
Increase/(decrease) in life fund	24	22,472	(17,303)
Dividends paid	31	(90,665)	(17,198)
Net cash (outflow) from financing activities		30,360	(12,149)
Net increase in cash and cash equivalents		**(8,781)**	**11,618**
Cash and cash equivalents at the beginning of the year	15	37,223	25,605
Cash and cash equivalents at the end of the year	15	**28,442**	**37,223**

The notes on pages 29 to 97 are an integral part of these financial statements.

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Nile Insurance Company S.C
Notes to the Financial Statements
For the year ended 30 June 2018

1 General information

Nile Insurance Company ("the Company) SC is a private commercial Insurance company domiciled in Ethiopia. The Company was established in April 1995, in accordance with proclamation No. 86/1994 and the Commercial code of Ethiopia of 1960. The Company has been licensed by the National Bank of Ethiopia, the licensing body of Banks, Insurance and other Financial Institutions as per the power vested to it through Proclamation No 591/2008, the National Bank of Ethiopia Establishment (as amended) Proclamation. The registered office is at:

Nile Insurance S.C Building
Nations and Nationalities Square
Gotera,
Addis Ababa,
Ethiopia

The principal activities of the Company is to provide insurance solutions both in the general and long tern (Life) insurance categories.

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 2018 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 is 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 IFRS. Refer to note 42 for information on how the Company adopted IFRS.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept except for available for sale financial assets which is measured at fair value. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management 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. Management believes 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 4.

2.2.1 Going concern

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

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Nile Insurance Company S.C
Notes to the Financial Statements
For the year ended 30 June 2018

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 2018, 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:

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Early adoption of the standard is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

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 lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise 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 recognise 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 lessor accounting requirements in IAS 17. The Company is yet to assess the expected impact of this standard.

Nile Insurance Company S.C
Notes to the Financial Statements
For the year ended 30 June 2018

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 fulfilment 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 fulfilment 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.

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 (Birr).

2.4 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 in hand, cash at bank, short term deposit with banks.

2.5 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.

2.5.1 Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, 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 recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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Nile Insurance Company S.C

Notes to the Financial Statements
For the year ended 30 June 2018

2.5 Financial instruments - initial recognition and subsequent measurement (Contd)

Subsequent measurement

For purposes of subsequent measurement, the Company's financial assets are classified into two categories:

- Loans and receivables
- Available for sale

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 amortised cost using the effective interest rate (EIR) method, less impairment. Amortised 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 amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Company's loans and receivables comprise of Loans and receivables including insurance receivables, investment securities and other financial assets. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

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 unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised 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 management has 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 amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised 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 recognises 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 recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

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Nile Insurance Company S.C

Notes to the Financial Statements
For the year ended 30 June 2018

2.5 Financial instruments - initial recognition and subsequent measurement (Contd)

Reclassification of financial assets

Reclassification is at the election of management, 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 recognised in equity is amortised to income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised 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.

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 derecognised (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 recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises 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.

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 reorganisation, 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.

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Nile Insurance Company S.C
Notes to the Financial Statements
For the year ended 30 June 2018

2.5 Financial instruments - initial recognition and subsequent measurement (Contd)

(i) Financial assets carried at amortised cost

For financial assets carried at amortised 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, recognised 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 recognised 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.

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 realised 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 recognised, the previously recognised 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 collateralised 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.

(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 recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised 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 recognised, 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.

2.5.2 Financial liabilities

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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 recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include customer's deposits, margin held on letter of credits, and other liabilities. Interest expenditure is recognised in interest and similar expense.

Nile Insurance Company S.C
Notes to the Financial Statements
For the year ended 30 June 2018

2.5 Financial instruments - initial recognition and subsequent measurement (Contd)

Subsequent measurement

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

a) **Financial liabilities at amortised 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 amortised 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 amortised cost are subsequently measured at amortised cost using the EIR. Amortised 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 amortised cost.

Derecognition of financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

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

2.5.3 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 recognised amounts, and there is an intention to settle on a net basis or realise 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.

2.6 Reinsurance assets

The Company cedes business to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks as described in note 2.14. Premium ceded comprise gross written premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policy holders.

Reinsurance assets are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract. The Company has the right to set off reinsurance payables against amounts due from reinsurers in line with the agreed arrangements between both parties.

2.7 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money or other benefits. The other assets in the Company's financial statements include the following:

(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 amortised over the period in which the service is to be enjoyed.

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2.7 Other assets (Contd)

(b) Other receivables

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Company's other receivables are staff debtors and sundry debtors.

2.8 Deferred policy acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. DAC is subsequently amortised over the life of the contracts as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortised over the terms of the policies as premium is earned;
- For long-term insurance contracts with fixed and guaranteed terms, DAC is amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and

Deferred acquisition costs represent a portion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins by applying to the acquisition expenses the ratio of unearned premium to written premium.

DACs are derecognised when the related contracts are either settled or disposed of.

2.9 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 fulfilment 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

items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Company as a lessor

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 recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.10 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised.

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2.10 Property, plant and equipment (Contd)

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)	Residual value (%)
Buildings	50	5%
Motor vehicles	10	5%
Computer and accessories	7	1%
Office furniture and Fixture	10	1%
Equipment	7	1%
Long living Equipment	15	1%

The Company commences depreciation when the asset is available for use. Construction work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

An item of property, plant and equipment and any significant part initially recognised is derecognised 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 income statement when the asset is derecognised.

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.

2.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in income statement in the period in which the expenditure is incurred .

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follow:

Assets class	Useful lives (years)
Computer software	8

2.12 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.

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2.12 Impairment of non-financial assets (Contd)

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.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the income statement.

2.13 Statutory deposits

Statutory deposits are cash balances held with the National Bank of Ethiopia in line with Article 20 of Insurance Business Proclamation No. 746/2012 and may not be withdrawn except with the written permission of the National Bank of Ethiopia, or be used as a pledge or security for any loan. They have been separately disclosed due to their nature and liquidity. Statutory deposits are measured at cost.

2.14 Insurance contracts

2.14.1 Classification

The Company enters into insurance contracts as its primary business activity. Insurance contracts are those that the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary, if a specified uncertain future event (the insured event) adversely affects the policyholder or the other beneficiary. The Company as a guide defines significant insurance risk as the possibility of having to pay benefit on the occurrence of an insured event that is at least 10% more than the benefit payable if the insured event did not occur.

The Company's insurance contracts are classified into two main categories, depending on the duration of risk.

(a) Non- life insurance contracts

These contracts are accidents and casualty and property 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.

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2.14 Insurance contracts (Contd)

(b) Life insurance contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration.

In addition, the Company has short-term life insurance contracts which protect the Company's policyholders from the consequences of events (such as death or disability) that would affect the ability of the insured or his/ her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the insured or the beneficiary. There are no maturity or surrender benefits.

2.14.2 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).

As set out in 4.2 above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated.

2.14.3 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 2.14.1 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 recognised 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 recognised 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 Company for the related claim, the difference is amortised over the estimated remaining settlement period.
The Company asseses 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 recognises that impairment loss in the income statement. the Company gathers the objective evidence that a reinsurace asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated folowing the same method used for these financial assets. These processes are described in Note 2.10.

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2.14 Insurance contracts (Contd)

2.14.4 Receivables and payables related to insurance contracts

Receivables and payables are recognised 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 recognises 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 2.5.

2.14.5 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 recognised 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 recognised 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.

2.14.6 Insurance contract liabilities

Insurance contract liabilities arising from insurance contracts are determined as follows:

(a) Non- life insurance contracts

(i) Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the balance sheet date. The IBNR is based on the liability adequacy test described in note 2.14.

(ii) Reserves for unearned premium and unexpired risk

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve.

At the end of each reporting period, proportions of net retained premium of the general insurance are provided to cover portions of risks which have not expired. The reserves are calculated on 1/24th method as prescribed by the Directive of the National Bank of Ethiopia.

(iii) Reserving methodology

The data used for reserving is segmented into the following classes as per the NBE Directives:
- Motor vehicle insurance business;
- Fire insurance business;
- Personal accident insurance business;
- Liability insurance business;
- Marine insurance business;
- Workmen compensation insurance business;
- Engineering and;
- Pecuniary.

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2.14 Insurance contracts (Contd)

(b) Life insurance contracts

(i) Incurred But Not Reported (IBNR) and Unearned Premium Reserve (UPR)

This is made up of net liabilities on policies in force as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the life insurance contracts are recognised in the statement of profit and loss.

(ii) Reserving methodology

The data used for reserving is segmented into the following classes as per the NBE Directives:
•Individual insurance business;
• Group term insurance business and;
• Medical cover insurance business.

2.15 Provisions

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

2.16 Insurance payables

Insurance payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.17 Other liabilities

Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.18 Share capital

The Company classifies ordinary shares as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are recognized as deductions from equity, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

2.19 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 effect of all diluted potential ordinary shares.

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2.20 Retained earnings

The net profits or losses from operations in current and prior periods are accumulated in retained earnings less distributions to equity holders.

2.21 Legal reserves

In accordance with Article 22 sub article 1 - 2 of Insurance Business Proclamation No 746/12, the Company, at the end of each financial year, transfers to its legal reserve to account a sum of not less than 10% of profit. When the legal reserve becomes equal to the paid-up capital of the Company, the amount of the legal reserve to be retained by the Company each year from its net profit shall be determined by NBE's directive.

2.22 Dividend

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Ethiopian legislation identifies the basis of distribution as the current year net profit.

2.23 Revenue recognition

a) Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

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

b) Reinsurance premiums

Gross outward reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

c) Fees and commission income

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

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2.23 Revenue recognition (Contd)

d) Investment income

Interest income is recognised 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 recognised as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established, which is generally when the shareholders approve and declare the dividend.

2.24 Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include 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.

2.25 Reinsurance claims

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

2.26 Finance cost

Interest paid is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest bearing financial liability.

2.27 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.

2.28 Employee benefits

The Company operates various post-employment schemes, including both defined benefit and 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.

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2.28 Employee benefits (Contd)

(b) Defined contribution plan

The Company operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organisation 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 10% by employees and the Company respectively based on the employees' salary.

Employer's contributions to this scheme are charged to profit or loss in the year in which they relate.

(c) Defined benefit plan

The Company operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in employment are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of gratuity benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation.

Employer's contributions to this scheme are charged to profit or loss in the year in which they relate.

Remeasurement gain and loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service and interest cost are included as part of employee benefit expense in the profit or loss. Past-service costs are recognised immediately in profit or loss. Gains or losses on curtailment or settlement are recognised in profit or loss when the curtailment or settlement occurs.

2.29 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, summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 4.7.1 and Notes 3
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2

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.

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2.29 Fair value measurement (Contd)

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 — 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 recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (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 management determines 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 Bank 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.

2.30 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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2.30 Income taxation (Contd)

(b) Deferred tax

Deferred tax is recognised 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 recognised 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 realised or the deferred tax liability is settled.

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

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 realise the asset and settle the liability simultaneously.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, 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 4.6
• Financial risk management and policies Note 4

3.1 Judgements

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

Operating lease commitments -Company as lessor

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.

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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.

(a) Valuation of insurance contract liabilities

Life insurance contract liabilities

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

These liabilities are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract being written. Management make various assumptions such as expenses inflation, valuation interest rate and mortality in estimating the required liabilities for life contracts.

Non-life 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 Average Cost per Claim.

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 analysed by accident years, but can also be further analysed 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.

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

(b) 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 including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements 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. See Note 4.7.2 for further disclosures.

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3.2 Estimates and assumptions (Contd)

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

(d) *Impairment of 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 premium debtor;
(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 reorganisation.

If any of the impairment triggers are identified, the Company specifically assess the receivables for impairment. Where no impairment trigger is identified, or no objective evidence of impairment exists, the Company assesses its receivables collectively for impairment using the historical loss rate model.

The historical loss rate model considers the historical recoveries (cash flows) on premium debts for policies written in prior years, in order to determine the loss given default ratio on outstanding premium as at the reporting date. The model also considers premium receipts subsequent to the reporting date. The loss ratio derived is used to determine the allowance for impairment on premium debts.

This model assumes that all premium debts will be paid until evidence to the contrary (a loss or trigger event) is identified. On the identification of an objective evidence of impairment, the premium debts are subject to specific impairment. Where there is no objective evidence of impairment, the premium debts are subjected to collective impairment.

Collective impairment incorporates the following:
• current and reliable data, management's experienced credit judgements, and all known relevant internal and external factors that may affect collectability;

• historical loss experience or where institutions have no loss experience of their own or insufficient experience, peer company experience for a comparable company's of financial instruments at amortized cost;

• adjustments to historical loss experiences on the basis of current observable data to reflect the effects of current

(e) *Liabilities arising from insurance contracts*

Liabilities for unpaid claims are estimated on case by case basis. The reserves made for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and the Company deem the reserves as adequate.

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3.2 Estimates and assumptions (Contd)

(f) Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of severance pay obligations. The assumptions used in determining the net cost (income) include the discount rate, rate of return on assets, future salary increments and mortality rates.

The Company determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Other key assumptions for retirement benefit obligations are based in part on current market conditions.

(g) Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement.

The Company estimates the useful lives of property, plant and machinery based on the period over which the assets are expected to be available for use. Property, plant and machinery is depreciated over its useful life.

Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and machinery would increase expenses and decrease the carrying value of non-current assets.

(h) Impairment of non- financial assets

The Company reviews other non-financial assets for possible impairment if there are events or changes in circumstances that indicate that the carrying values of the assets may not be recoverable, or at least at every reporting date, when there is any indication that the asset might be impaired. The fair value of the property,palnt and equipment of the company has estimate by the company professionals.The Company is of the opinion that there is no impairment indicator on its non-financial assets as at the reporting date.

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4 Insurance and financial risk management

4.1 Introduction

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to insurance and financial (credit, liquidity and market) risk. It is also subject to country risk and various operating risks.

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 (The Board) is responsible for the overall risk encountered by the Company. The Board is responsible to develop comprehensives risk management program and policies of the Company. The Board has an oversight role on the proper implementation of the Company's risk management program or policies. The Board monitors proper implementation policies through various reports.

The Senior Management has the overall responsibility for the proper execution and interpretation of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and deliberate on reports to the Board regarding risk management issues and give timely directions.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company's overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board's Risk Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management Risk Committees to ensure that procedures are compliant with the overall framework. The unit is functionally responsible to the Board. The risk management has also reporting relationship with internal audit function. Internal audit function among others ensures the effectiveness of the risk management function periodically. Internal Audit Function discusses the results of its assessments with management, and reports its findings and recommendations to the Board Audit Committee.

The Company's treasury is responsible for managing the financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

4.1.2 Risk measurement and reporting systems

The Company's risks are measured using a method that reflects 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.

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4.1.3 Risk mitigation

The Company uses various risk mitigating techniques to reduce it's 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 risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. the Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance
which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

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

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.

4.2.1 Life insurance contracts

Life insurance contracts offered by the Company include: whole life, term assurance, unitised pensions, guaranteed annuity pensions, pure endowment pensions and mortgage endowments.

The main risks that the Company is exposed to are as follows:
► Mortality risk – risk of loss arising due to policyholder death experience being different than expected
► Investment return risk – risk of loss arising from actual returns being different than expected
► Expense risk – risk of loss arising from expense experience being different than expected
► Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

4.2.1 Life insurance contracts (Contd)

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

The following tables show the concentration of life insurance contract liabilities by type of contract.

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30 June 2018	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Whole life	7,212	(1,738)	5,474
Group Endowment	3,303	(23)	3,280
Group term	13,181	(1,152)	12,029
Medical cover	10,092	-	10,092
Total life insurance	33,788.00	(2,913.00)	30,875.00

30 June 2017	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Whole life	98	(34)	64
Group Endowment			-
Group term	16,275	(9,008)	7,267
Medical cover	11,654	-	11,654
Total life insurance	28,027.00	(9,042.00)	18,985.00

1 July 2016	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Whole life	62	-	62
Group Endowment			-
Group term	14,963	(8,245)	6,718
Medical cover	12,714	-	12,714
Total life insurance	27,739	(8,245)	19,494

Key assumptions

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

► Mortality and morbidity rates

Assumptions are based on standard industry, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

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4.2.1 Life insurance contracts (Contd)

Key assumptions

► Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

► Policyholder decision (lapses and surrender)

Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders to the unrecouped initial expenses.

► Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

		Change in liability		
	Change in assumptions	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
Mortality/morbidity rate	+10%			
Expenses	+10%			
Lapse and surrenders rate	+10%			
Discount rate	+1%			

		Change in liability		
	Change in assumptions	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
Mortality/morbidity rate	-10%			
Expenses	-10%			
Lapse and surrenders rate	-10%			
Discount rate	-1%			

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4.2.2 Non- life insurance contracts

The Company principally issues the following types of general insurance contracts: motor, fire, engineering, liability, marine, pecuniary, accident and workmen compensation. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from accidents. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts.

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

30 June 2018	**Gross Birr'000**	**Reinsurance Birr'000**	**Net Birr'000**
Engineering	14,038	(7,240)	6,798
Fire	4,422	(707)	3,715
Liability	37,198	-	37,198
Marine	5,373	(1,320)	4,053
Motor	194,149	(12,034)	182,115
Accident and health	3,094	-	3,094
Pecuniary	54,220	(35,158)	19,062
Workmen's' compensation	2,267	-	2,267
Total non- life insurance	314,761	(56,459)	258,302

30 June 2017	**Gross Birr'000**	**Reinsurance Birr'000**	**Net Birr'000**
Engineering	12,968	(10,135)	2,833
Fire	3,223	7,694	10,917
Liability	20,090	-	20,090
Marine	3,209	(690)	2,519
Motor	166,183	(11,724)	154,459
Accident and health	2,798	-	2,798
Pecuniary	50,246	(26,764)	23,482
Workmen's' compensation	2,039	-	2,039
Total non- life insurance	260,756	(41,619)	219,137

1 July 2016	**Gross Birr'000**	**Reinsurance Birr'000**	**Net Birr'000**
Engineering	11,069	(5,088)	5,981
Fire	4,014	(926)	3,088
Liability	15,737	(947)	14,790
Marine	1,975	(312)	1,663
Motor	133,522	(3,412)	130,110
Accident and health	1,357	-	1,357
Pecuniary	27,960	(17,092)	10,868
Workmen's' compensation	2,911	-	2,911
Total non- life insurance	198,545	(27,777)	170,768

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4.2.2 Non- life insurance contracts (Contd)

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs and claim numbers for each accident year.

	Change in assumptions	Change in liability 30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Average claim cost	+10%	74,532	53,888	40,007
Average number of claims	+10%	74,532		

	Change in assumptions	Change in liability 30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Average claim cost	-10%	(74,438)	(53,193)	(40,219)
Average number of claims	-10%	(74,438)		

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 euros at the rate of exchange that applied at the end of the accident

Gross non–life insurance contract outstanding claims provision for 2018:

Accident year	2013 Birr'000	2014 Birr'000	2015 Birr'000	2016 Birr'000	2017 Birr'000	2018 Birr'000
2013	6,762	158,052	223,391	292,161	296,483	228,313
2014	11	61	119	1,524	815	
2015	-	-	18	176		
2016	-	4	21			
2017	-	-	-	-	-	
2018						
Cumulative Incurred	6,773	158,117	223,549	293,860	297,298	228,313
IBNR	-	-	-	6,188	19,687	23,414
Ultimate Claims Projecte	**6,773**	**158,117**	**223,549**	**300,048**	**316,986**	**251,727**

4.2 Financial risk

Financial instruments by category

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

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

4.2 Financial risk (Contd)

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

30 June 2018	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	15	-	450,827	450,827
Investment securities				-
- Available for sale	16	166,822	-	166,822
Trade and other receivables	17	-	14,745	14,745
Reinsurance assets	18	-	61,407	61,407
Statutory deposits	23	-	45,430	45,430
Total financial assets		166,822.00	572,409.00	739,231

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30 June 2017	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	15	-	434,101	434,101
Investment securities				-
- Available for sale	16	131,250	-	131,250
Trade and other receivables	17	-	8,471	8,471
Reinsurance assets	18	-	47,577	47,577
Statutory deposits	23	-	28,220	28,220
Total financial assets		131,250	518,369	649,619

1 July 2016	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	15	-	389,989	389,989
Investment securities				-
- Available for sale	16	100,000	-	100,000
Trade and other receivables	17	-	6,392	6,392
Reinsurance assets	18	-	30,394	30,394
Statutory deposits	23	-	26,980	26,980
Total financial assets		100,000	453,755	553,755

4.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment portfolio, long term staff loans and the reliance on reinsurers to make payment when certain loss conditions are met.

For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure.

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

a) The Company's risk management policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored, exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

b) Net exposure limits are set for each counterparty or company of counterparties and industry segment (i.e. limits are set for investments and cash deposits)

c) The Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The Company's reinsurance treaty contracts involve netting arrangements.

d) Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties" limits that are set each year by the management and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

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

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	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash and bank balances	450,827	434,101	389,989
Investment securities			
- Available for sale	166,822	131,250	100,000
Trade and other receivables	34,413	28,903	27,298
Reinsurance assets	62,325	48,438	31,255
Statutory deposits	45,430	28,220	26,980
	759,817	670,912	575,522

4.3.1 Credit quality analysis

(a) Cash and bank balances

The credit quality of cash and bank balances and short-term investments are neither past due nor impaired at as 30 June 2018, 30 June 2017 and 30 June 2016 and are non-rated as they are held in Ethiopian banks. There are no credit rating agencies in Ethiopia. The Company has no cash and cash equivalents that are held in foreign banks.

(b) Investment securities

The Company's investment portfolio is exposed to credit risk through its investment in equity instruments. The Company further manages its exposure to credit risk through counterparty risk via established limits as approved by the Board. The credit risk exposure associated with equity investments is low.

4.3 Credit risk (Contd)

(c) Trade and other receivables

30 June 2018	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
Insurance receivables				
Due from contract holders	-	-	18,752	18,752
Due from reinsurers	-	-	-	-
	-	-	18,752	18,752
Other loans and receivables				
Other receivables	5,685	-	-	5,685
Staff debtors	7,078	-	-	7,078
	12,763	-	-	12,763
Gross	12,763	-	18,752	31,515
Less: Impairment allowance (note 17.1)	(266)	-	(19,402)	(19,668)
Net	12,497	-	(650)	11,847

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30 June 2017	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
Insurance receivables				
Due from contract holders	-	-	19,497	19,497
Due from reinsurers	-	-	-	-
	-	-	19,497	19,497
Other loans and receivables				
Other receivables	2,032	-	-	2,032
Staff debtors	7,374	-	-	7,374
	9,406	-	-	9,406
Gross	9,406	-	19,497	28,903
Less: Impairment allowance (note 17.1)	(266)	-	(20,166)	(20,432)
Net	9,140	-	(669)	8,471

4.3 Credit risk (Contd)

30 June 2016	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
Insurance receivables				
Due from contract holders	-	-	19,023	19,023
Due from reinsurers	-	-	-	-
	-	-	19,023	19,023
Other loans and receivables				
Other receivables	1,921	-	-	1,921
Staff debtors	6,354	-	-	6,354
	8,275	-	-	8,275
Gross	8,275	-	19,023	27,298
Less: Impairment allowance (note 17.1)	(266)	-	(20,640)	(20,906)
Net	8,009	-	(1,617)	6,392

Other loans and receivables- - neither past due nor impaired

Other loans and receivables balances constitute rent receivables, deposits for utilities and staff debtors. The exposure to credit risk associated with other loans and receivables is low.

Insurance receivables - Impaired

The credit quality of the portfolio of insurance receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Insurance receivables are receivables from contract holders that enjoy insurance cover without making premium payments.

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

(d) Reinsurance assets

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

4.3.2 *Allowance for impairment*

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The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. 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 groups 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 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Due from contract holders	19,402	20,166	20,640
Other loans and receivables	266	266	266
Total allowance for impairment	19,668.00	20,432	20,906

4.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to 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.

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.

4.4.1 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.

4.4.2 Maturity analysis of financial liabilities

The table below analyses 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 2018	Less than 90 days Birr'000	)0 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
Insurance payables		87,133	-	87,133
Other liabilities		4,443	15,213	19,656
Total financial liabilities	-	91,576	15,213	106,789

30 June 2017	Less than 90 days Birr'000	)0 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
Insurance payables	-	79,501	-	79,501
Other liabilities		2,202	12,161	14,363
Total financial liabilities	-	81,703	12,161	93,864

1 July 2016	Less than 90 days Birr'000	)0 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
Insurance payables	-	64,777	-	64,777
Other liabilities		5,793	10,990	16,783
Total financial liabilities	-	70,570	10,990	81,560

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4.5 Market risk

Market risk is defined as the 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.

4.5.1 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 or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to this risk primarily results from timing differences in the repricing of assets and liabilities as they mature (fixed rate instruments).

The Company monitors this exposure through periodic reviews of the assets and liability position. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modelled and reviewed . The overall objective of these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable then the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products.

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

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30 June 2018	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	450,827	-	450,827
Investment securities			-
- Available for sale	-	166,822	166,822
Trade and other receivables	-	34,413	34,413
Reinsurance assets	-	62,325	62,325
Statutory deposits	45,430	-	45,430
Total	496,257	263,560	759,817
Liabilities			
Insurance payables	-	87,133	87,133
Other liabilities	-	19,656	19,656
Total	-	106,789	106,789

4.5.1 Management of market risk (Contd)

30 June 2017	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	434,101	-	434,101
Investment securities			-
- Available for sale	-	131,250	131,250
Trade and other receivables	-	28,903	28,903
Reinsurance assets	-	48,438	48,438
Statutory deposits	28,220	-	28,220
Total	462,321	208,591	670,912
Liabilities			
Insurance payables	-	79,501	79,501
Other liabilities	-	14,363	14,363
Total	-	93,864	93,864

1 July 2016	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	389,989	-	389,989
Investment securities			
- Available for sale	-	100,000	100,000
Trade and other receivables	-	27,298	27,298
Reinsurance assets	-	31,255	31,255
Statutory deposits	26,980	-	26,980
Total	416,969	158,553	575,522
Liabilities			
Insurance payables	-	64,777	64,777
Other liabilities	-	16,783	16,783
Total	-	81,560	81,560

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(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 is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Company has no transaction in foreign currency.

(iii) Price risk

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Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investments in each sector and market.

The Company has no significant concentration of price risk as there is no active market in Ethiopia.

4.6 Capital management

The Company’s objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4.7 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.

4.7.1 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.

- 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.

4.7.2 Financial instruments not measured at fair value

The carrying amounts of financial assets and liabilities approximate their carrying amount at the reporting date.

4.7.3 Valuation technique using significant unobservable inputs – Level 3

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

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4.7.4 Transfers between the fair value hierarchy categories

During the three 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.

4.8 Offsetting financial assets and financial liabilities

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

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5 Segment information

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

Revenue in these segments is derived primarily from insurance premium and investment income. Expenses for corporate units that render services for all business segments are initially paid by the general business segment and transferred to other business units at cost price. The expenses are allocated based on service man hours rendered by the corporate units to the various business segments.

Business segments

The Company operates the following main business segments:

Non- life (general) business- Includes general insurance transactions with individual and corporate customers. This segment covers the protection of customers' assets (particularly their properties, both for personal and commercial business) and indemnification of other parties that have suffered damage as a result of customers' accidents. Most contracts in this segment are short term in nature.

Life business- Includes life insurance policies with individual and corporate customers. This segment covers the protection of the Company's customers against the risk of premature death, disability, critical illness and other accidents.

The segment information provided by the Management Underwriting Investment Committee for the reporting segments for the year ended 30 June 2018 is as follows:

5.1 Statement of profit or loss and other comprehensive income for the year ended 30 June 2018

	Non- life		Life		Total	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Revenue						
Gross premiums	420,283	427,709	33,807	28,026	454,090	455,735
Premiums ceded to reinsurers	(75,764)	(55,795)	(2,913)	(9,042)	(78,677)	(64,837)
Net premiums	344,519	371,914	30,894	18,984	375,413	390,898
Fee and commission income	21,220	19,830	1,477	8,353	22,697	28,183
	365,739	391,744	32,371	27,337	398,110	419,081
Net underwriting income						
Claims expenses	(249,052)	(231,832)	(14,392)	(14,369)	(263,444)	(246,201)
Claims recovered from reinsurers	29,794	7,799	-	1,087	29,794	8,886
Gross change in contract liabilities	(39,164)	(48,368)	-	-	(39,164)	(48,368)
Net benefits and claims	(258,422)	(272,401)	(14,392)	(13,282)	(272,814)	(285,683)
Underwriting expenses	(29,459)	(28,732)	(3,027)	(2,685)	(32,486)	(31,417)
Underwriting profit	77,858	90,611	14,952	11,370	92,810	101,981
Investment income	69,487	51,193	9,645	8,661	79,132	59,854
Other operating income	2,799	14,169		-	2,799	14,169
Net income	150,144	155,973	24,597	20,031	174,741	176,004
Other operating and administrative expenses	(35,027)	(32,131)	(1,059)	(939)	(36,086)	(33,070)
Employee benefits expense	(51,607)	(43,410)	(1,065)	(1,345)	(52,672)	(44,755)
Profit before income tax	63,510	80,432	22,473	17,747	85,983	98,179
Transfer from/(to) life fund			(22,473)	17,304	(22,473)	17,304
Income tax expense	-	(13,737)	-	-	-	(13,737)
Profit for the year	**63,510**	**66,695**	**-**	**35,051**	**63,510**	**101,746**
Other comprehensive income						
Items that will not be subsequently reclassified into profit or loss:						
Remeasurement gain/(loss) on retirement benefits obligations	1,221	1,210	-	-	1,221	1,210
Deferred tax (liability)/asset on remeasurement gain or loss	(366)	(363)			(366)	(363)
	855	847	-	-	855	847
Total comprehensive income for the year	**64,365**	**67,542**	**-**	**35,051**	**64,365**	**102,593**

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5.2 Statement of financial position for each segment at 30 June 2018

	Non- life			Life			Total		
	30 June 2018	30 June 2017	1 July 2016	30 June 2018	30 June 2017	1 July 2016	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
ASSETS									
Cash and bank balances	371,799	356,664	312,091	79,027	77,436	77,898	450,826	434,100	389,989
Investment securities									
- Available for sale	154,072	131,250	100,000	12,750	-	-	166,822	131,250	100,000
Trade and other receivables	14,478	8,277	6,182	267	194	210	14,745	8,471	6,392
Reinsurance assets	62,286	46,497	29,514	(880)	1,080	880	61,406	47,577	30,394
Deferred acquisition cost	14,662	14,186	13,177		-	-	14,662	14,186	13,177
Other assets	58,733	74,961	83,183	2,172	1,538	1,399	60,905	76,499	84,582
Deferred tax assets	649	609	791		-		649	609	791
Property, plant and equipment	298,566	220,943	137,451	68	74	108	298,634	221,017	137,559
Intangible assets	3,687	1,255	1,061		-	-	3,687	1,255	1,061
Statutory deposits	40,180	25,970	24,730	5,250	2,250	2,250	45,430	28,220	26,980
Total assets	**1,019,112**	**880,612**	**708,180**	**98,654**	**82,572**	**82,745**	**1,117,766**	**963,184**	**790,925**
LIABILITIES									
Insurance contract liabilities	475,912	437,852	373,564	1,675	1,321	11,923	477,587	439,173	385,487
Insurance payables	74,902	68,580	64,777	12,232	10,921	-	87,134	79,501	64,777
Borrowings	16,514	15,319	-				16,514	15,319	-
Current income tax liabilities	-	6,690	-		4,067	-	-	10,574	-
Deferred tax liabilities	4,997	4,298	4,017		-	-	4,997	4,298	4,017
Other liabilities	53,103	39,921	37,643	1,400	317	577	54,503	40,238	38,220
Retirement benefit obligation	1,549	2,031	2,636	-	-	-	1,549	2,031	2,636
Total liabilities	626,977	574,690	482,637	15,307	16,626	12,500	642,284	591,133	495,137
Equity									
Share capital	267,700	173,132	164,859	35,000	15,000	15,000	302,700	188,132	179,859
Retained earnings	60,804	72,960	28,527	6	27,637	(2,123)	60,810	100,779	26,404
Other reserve	855	847	-	-	-	-	855	847	-
Legal reserve	45,509	39,158	32,156	4,029	4,029	957	49,538	43,187	33,113
Life Fund	-	-	-	61,579	39,107	56,411	61,579	39,107	56,411
Inter office account	17,267	19,826		(17,267)	(19,826)		-	-	-
Total equity	392,135	305,923	225,542	83,347	65,947	70,245	475,482	372,052	295,787
Total equity and liabilities	**1,019,112**	**880,612**	**708,180**	**98,655**	**82,573**	**82,745**	**1,117,767**	**963,184**	**790,925**

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		30 June 2018 Birr'000	30 June 2017 Birr'000
6	**Net premiums**		
6.1	**Gross premiums on insurance contracts**		
	Life insurance	33,807	28,026
	Non-life insurance	392,723	405,847
	Inward reinsurance	14,198	13,664
	Total gross written premium	440,728	447,537
	Change in unearned premiums provision	13,362	8,198
	Total gross premiums	454,090	455,735
6.2	**Premiums ceded to reinsurers on insurance contracts**		
	Life insurance premium ceded	2,913	9,042
	Non-life insurance premium ceded	75,764	55,795
	Total premiums ceded to reinsurers	78,677	64,837
	Total net premiums	375,413	390,898

There were no events in the reporting periods that prompted losses of sufficient size to trigger a recovery from contracts.

		30 June 2018 Birr'000	30 June 2017 Birr'000
7	**Fee and commission income**		
	Sales commission	14,763	21,950
	Profit Commission	5,150	5,363
	Reinsurance commission income	2,784	870
	Total fees and commission income	22,697	28,183

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

		30 June 2018 Birr'000	30 June 2017 Birr'000
8	**Net benefits and claims**		
8.1	**Claims expenses**		
	Life insurance contracts	14,392	14,369
	Non-life insurance contracts	249,052	231,832
	Total claims expenses	263,444	246,201
8.2	**Claims recovered from reinsurers**		
	Claims recovered from non-life insurance contracts	(29,794)	(7,799)
	Claims recovered from life insurance contracts	-	(1,087)
	Total claims recovered from reinsurers	-29,794	(8,886)
8.3	**Gross change in contract liabilities**		
	Change in life insurance contract liabilities	-	-
	Change in non-life insurance contract liabilities	29,999	44,794
	Change in non-life insurance contract IBNR provision	9,165	3,574
	Total gross change in contract liabilities	39,164	48,368
		272,814	285,683

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			30 June 2018 Birr'000	30 June 2017 Birr'000
9	**Underwriting expenses**			
	Commision paid		6,566	6,329
	Sales commision paid		25,920	25,088
			32,486	31,417

			30 June 2018 Birr'000	30 June 2017 Birr'000
10	**Investment income**			
	Rental income		5,598	2,797
	Dividend income on equity investments		22,821	14,753
	Interest income on cash and short-term deposits	Non-life	41,068	33,697
	Interest income on cash and short-term deposits	Life	9,645	8,607
	Total investment income		79,132	59,854

		30 June 2018 Birr'000	30 June 2017 Birr'000
11	**Other operating income**		
	Profit on disposal of property, plant and equipment	803	582
	Interest income on staff loans	519	715
	Income from towing	392	676
	Sale of bid document	162	96
	Sundry income	923	12,100
		2,799	14,169

		30 June 2018 Birr'000	30 June 2017 Birr'000
12	**Other operating and administrative expenses**		
	Rental expenses	9,750	10,066
	Repair and maintenance	3,262	2,830
	Car running and maintenance	2,439	2,496
	Advertising and publication	1,774	2,830
	Communication	2,534	2,985
	Printing and stationaries	1,788	643
	Entertainment	964	1,001
	Penality and Fines	157	31
	Travelling and transportation expenses	855	853
	Insurance	854	745
	Guarding and office cleaning fee	1,349	1,315
	Utilities	219	341
	Legal and professional fees	398	507
	Audit fees	78	71
	Subscription and membership fees	97	122
	Donations	226	39
	Depreciation on property and equipment	6,863	5,391
	Amortisation of intangible assets	278	220
	Amortisation of leasehold land	597	166
	Bank charges	490	180
	Write-back on provision on bad debt	(763)	(473)
	Towing expense	191	-
	Third party medical contribution	621	-
	Sundry expenses	1,065	711
		36,086	33,070

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		30 June 2018 Birr'000	30 June 2017 Birr'000
13	**Employee benefits expense**		
	Directors Remuneration	542	430
	Salaries and wages	33,042	30,725
	Staff allowances	4,972	4,206
	Pension costs – Defined contribution plan	3,430	3,156
	Pension costs - Defined benefit plans	738	605
	Other employee expenses	9,948	5,633
		52,672	44,755

		30 June 2018 Birr'000	30 June 2017 Birr'000
14	**Company income tax and deferred tax**		
14.1	**Current income tax**		
	Company income tax	-	13,737
	Prior year (over)/ under provision		
	Capital gains tax		
	Deferred income tax/(credit) to profit or loss	844	462
	Total charge to profit or loss	844	14,199
	Tax (credit) on other comprehensive income		
	Total tax in statement of comprehensive income	844	14,199

14.2 Reconciliation of effective tax to statutory tax

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 2018 Birr'000	30 June 2017 Birr'000
Profit befor tax for IFRS	63,511	115,482
Tax calculated at statutory tax rate of 30 %	19,053	34,645
Tax on Disallowable expenses	2,797	1,622
Tax on Depreciation for tax purposes(Birr9)	(2,836)	(1,932)
Provision for other assets taxed at 100%		
Tax on Dividend income taxed at source	(6,846)	(4,426)
Tax on Interest income taxed at source	(12,320)	(16,172)
	-	**13,737**

Tax on Disallowable expenses	30 June 2018 Birr'000	30 June 2017 Birr'000
Entertainment	964	1,185
Staff leave pay –provision	501	(795)
Severance Expense	550	(604)
Penality and Fines	157	-
Marriage expense	11	9
Depreciation for accounting purpose	6863	5,391
Amortization for accounting purpose	278	220
	9324	**5406**

		30 June 2018 Birr'000	30 June 2017 Birr'000
14.3	**Current income tax liability**		
	Balance at the beginning of the year	-10,572	-
	Charge for the year:		
	Capital gains tax		
	Income tax expense	-	-13,737
	Prior year (over)/ under provision		
	WHT Notes utilised		3,165
	Payment during the year	10,756.00	
	Balance at the end of the year	184	(10,572)

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14 Company income tax and deferred tax (Contd)

14.4 Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets of Birr464 (609, 791) for the Company have been recognised as at 30 June 2018, 30 June 2017 and 1 July 2016 respectively because it is probable that future taxable profits will be available against which they can be utilised.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
The analysis of deferred tax assets is as follows:			
Opening balance	609	791	-
Charge for the year	(145)	(182)	791
Tax over paid on previous year	184		
	648	**609**	**791**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:			
To be recovered after more than 12 months	(5,262)	(4,052)	(3,227)
To be recovered within 12 months	-	-	-
	-5,262	-4,052	-3,227

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

Deferred income tax assets/(liabilities):	At 1 July 2017 Birr'000	Credit/ (charge) to profit or loss Birr'000	Credit/ (charge) to equity Birr'000	30 June 2018 Birr'000
Property, plant and equipment	(4,298)	(699)	-	(4,997)
Post employment benefit obligation	246	(145)	(366)	(265)
	-4,052	-844	-366	-5,262

Deferred income tax assets/(liabilities):	At 1 July 2016 Birr'000	Credit/ (charge) to profit or loss Birr'000	Credit/ (charge) to equity Birr'000	30 June 2017 Birr'000
Property, plant and equipment	(4,018)	(280)	-	(4,298)
Post employment benefit obligation	791	(182)	(363)	246
Total deferred tax assets/(liabilities)	**(3,227)**	**(462)**	**(363)**	**(4,052)**

15 Cash and bank balances	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash in hand	2,982	5,019	2,464
Deposits with local banks	25,460	32,204	23,141
Fixed time deposits	422,385	396,878	364,384
	450,827	434,101	389,989

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	28,442	37,223	25,605
Non- current	422,385	396,878	364,384
	450,827	434,101	389,989

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15 Cash and bank balances (Contd)

15.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, cash at bank, short term deposit with banks.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash in hand	2,982	5,019	2,464
Deposits with local banks	25,460	32,204	23,141
	28,442	37,223	25,605

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
16 Investment securities			
Available for sale:			
Equity Investments	166,822	131,250	100,000
	166,822	131,250	100,000

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	-	-	-
Non-Current	166,822	131,250	100,000
	166,822	131,250	100,000

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
17 Trade and other receivables			
Insurance receivables			
Due from contract holders	18,752	19,497	19,023
Due from reinsurers	2,898	-	-
Gross amount	21,650	19,497	19,023
Less: Specific impairment allowance (note 17.1)	(19,402)	(20,166)	(20,640)
	2,248	(669)	(1,617)
Other loans and receivables			
Other receivables	5,685	2,032	1,921
Staff debtors	7,078	7,374	6,354
Gross amount	12,763	9,406	8,275
Less: Specific impairment allowance (note 17.1)	(266)	(266)	(266)
	12,497	9,140	8,009
Gross amount	14,745	8,471	6,392

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	8,583	2,032	1,921
Non- current	25,830	26,871	25,377
	34,413	28,903	27,298

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17 Trade and other receivables (Contd)

17.1 Impairment allowance on trade and other receivables

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
At 1 July	20,432	20,906
Recoveries (note 12)	(764)	(474)
As at 30 June	19,668	20,432

18 Reinsurance assets

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Reinsurance receivable on claims paid	6,745	3,402	-
Reinsurance recoverable on outstanding claims (note 18.1)	55,580	45,036	31,255
		-	-
Gross amount	62,325	48,438	31,255
Less: Specific impairment allowance (note 18.3)	(918)	(861)	(861)
	61,407	47,577	30,394

At 30 June 2018, the Company management conducted an impairment reviewaccording to thenational bank of ethiopia directive of the reinsurance assets and recognised an impairment loss of Birr 917 864.58(2017: Birr 861,326, 2016: Birr 861,326) 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 of Birr 5,150 (2017: Birr 6,373, 2016: Birr 2,678). This profit has been reflected in the statement of profit or loss.

18.1 Reinsurance recoverable on outstanding claims

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
The movement in claims recoverable is analysed as:			
Balance at beginning of the year	45,036	31,255	-
Increase in recoverable during the year	10,544	13,781	31,255
Balance at end of year	55,580	45,036	31,255

30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000

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18 Reinsurance assets (Contd)

	30 June 2018 Birr'000	30 June 2017 Birr'000
18.2 Impairment allowance on reinsurance assets		
Balance at beginning of the year	861	861
(Recovery)/allowance made during the year for doubtful recoverable	57	-
Balance at end of year	918	861

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
19 Deferred acquisition cost			
Engineering	2,211	1,462	544
Fire	1,010	904	997
Liability	3,660	3,416	2,674
Marine	615	838	770
Motor	4,926	5,424	6,845
Accident and health	365	389	308
Pecuniary	1,423	1,286	538
Workmens' compensation	452	467	501
	14,662	14,186	13,177

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
20 Other assets			
Prepaid staff expense	61	136	-
Withholding tax receivable	5,336	4,069	4,043
Bid security for federal courts execution directorate payment	-	7,164	-
Preapid leasehold land	25,626	25,531	39,646
Prepayments	28,299	39,141	40,112
Prepaid staff benefit	1,581	457	781
	60,903	76,498	84,582

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	5,336	11,233	4,043
Non- current	55,567	65,265	80,539
	60,903	76,498	84,582

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		Buildings Birr'000	Motor vehicles Birr'000	Computer and accessories Birr'000	Office furniture and equipment Birr'000	Construction in progress Birr'000	Total Birr'000
21	**Property, plant and equipment**						
	Cost						
	As at 1 July 2016	21,701	38,007	8,705	10,163	86,707	165,283
	Additions	-	-	3	26,565	62,378	88,946
	Disposals	-	(717)	-	-	-	(717)
	As at 30 June 2017	21,701	37,290	8,708	36,728	149,085	253,512
	As at 1 July 2017	21,701	37,290	8,708	36,728	149,085	253,512
	Additions	3,387	2,048	33	226	78,779	84,473
	Disposals	-	-	-	-	-	-
	Reclassification	-	-	-	-	-	-
	As at 30 June 2018	25,088	39,338	8,741	36,954	227,864	337,985
	Accumulated depreciation						
	As at 1 July 2016	2,990	14,992	4,390	5,352	-	27,724
	Charge for the year	411	2,985	935	1,063	-	5,394
	Disposals	-	(623)	-	-	-	(623)
	As at 30 June 2017	3,401	17,354	5,325	6,415	-	32,495
	As at 1 July 2017	3,401	17,354	5,325	6,415	-	32,495
	Charge for the year	462	3,005	789	2,597		6,853
	Disposals	-	-	-	-	-	-
	As at 30 June 2018	3,863	20,359	6,114	9,012	-	39,348
	Net book value						
	As at 1 July 2016	18,711	23,015	4,315	4,811	86,707	137,559
	As at 30 June 2017	18,300	19,936	3,383	30,313	149,085	221,017
	As at 30 June 2018	21,225	18,979	2,627	27,942	227,864	298,637

		Cost Birr'000	Amortisation Birr'000	Net book value Birr'000
22	**Intangible Assets**			
	As at 1 July 2016	3,893	(2,832)	1,061
	Additions/(amortisation)	415	(221)	194
	As at 30 June 2017	4,308	(3,053)	1,255
	Additions/(amortisation)	2,709	(278)	2,431
	As at 30 June 2018	7,017.00	(3,331.00)	3,686.00

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		30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
23	**Statutory deposits**			
	Non-life insurance	40,180	25,970	24,730
	Life insurance	5,250	2,250	2,250
		45,430	28,220	26,980

This balance represents deposits made with National Bank of Ethiopia (NBE) in accordance with Article 20 of Proclamation No 746/2012. The company has a policy of maintaining the deposits at 15% of the paid up capital.

		30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
24	**Insurance contract liabilities**			
	Non-life insurance contracts			
	- Claims reported and loss adjustment expenses (note 24.1)	265,473	224,824	166,188
	- Claims incurred but not reported IBNR (note 24.1)	49,288	38,470	34,956
	- Unearned premiums (note 24.2)	161,151	174,558	182,674
		475,912	437,852	383,818
	Life insurance contracts			
	- Claims reported and loss adjustment expenses-life(note 24.1)	1,675	1,321	1,669
		1,675	1,321	1,669
	Total insurance liabilities, gross	477,587	439,173	385,487
	Recoverable from reinsurers			
	Non-life insurance contracts			
	Reinsurance recoverable on outstanding claims (note 18.1)	56,460	44,156	30,375
	- Claims incurred but not reported IBNR (note 24.1)	4,191	2,538	2,598
	Prepaid re-insurance (note 18.2)	-	-	-
		60,651	46,694	32,973
	Life insurance contracts			
	Reinsurance recoverable on outstanding claims (note 18.1)	-880	880	880
		-880	880	880
	Total reinsurers' share of insurance liabilities	59,771	47,574	33,853
	Non-life insurance contracts			
	- Claims reported and loss adjustment expenses (note 24.1)	204,822	180,668	135,813
	- Claims incurred but not reported IBNR (note 24.1)	45,097	35,932	32,358
	- Unearned premiums (note 24.2)	161,151	174,558	182,674
		411,070	391,158	350,845
	Life insurance contracts			
	Reinsurance recoverable on outstanding claims (note 18.1)	2,555	441	789
		2,555	441	789
	Total insurance contract liabilities, net	413,625	391,599	351,634

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24 Insurance contract liabilities (Contd)

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current			
Non- current	207,377	181,109	136,602
	206,248	210,490	215,032
	413,625	391,599	351,634

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. The amounts for salvage and subrogation at the end of years are not material.

Movements in insurance liabilities and reinsurance assets is detailed below:

	30 June 2018			30 June 2017		
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
	Gross	Reinsurance	Net	Gross	e	Net
24.1 Claims and loss adjustment expenses						
At 1 July	263,294	(46,694)	216,600	201,144	(32,973)	168,171
Notified claims	302,596	(13,957)	288,639	304,837	(13,721)	291,116
Incurred but not reporte	10,818	-	10,818	3,514	-	3,514
Total at beginning of year	576,708	(60,651)	516,057	509,495	(46,694)	462,801
Cash paid for claims settled in year						
Increase in liabilities:						
- Arising from current-ye	(148,244)	-	(148,244)	(132,498)	-	(132,498)
- Arising from prior-year	(113,703)	-	(113,703)	(113,703)	-	(113,703)
	(261,947)	-	(261,947)	(246,201)	-	(246,201)
As at 30 June	314,761	(60,651)	254,110	263,294	(46,694)	216,600

	30 June 2018			30 June 2017		
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
	Gross	Reinsurance	Net	Gross	e	Net
24.2 Provisions for unearned premiums						
Unearned premium provision						
At 1 July	174,558			182,674	-	182,674
Increase in the period	-			-	-	-
Release in the period	(13,407)			(8,116)	-	(8,116)
As at 30 June	161,151	-	-	174,558	-	174,558

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24 Insurance contract liabilities (Contd)

24.3 Life insurance contracts

	30 June 2018 Birr'000	30 June 2017 Birr'000
At 1 July	39,107	56,410
Increase(Decrease) in life fund	22,472	(17,303)
As at 30 June	61,579	39,107

The Company carried out an actuarial valuation to determine the actuarial liabilities for its life fund as at June 2017. The results of the actuarial valuation are summarised below:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Actuarial liabilities	39,107	56,410	46,315
Actuarial surplus	22,472	17,930	10,095
Tranfered to retained earning	-	-35,233	-
Life fund	61,579	39,107	56,410

25 Insurance payables

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Due to reinsurers	74,582	65,900	55,077
Due to sales agents and brokers	1,222	2,840	2,316
Due to third parties	2,967	3,991	1,341
Unclaimed payment	8,362	6,770	6,043
	87,133	79,501	64,777

The carrying amounts disclosed above approximate fair value at the reporting date. All amounts payable on direct insurance business and assumed reinsurance business are payable within one year.

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		30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
26	**Borrowings**			
	Short term borrowings	16,514	15,319	-
		16,514	15,319	-

26.1 Reconciliation of bank borrowings

A reconciliation of the changes in borrowings is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000
Balance at the beginning of the year		-
Proceeds from borrowings	16,514	15,319
Repayment of borrowings		-
Accretion of interest		-
Balance at the end of the year	16,514	15,319

		30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
27	**Other liabilities**			
	Financial liabilities			
	Retention payable	8,546	4,777	2,889
	Pension fund payable	389	328	348
	Lease land payable	6,667	7,384	8,101
	Motor annual inspection centre	-	-	-
	Third party motor insurance	1,172	1,171	1,188
	Sundry payables	4,443	1,874	5,445
		21,217	15,534	17,971
	Other non financial liabilities			
	Deferred revenue	21,556	10,883	6,932
	Withholding tax and Valued added tax payables	881	1,212	662
	Employee income tax payable	589	611	745
	Accruals	4,348	3,531	3,826
	Provisions	84	321	247
	Stamp duty	82	29	242
	Dividend payable	5,746	8,117	7,595
		33,286	24,704	20,249
	Gross amount	**54,503**	**40,238**	**38,220**

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	33,977	23,013	22,495
Non- current	20,526	17,225	15,725
	54,503	40,238	38,220

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28 Retirement benefit obligation (Contd)

C Amount recognised in other comprehensive income:

	30 June 2018 Birr'000	30 June 2017 Birr'000
Remeasurement (gains)/losses arising from changes in demographic assumptions	(1,221)	(1,210)
Remeasurement (gains)/losses arising from changes in the financial assumptions		-
	-1,221	(1,210)
Deferred tax (liability)/asset on remeasurement gain or loss		-
	-1,221	(1,210)

D Changes in the present value of the defined benefit obligation

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	2,031	2,636
Current service cost	550	519
Interest cost	288	352
Remeasurement (gains)/losses arising from changes in demographic assumptions	(1,221)	(1,210)
Remeasurement (gains)/losses arising from changes in the financial assumptions	-	-
Benefits paid	(99)	(266)
At the end of the year	1,549	2,031

E The principal assumptions used in determining defined benefit obligations

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
	12.75%		
Discount rate (p.a)	15.0%	12.75%	12.75%
Long term salary increases (p.a)		15.0%	15.0%

(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. IAS19 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 12.75% (30 June 2017: 12.75%, 30 June 2016 : 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.

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28 Retirement benefit obligation (Contd)

(iii) Mortality rate

Mortality is normally expressed as the probability of death within the next year for an individual of a specifc 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 2018		30 June 2017		30 June 2016	
	Males	Females	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 2018		30 June 2017		30 June 2016	
	Males	Females	Males	Females	Males	Females
20			15%	15%	15%	15%
25			12%	12%	12%	12%
30			6%	6%	6%	6%
35			2.5%	2.5%	2.5%	2.5%
40			1.8%	1.8%	1.8%	1.8%
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 2018		30 June 2017		30 June 2016	
	Males	Females	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			0.063%	0.050%	0.063%	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 9 years (30 June 2017: 8.4 years, 1 July 2016:6.8 years)

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28 Retirement benefit obligation (Contd)

F 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			
		30 June 2018		30 June 2017	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount rate	1.0%	(128)	151	(157)	178
Long term salary increases	-1.0%	146	(127)	183	(156)

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 2018 Birr'000	30 June 2017 Birr'000
Within the next 12 months (next annual reporting period)	-	102,270
Between 1 to 5 years	3,340	6,577
Above 5 years	1,544,960	1,921,684
	1,548,300	2,030,531

G 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.

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		30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
29	**Share capital**			
	Authorised:			
	Ordinary shares of Birr 1000 each	500,000	200,000	200,000
	Issued and fully paid:			
	Ordinary shares of Birr 1000 each	302,700	188,132	179,859

The subscribed capital of the Company is Birr 500 million divided into 500,000 shares of Birr 1,000 par value each. The current paid up capital is 302,700,00.00 (2017: Birr 188,132,000)

30 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 2018 Birr'000	30 June 2017 Birr'000
Profit attributable to shareholders	63,511	101,745
Weighted average number of ordinary shares in issue	233,735	184,376
Basic & diluted earnings per share (Birr)	272	552

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 2017:nil, 1 July 2016: nil), hence the basic and diluted earning per share have the same value.

		30 June 2018 Birr'000	30 June 2017 Birr'000
31	**Retained earnings**		
	At the beginning of the year	100,778	26,404
	Profit/ (loss) for the year	63,511	101,745
	Re-measurement gains on defined benefit plans (net of tax)	1,221	1,210
	prior year proft tax adjustment	(5,998)	-
	Transfer to deffered asset	(145)	(181)
	Transfer to deffered liability	(699)	(280)
	Transfer to legal reserve	(6,351)	(10,074)
	Board of directors profit sharing	(833)	
	Dividends paid	(90,665)	(17,198)
	Transfer to other reserve	(8)	(847)
	At the end of the year	60,812	100,778

		30 June 2018 Birr'000	30 June 2017 Birr'000
32	**Other reserve**		
	At the beginning of the year	847	-
	Re-measurement gains on defined benefit plans (net of tax)	8	847
	At the end of the year	855	847

		30 June 2018 Birr'000	30 June 2017 Birr'000
33	**Legal reserve**		
	At the beginning of the year	43,187	33,113
	Transfer from profit or loss	6,351	10,074
	At the end of the year	49,538	43,187

		30 June 2018 Birr'000	30 June 2017 Birr'000
34	**Life fund reserves**		
	At the beginning of the year	39,107	56,411
	Transfer from profit or loss	22,472	(17,304)
	At the end of the year	61,579	39,107

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		Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
35	**Cash generated from operating activities**			
	Profit before tax		63,511	115,482
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment	21	6,863	5,391
	Amortisation of intangible assets	22	278	220
	Retirement benefit obligations	28	838	871
	Changes in working capital:			
	-Increase/ (Decrease) in trade and other receivables	17	(6,274)	(2,079)
	-Increase/ (Decrease) in reinsurance assets	18	(13,830)	(17,183)
	-Increase/ (Decrease) in deferred acquisition costs	19	(476)	(1,009)
	-(Decrease)/ Increase in other assets	20	15,595	8,084
	-(Decrease)/ Increase in defered tax assets	14	39	(182)
	-Decrease/ (Increase) in fixed time deposits	15	(25,507)	(32,494)
	-Increase/ (decrease) in Insurance contract liabilities	24	38,414	53,686
	-Increase/ (decrease) in insurance payables	25	7,632	14,724
	-Increase/ (decrease) in current income tax liabilities	14	-	-
	-Increase/ (decrease) in defered tax payables	14	699	280
	-Increase/ (decrease) in other liabilities	27	14,265	2,018
	-(Decrease)/ Increase in Retirement benefit obligations	28	(482)	(605)
			101,565	147,204

In the statement of cash flows, profit on sale of property, plant and equipment comprise:

	30 June 2018 Birr'000	30 June 2017 Birr'000
Proceeds on disposal	-	-
Net book value of property, plant and equipment disposed (Note 11)	-	-
Gain/(loss) on sale of property, plant and equipment	-	-

36 Related party transactions

The Licensing & Supervision of Insurance Business Directive No SIB/53/2012 of the National Bank of Ethiopia defined a related party as a shareholder, a director, a chief executive officer, or a senior officer of a Insurance Company and/or their spouse or relation in the first degree of consanguinity or affinity; and a partnership, a common enterprise, a private limited company, a share company, a joint venture, a corporation, or any other business in which officers of the Company and/or their spouse or relation in the first degree of consanguinity or affinity of the officers of the Company has business interest as shareholder, director, chief executive officer, senior officer, owner or partner . The directive stipulates that the identification of related parties shall be the responsibility of the Company.

From the above, only directors were identified to be related parties to the Company.

		30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
36.1	***Transactions with related parties***			
	Loans to Directors			
		-	-	-

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The balance with related parties complies with the limitations on loans and advances stipulated in the directive. The aggregate sum of loans or advances extended to one related party at any one time should not exceed 15% of the total capital of the Company. The breakdown of the outstanding loan balance to related parties as at 30 June 2018 is shown in the table above. There were no other transactions with related parties for the periods under consideration.

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Notes to the Financial Statements
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36 Related party transactions (Contd)

36.2 *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Senior Management team of the Company.

Directors are renumerated as per Directive No. SIB/37/2014 of National Bank of Ethiopia which limited payments to Directors to be Birr 50,000 per annum and Birr 2,000 transportation alowance every month. The current balance is composed of monthly allowances paid during the year.

The compensation paid or payable to key management for shown below. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2018.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Salaries and other short-term employee benefits	516	516	516
Post-employment benefits	57	57	57
Representation allowance	54	54	54
	627	627	627

37 Directors and employees

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

	30 June 2018 Number	30 June 2017 Number	1 July 2016 Number
Professionals and High Level Supervisors	68	69	74
Semi-professional, Administrative and Clerical	224	211	203
Technician and Skilled	48	47	60
Manual and Custodian	36	40	48
	376	367	385

38 Contingent liabilities

38.1 *Claims and litigation*

Ethiopian Revenue and customes Autority has requested the company to settele birr 28,558,222.60 being unpaid dividend tax and the related penality for the year 2005 upto 2015.The company has taken the case to tax appeal hearing committee which is not yet heard by the committee.

39 Commitments

The Company has no commitments, not provided for in these financial statements as at the date of this report. (30 June 2017: nil, 1 July 2016: nil) for purchase of various capital items.

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40 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 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
No later than 1 year			
Later than 1 year and no later than 2 years			
Later than 2 years but not later than 5 years			
Total	-	-	-

41 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 2018 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

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42 First-time adoption of IFRS for the Company

These financial statements, for the year ended 30 June 2018, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For periods up to and including the year ended 30 June 2017, the Company prepared its financial statements in accordance with its accounting framework. Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2018, together with the comparative period data as at and for the year ended 30 June 2017, as described in the summary of significant accounting policies.

In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 July 2016, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its financial statements prepared under the previous framework, including the statement of financial position as at 1 July 2016 and the financial statements as at and for the year ended 30 June 2017.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) of Ethiopia and the Commercial code of 1960. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

In preparing these financial statements in accordance with IFRS 1, the Company has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by the Company are summarised below:

Exemptions applied

IFRS 1 allows first time adopters certain exemptions from the retrospective application of certain requirements under IFRS. Following from the principles underpinning IFRS 1, the Company has applied the following exemptions:

(a) Deemed cost for property, plant and equipment and intangible assets

Selecting this option will require the Company to apply IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets, retrospectively to all Property, plant and equipment and intangible assets that existed at 1 July 2016. At the minimum, the Company is expected to review underlying records to ensure that all items of cost under IFRS are included; ensure depreciation or amortisation is calculated when the assets are ready for use (available for use) and not when they are put use; review residual values, useful lives and depreciation or amortisation methods as at the date when those assets were purchased and annually thereafter and adjusting for any impact of change.

(b) Leases

Companies are required to determine whether an arrangement contains a lease based on the facts and circumstances existing on 1 July 2016. Any contracts that exist would result in a classification based on the facts and circumstances that exist at transition date.

(c) Designation of Previously Recognised Financial Instruments

Applying this exemption means that Companies permitted to designate a financial asset as available-for-sale at the date of transition to IFRS. The Company has designated unquoted equity instruments held at 1 July 2016 as available-for-sale investments.

(d) Fair value measurement of financial instruments at initial recognition

Companies may apply the requirements to recognise day 1 gain or loss prospectively to transactions entered into on or after the date of transition to IFRS. This will result in no gain or loss being recognised on the initial recognition of a financial asset or financial liability held prior to 1 July 2016.

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42.2 Reconciliation of equity as at 30 June 2017

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS Birr'000
ASSETS					
Cash and bank balances	**A**	37,224	396,877	-	434,101
Fixed time deposit at banks	**A**	376,491	(376,491)	-	-
Investment securities			-	-	-
- Available for sale		131,250	-	-	131,250
Trade and other receivables	**B**	-	8,348	122	8,471
Reinsurance assets	**C**	3,202	44,375	-	47,577
Deferred acquisition cost	**D**	-	-	14,185	14,186
Other assets	**E**	79,655	(3,028)	(129)	76,498
Leasehold land		25,531	(25,531)	-	-
Deferred tax assets		-	-	609	609
Property, plant and equipment	**F**	207,010	-	14,007	221,017
Intangible assets	**G**	1,145	-	111	1,255
Statutory deposits	**H**	28,220	-	-	28,220
Total assets		**889,728**	**44,550**	**28,905**	**963,184**
LIABILITIES					
Insurance contract liabilities	**I**	388,574	45,036	5,563	439,173
Insurance payables	**J**		79,501	-	79,501
Due to re-insurers	**J**	65,687	(65,687)	-	-
Borrowings		15,319	-	-	15,319
Current income tax liabilities	**K**	12,907	(2,151)	(184)	10,572
Deferred tax liabilities	**M**	-	-	4,297	4,298
Other liabilities	**N**	38,766	(5,819)	7,291	40,238
Leasehold land payable	**N**	7,384	(7,384)		-
Retirement benefit obligation	**O**		1,054	977	2,031
Total liabilities		**528,637**	**44,550**	**17,944**	**591,132**
EQUITY					
Share capital		188,132	-	-	188,132
Retained earnings	**P**	90,665	-	10,115	100,780
Other reserve	**Q**	-	-	847	847
Legal reserve	**R**	43,187	-	-	43,187
Life fund reserve	**S**	39,107	-	-	39,107
		361,091	**-**	**10,962**	**372,053**
Total equity and liabilities		**889,728**	**44,550**	**28,906**	**963,185**
		0	-	1	1

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Notes to the Financial Statements

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42.3 Reconciliation of equity as at 1 July 2016

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS Birr'000
ASSETS					
Cash and bank balances	A	25,605	364,384		389,989
Fixed time deposit at banks	A	349,314	(349,314)	-	-
Accrued interest receivable	A	15,070	(15,070)		
Investment securities			-	-	-
- Available for sale		100,000	-	-	100,000
Trade and other receivables	B	(293)	6,534	151	6,392
Staff debtors	B	7,093	(7,093)	-	-
Sundry debtors	B	810	(810)	-	-
Reinsurance assets	C	-	30,394	-	30,394
Deferred acquisition cost	D	-	-	13,177	13,177
Other assets	E	-	84,690	(108)	84,582
Prepayments	E	7,025	(7,025)	-	-
Withholding tax receivable	E	4,041	(4,041)	-	-
Construction advance payments	E	33,089	(33,089)	-	-
Leasehold land	E	39,646	(39,646)	-	-
Deferred tax assets	L	-	-	791	791
Property, plant and equipment	F	124,400	-	13,159	137,559
Intangible assets	G	939	-	122	1,061
Statutory deposits	H	26,980	-	-	26,980
Total assets		**733,719**	**29,914**	**27,292**	**790,925**
LIABILITIES					
Insurance contract liabilities	I	349,567	31,255	4,665	385,487
Insurance payables	J	-	64,777	-	64,777
Due to re-insurers	J	54,750	(54,750)	-	-
Current income tax liabilities	K	1,407	(1,407)	-	-
Deferred tax liabilities		-	-	4,018	4,018
Other liabilities	N	19,023	11,589	7,608	38,220
Dividend payable	N	7,596	(7,596)	-	-
Accrued liability	N	4,073	(4,073)	-	-
Pension payable	N	350	(350)	-	-
Stamp duty	N	242	(242)	-	-
Third party motor insurance fund	N	1,188	(1,188)	-	-
Current maturity of lease payable	N	690	(690)	-	-
Leasehold land payable	N	7,411	(7,411)	-	-
Retirement benefit obligation	O	-	-	2,636	2,636
Total liabilities		**446,297**	**29,914**	**18,927**	**495,138**
EQUITY					
Share capital		179,859	-	-	179,859
Retained earnings	P	18,040	-	8,364	26,404
Legal reserve	R	33,113	-	-	33,113
Life fund reserve	S	56,411	-	-	56,411
		287,423	**-**	**8,364**	**295,787**
Total equity and liabilities		**733,719**	**29,914**	**27,291**	**790,925**

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42.4 Notes to the reconciliation of equity and profit

		30 June 2017 Birr'000	1 July 2016 Birr'000
A	**Cash and bank balances**		
	Cash and bank balances under previous GAAP	37,224	25,605
	Reclassification		
(i)	Reclassification of fixed time deposits to cash and bank balances	376,491	349,314
(ii)	Reclassification of accrued interest receivables	20,386	15,070
		396,877	364,384
	Remeasurement		
(iii)	Recognition of interest on fixed deposit	-	-
(iv)	Recognition of additional cash and cash equivalents	-	
		-	-
	Cash and bank balances per IFRS	434,101	389,989

Notes on reclassification

(i) Under previous framework, fixed time deposits were recognised as a separate financial statement line on the face of the statement of financial position. On transition to IFRS, fixed time deposits were reclassified to cash and bank balances.

(ii) Under the previous GAAP, accrued interest receivables on fixed time deposits was recognised separately as part of trade and other receivables. Under IFRS, accrued interest should be included in the carrying amount of the financial asset giving rise to it. Therefore, these interest were reclassified to be included in the carrying amount of the fixed time deposits.

		30 June 2017 Birr'000	1 July 2016 Birr'000
B	**Trade and other receivables**		
	Trade and other receivables under previous GAAP	-	(293)
	Reclassification		
(i)	Reclassification of staff debtors to trade and other receivables	7,838	7,093
(ii)	Reclassification of sundry debtors to trade and other receivables	1,095	810
(iii)	Recognition of staff loans at fair value - Prepaid staff expense	-	-
(iv)	Reclassification of provision for reinsurance assets from trade and other receivables	-	861
(v)	Reclassification of prepaid staff expense to other assets	(585)	(889)
(vi)	Reclassification of cash customer payments from payables/creditors	-	(1,341)
		8,348	6,534
	Remeasurement		
(vii)	Recognition of interest income on staff loans and advances using EIR	122	151
		122	151
	Trade and other receivables per IFRS	8,470	6,392

Notes on reclassification

(i) Under previous GAAP, staff debtors was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other assets.

(ii) Under previous GAAP, sundry debtors was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other assets.

(iii) Under previous framework, staff loans and advances were issued at below market interest rates of 0%. Under IFRS, such loans must be recognised at fair value by discounting all future cash flows at the market rate of interest for similar loan facilities. The difference between the disbursed amounts and the fair value of the loan was capitalised as prepaid employee expenses and recognised as part of other assets.

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B Trade and other receivables (Contd)

Notes on reclassification

(iv) Under previous framework, impairment on reinsurance assets was shown as part of trade and other receivables. On transition to IFRS, reinsurance assets is required to be shown separately from trade and other receivables. As a result, the specific impairment relating to reinsurance assets as reclassified out of trade and other receivables.

(v) Under previous framework, staff loans and advances were issued at below market interest rates of 0%. Under IFRS, such loans must be recognised at fair value by discounting all future cash flows at the market rate of interest for similar loan facilities. The difference between the disbursed amounts and the fair value of the loan was capitalised as prepaid employee expenses and recognised as part of other assets.

Notes on remeasurement

(vi) The interest on staff loans and advances was calculated using the nominal rates under the previous framework. Under IFRS, the interest income should be recognised at the effective interest rate. The increase in interest income recognised as a result of the effective interest rate was recognised in retained earnings.

		30 June 2017	1 July 2016
C	**Reinsurance assets**	**Birr'000**	**Birr'000**
	Reinsurance assets under previous GAAP	3,202	-
	Reclassification		
(i)	Reclassification of reinsurance assets from outstanding claims	45,236	31,255
(ii)	Reclassification of provision for reinsurance assets from trade and other receivables (see Note B(iv))	(861)	(861)
		44,375	30,394
	Reinsurance assets per IFRS	47,577	30,394

Notes on reclassification

(i) Under previous GAAP, outstanding claims was presented net of reinsurance assets. The requirements of IFRS 4 does not allow the reinsurer's share of insurance contract liabilities to be net-off from the gross amount which is the Company's current practice. On transition to IFRS, the reinsurer's share of insurance liabilities was stripped out of insurance contract liabilities and presented separately under reinsurance asset.

		30 June 2017	1 July 2016
D	**Deferred acquisition cost**	**Birr'000**	**Birr'000**
	Deferred acquisition cost under previous GAAP	-	-
	Remeasurement		
(i)	Recognition of deferred acquisition costs	14,185	13,177
	Deferred acquisition cost per IFRS	14,185	13,177

Notes on remeasurement

(ii) Under previous GAAP, deferred acquisition costs were recognised as expenses in the period when these costs were incurred. Under IFRS, acquisition costs needs to be deferred over the contract policy period. On transition, costs that relates to future periods were written back into the Company's books as assets using the 1/24th method.

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	E Other assets	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
	Other assets under previous GAAP	79,655	-
	Reclassification		
(i)	Reclassification of prepayments to other assets	-	7,025
(ii)	Reclassification of withholding tax receivable to other assets	-	4,041
(iii)	Reclassification of construction advance payments to other assets	-	33,089
(iv)	Reclassification of leasehold land to other assets	25,531	39,646
(v)	Reclassification of accrued interest on fixed deposits to cash and bank balances (see note A(ii))	(20,386)	-
(vi)	Reclassification of staff debtors to trade and other receivables (see note B(i))	(7,838)	-
(vii)	Reclassification of sundry debtors to trade and other receivables (see note B(ii))	(1,095)	-
(viii)	Reclassification of provision for reinsurance assets from trade and other receivables (see Note C(iii))	861	
(ix)	Reclassification of debtor's facultative to insurance payables	(686)	
(x)	Reclassification of prepaid staff expense to other assets	585	889
		(3,028)	84,690
	Remeasurement		
(xi)	Amortisation of employee benefit expense	(129)	(108)
		(129)	(108)
		76,498	84,582

Notes on reclassification

(i) Under previous framework, prepayments was recognised as a separate financial statement line on the face of the statement of financial position. On transition to IFRS, these prepayments have been reclassified to other assets.

(ii) Under previous framework, withholding tax receivables was recognised as a separate financial statement line on the face of the statement of financial position. On transition to IFRS, these receivables have been reclassified to other assets.

(iii) Under previous framework, construction advance payments was recognised as a separate financial statement line on the face of the statement of financial position. On transition to IFRS, these advance payments have been reclassified to other assets.

(iv) Under previous framework, leasehold land was recognised as a separate financial statement line on the face of the statement of financial position. On transition to IFRS, the prepaid leasehold land has been reclassified to other assets.

(v) Under previous framework, debtor's facultative was included as part of other liabilities. Under IFRS, these amount has been reclassified to insurance payables.

	F Property, plant and equipment	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
	Property, plant and equipment under previous GAAP	207,010	124,400
	Remeasurement		
(i)	Reversal of excess accumulated depreciation	14,024	13,175
(ii)	Write-off of books	(16)	(16)
		14,008	13,159
	Property, plant and equipment per IFRS	221,018	137,559

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F Property, plant and equipment (Contd)

Notes on remeasurement

(i) Under previous framework, the Company recognised accumulated depreciation of buildings, motor vehicles, computer accessories and office furniture and fittings using 5%, 20%, 25% and 20% respectively. Residual values was also not considered in calculating the depreciation charge on these assets. Under IFRS, the useful lives and residual values of items of buildings,motor vehicles, computer accessories and office furniture and fittings were revised to 5%, 5%, 1% and 1% respectively to better reflect the consumption pattern of those assets. This led to a decrease in the accumulated depreciation of these assets with a corresponding increase in retained earnings.

(ii) Under previous framework, the Company capitalised books as part of property, plant and equipment using 20% depreciation rate. Under IFRS, the cost of these books was written off as they do not meet the capitalisation threshold for materiality.

		30 June 2017 Birr'000	1 July 2016 Birr'000
G	**Intangible assets**		
	Intangible assets under previous GAAP	1,145	939
	Remeasurement		
(i)	Increase in accumulated amortisation for computer software	111	122
	Intangible assets per IFRS	1,256	1,061

Notes on remeasurement

(i) Under the previous framework, intangible assets were amortised over four (4) years. Under IFRS, the amortisation rate for intangible assets was revised to 8 years. This led to a reduction in the amortisation charge for past and current periods. The corresponding decrease has been recognised as an adjustment to retained earnings.

		30 June 2017 Birr'000	1 July 2016 Birr'000
H	**Statutory deposits**		
	Statutory deposits under previous GAAP	28,220	26,980
	Remeasurement		
(i)	Recognition of accrued interest on government bonds using EIR	-	-
	Statutory deposits per IFRS	28,220	26,980

Notes on remeasurement

(i) Statutory deposits represents deposits made with National Bank of Ethiopia (NBE) in accordance with Article 20 of Proclamation No 746/2012. The Company has maintained 15% of the paid up capital of statutory deposits as per the proclamation. However, it invests these monies in interest bearing government bonds.

Under the previous framework, the government bonds were recognised at nominal amount at inception. Under IFRS, these bonds are accounted for at fair value on initial recognition and subsequently measured at amortised cost using the effective interest rate method. The adjustment on government bonds relates to the recognition of accrued interest income on these bonds using the effective interest method.

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		30 June 2017 Birr'000	1 July 2016 Birr'000
I	**Insurance contract liabilities**		
	Insurance contract liabilities under previous GAAP	388,574	349,567
	Reclassification		
(i)	Reclassification of reinsurance assets from outstanding claims(see note C(i))	45,036	31,255
	Remeasurement		
(ii)	Recognition of additional provision on claims incurred but not reported	(859)	(241)
(iii)	Recognition of unallocated loss adjustment expenses	6,422	4,906
		5,563	4,665
	Insurance contract liabilities under per IFRS	439,173	385,487

Notes on remeasurement

(ii) The additional provisions were recognised by Company in line with the results of the liability adequacy test carried out by the Company. As a result additional provisions of were made for claims incurred by not reported which impacted on equity.

		30 June 2017 Birr'000	1 July 2016 Birr'000
J	**Insurance payables**		
	Insurance payables under previous GAAP	-	-
	Reclassification		
(i)	Reclassification of due to re-insurers to insurance payables	65,687	54,750
(ii)	Reclassification of payables to sales agents and creditors	2,839	2,316
(iii)	Reclassification of third party insurance	3,991	1,668
(iv)	Reclassification of unclaimed payments from payables/creditors	7,670	6,043
(v)	Reclassification of debtor's facultative to other liabilities (see note E(ix))	(686)	-
		79,501	64,777
	Insurance payables under per IFRS	79,501	64,777

Notes on remeasurement

(i) Under previous GAAP, due to re-insurers was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to insurance payables.

(ii) Under previous GAAP, payables to sales agents and creditors responsible for marketing the Company's products was classified as part of payables/creditors. Under IFRS, these amounts due to these agents relate directly to the insurance business and should therefore form part of insurance payables.

(iii) Under previous GAAP, third party insurance was classified as part of payables/creditors. On transition to IFRS, these amounts have been reclassified to form part of insurance payables.

(iv) Under previous GAAP, unclaimed payments was classified as part of payables/creditors. On transition to IFRS, these amounts have been reclassified to form part of insurance payables.

		30 June 2017 Birr'000	1 July 2016 Birr'000
K	**Current income tax liabilities**		
	Current income tax liabilities under previous GAAP	12,907	1,407
	Reclassification		
(i)	Reclassification of other taxes payable to other liabilities	(2,151)	(1,407)
	Remeasurement		
(ii)	Recognition of income tax recoverable	(184)	-
(iii)	Recognition of income tax expense		-
	Current income tax liabilities per IFRS	10,572	-

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Nile Insurance Company S.C

Notes to the Financial Statements

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K Current income tax liabilities (Contd)

Notes on reclassification

(i) Under previous GAAP, employee income tax, withholding tax payable and VAT payables were classified as part of current income tax payable. On transition to IFRS, these amounts have been reclassified to form part of other liabilities.

		30 June 2017 Birr'000	1 July 2016 Birr'000
L	**Deferred tax assets**		
	Deferred tax assets under previous GAAP	-	-
	Remeasurement		
(i)	Recognition of deferred tax asset	608	790
	Deferred tax assets per IFRS	608	790

		30 June 2017 Birr'000	1 July 2016 Birr'000
M	**Deferred tax liabilities**		
	Deferred tax liabilities under previous GAAP	-	-
	Remeasurement		
(i)		4,297	4,017
	Deferred tax liabilities per IFRS	4,297	4,017

		30 June 2017 Birr'000	1 July 2016 Birr'000
N	**Other liabilities**		
	Other liabilities under previous GAAP	38,766	19,023
	Reclassification		
(i)	Reclassification of cash customer payments from payables/creditors (see note C(ii))	-	(1,341)
(ii)	Reclassification of dividend payable to other liabilities	-	7,596
(iii)	Reclassification of accrued liability to other liabilities	-	4,073
(iv)	Reclassification of pension payable to other liabilities	-	350
(v)	Reclassification of stamp duty to other liabilities	-	242
(vi)	Reclassification of third party insurance to other liabilities	-	1,188
(vii)	Reclassification of current maturity of lease payable to other liabilities	-	690
(viii)	Reclassification of leasehold land payable to other liabilities	7,384	7,411
(ix)	Reclassification of payables to sales agents and creditors (see note J(ii))	(2,839)	(2,316)
(x)	Reclassification of third party insurance to other liabilities (see note J(iii))	(3,991)	(1,668)
(xi)	Reclassification of unclaimed payments to insurance payables (see J(iv))	(7,670)	(6,043)
(xii)	Reclassification of other taxes payable to other liabilities (see note K(i))	2,151	1,407
		(4,965)	11,589
	Remeasurement		
(xiii)	Reversal of previously recognised unearned commission income	7,277	6,932
(xiv)	Reversal of previously recognised Director's share of profit	(840)	(166)
(xv)	Recognition of Director's share of profit		842
		6,437	7,608
	Other liabilities per IFRS	40,238	38,220

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Notes on reclassification

(i) Under previous GAAP, dividend payable was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other liabilities.

(ii) Under previous GAAP, accrued liability was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other liabilities.

(iii) Under previous GAAP, pension payable was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other liabilities.

(iv) Under previous GAAP, stamp duty was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other liabilities.

(v) Under previous GAAP, third party insurance was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other liabilities.

Nile Insurance Company S.C
Notes to the Financial Statements
For the year ended 30 June 2018

(vi) Under previous GAAP, current maturity of lease payable was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other liabilities.

(vii) Under previous GAAP, leasehold land payable was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other liabilities.

(viii) Under previous GAAP, leasehold land payable was presented as a separate line on the face of the statement of financial position. On transition to IFRS, this amount has been reclassified to other liabilities.

Remeasurement

(ix) Under previous GAAP, unearned commission income was recognised fully in the period cash is received. On transition to IFRS, commission income that relate to future periods was written back and recognised as deferred revenue.

		30 June 2017	1 July 2016
O	**Retirement benefit obligation**	**Birr'000**	**Birr'000**
	Retirement benefit obligation as per previous GAAP	-	-
	Remeasurement		
(i)	Recognition of defined benefit obligation	2,031	2,636
	Retirement benefit obligation per IFRS	2,031	2,636

Notes on remeasurement

(i) Under previous GAAP, the Company's retirement benefit obligations were not recognised in the financial statements. On transition to IFRS, the defined benefit obligations have been determined by actuarial techniques using the projected unit credit method.

		30 June 2017	1 July 2016
P	**Retained earnings**	**Birr'000**	**Birr'000**
	Retained earnings as per previous GAAP	90,665	18,040
	Remeasurement		
(i)	Recognition of deferred acquisition costs (see note D(i))	14,185	13,177
(ii)	Recognition of defined benefit obligation (see note M(i))	(977)	(2,636)
(iii)	Recognition of additional IBNR on non-life insurance contract (see note I(ii))	859	241
(iv)	Recognition of interest on fixed deposit (see note A(iii))	-	-
(v)	Recognition of additional cash and cash equivalents(see note A(iv))	-	(115)
(vi)	Amortisation of cumulative prepaid employee benefit	(129)	(108)
(vii)	Recognition of interest income on staff loans and advances using EIR (see note B(vi))	122	151
(viii)	Recognition of unallocated loss adjustment expenses (see note I(iii))	(6,422)	(4,906)
(ix)	Reversal of excess accumulated depreciation (see note F(i))	14,024	13,175
(x)	Write-off of books (see note F(ii))	(16)	(16)
(xi)	Increase in accumulated amortisation for computer software (see note G(i))	111	122
(xii)	Recognition of previously recognised unearned commission income (see note L(xiii))	(7,277)	(6,932)
(xiii)	prior year adjustment	(13)	280
(xiv)	Recognition of deferred tax assets	608	790
(xv)	Recognition of deferred tax liabilities	(4,297)	(4,017)
(xvi)	Recognition of income tax liabilities	184	-
(xvii)	Recognition of tax expense arising from income tax		
(xviii)	Reversal of previously recognised Director's share of profit	-	-
(xix)	Recognition of Director's share of profit	-	(842)
		10,962	8,364
	Retained earnings per IFRS	101,627	26,404

		30 June 2017	1 July 2016
Q	**Other reserve**	**Birr'000**	**Birr'000**
	Other reserve per previous GAAP	-	-

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Notes to the Financial Statements
For the year ended 30 June 2018

	Remeasurement		
(i)	Recognition of defined benefit obligation (see note O(i))	1,210	-
(ii)	Recognition of the related tax on remeasurement gain	(363)	
		847	-
	Other reserve per IFRS	847	-

		30 June 2017 Birr'000	1 July 2016 Birr'000
R	**Legal reserve**		
	Legal reserve per previous GAAP	43,187	33,113
	Remeasurement		
(i)	Apportionment from retained earnings as per NBE guidelines to legal reserve (see note N(vi))	-	-
	Legal reserve per IFRS	43,187	33,113

Notes on remeasurement

(ii) The NBE Directive No. SBB/4/95 requires the Company to transfer annually 10% of its annual net profit to its legal reserve account until such account equals its capital. In calculating IFRS adjustments, certain balances have been restated and adjusted in line with the requirements of IFRS. The cumulative adjustments to these balances have been considered and used in the calculation of the legal reserve under IFRS.

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		30 June 2017 Birr'000	1 July 2016 Birr'000
S	**Life fund reserve**		
	Life fund reserve per previous GAAP	39,107	56,411
	Remeasurement		
(i)	Increase in life fund	-	-
	Life fund reserve per IFRS	39,107	56,411

		30 June 2017 Birr'000
T	**Claims expenses**	
	Claims expenses per previous GAAP	246,201
	Remeasurement	
(i)	Recognition of additional IBNR on non-life insurance contract	-
		-
	Claims expenses per IFRS	246,201

Notes on remeasurement
Under Ethiopian GAAP, the Incurred but not reported (IBNR) claims in respect of each class of general insurance business is currently computed as 10% of the net premium earned in accordance with the National Bank of Ethiopia Directive No SIB 17/1998. Under IFRSs, reserves for claims incurred but not reported (IBNR) for non life insurance contracts are estimated using an actuarial method based on historical data available.

		30 June 2017 Birr'000
U	**Gross change in contract liabilities**	
	Gross change in contract liabilities per previous GAAP	47,472
	Remeasurement	
(i)	Recognition of additional provision on claims incurred but not reported (see note I(ii))	(619)
(ii)	Recognition of unallocated loss adjustment expenses	1,515
	Gross change in contract liabilities per IFRS	48,368

		30 June 2017 Birr'000
V	**Underwriting expenses**	
	Underwriting expenses per previous GAAP	32,425
	Remeasurement	
(i)	Deferred acquisition costs (see note D(i))	(1,008)
	Underwriting expenses per IFRS	31,417

Notes on remeasurement
Under previous GAAP, deferred acquisition costs were recognised as expenses in the period when these costs were incurred. Under IFRS, acquisition costs needs to be deferred over the contract policy period. On transition, costs that relates to future periods were written back into the Company's books as assets using the 1/24th method.

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		30 June 2017 Birr'000
W	**Investment income**	
	Investment income per previous GAAP	59,854
	Remeasurement	
(i)	Recognition of interest on fixed deposit (see note A(iii))	-
	Investment income per IFRS	59,854

		30 June 2017 Birr'000
X	**Other operating income**	
	Other operating income per previous GAAP	14,198
	Remeasurement	
(i)	Amortisation of employee benefits expense (see note B(vi))	(29)
(ii)	Recognition of accrued interest on government bonds using EIR	-
		(29)
	Other operating income per IFRS	14,169

		30 June 2017 Birr'000
Y	**Other operating and administrative expenses**	
	Other operating and administrative expenses per previous GAAP	34,023
	Remeasurement	
(i)	Reversal of excess accumulated depreciation (see note F(i))	(849)
(ii)	Recognition of additional cash and cash equivalents	(115)
(iii)	Recognition of additional amortisation of intangible assets	11
		(953)
	Other operating and administrative expenses per IFRS	33,070

		30 June 2017 Birr'000
Z	**Employee benefits expense**	
	Employee benefits expense per previous GAAP	45,183
	Remeasurement	
(i)	Recognition of defined benefit obligations (see Note M(i))	604
(ii)	Amortisation of employee benefit expense (see Note E(xi))	21
(iii)	Reversal of previously recognised severance pay	(1,053)
		(428)
	Employee benefits expense per IFRS	44,755

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		30 June 2017 Birr'000
AA	**Income tax expense**	
	Income tax expense per previous GAAP	13,921
	Remeasurement	
(i)	Recognition of tax expense arising from deferred tax	(184)
(ii)	Recognition of tax expense arising from income tax	-
		(184)
	Income tax expense per IFRS	13,737

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Notes to the Financial Statements
For the year ended 30 June 2018

		30 June 2017 Birr'000
AB	**Remeasurement gain/(loss) on retirement benefits obligations**	
	Remeasurement gain/(loss) on retirement benefits obligations under previous GAAP	-
	Remeasurement	
(i)	Increase in remeasurement gain/(loss) on retirement benefits obligations for the year	1,210
	Remeasurement gain/(loss) on retirement benefits obligations under per IFRS	1,210

Notes on remeasurement

(i) Under previous GAAP, the Company's retirement benefit obligations were not recognised in the financial statements. On transition to IFRS, the defined benefit obligations have been determined by actuarial techniques using the projected unit credit method. The gain or loss arising from the remeasurements of the actuarial assumptions have been recognised in other comprehensive income.

		30 June 2017 Birr'000
AC	**Fee and commission income**	
	Fee and commission income under previous GAAP	28,000
	Reclasification of reinsurance commission	528
	Remeasurement	
(i)	Reversal of previously recognised unearned commission income	(345)
	Fee and commission income under per IFRS	28,183

Chartered Certified Accountants (UK) TMS Plus Authorized Auditors (ETH)

A.A Branches Address

No	Branch Name	Tel. No. Office	Fax No. Office	P.O. Box	Remark
1	Leghar	0115536158 011-5514365/ 011-5514999	011-5514419	12836	Addis Ababa
2	Kirkos	011-5510496/ 011-5531715	011-5507836	12836	Addis Ababa
3	Life Branch	011-5514329/ 011-5546749	011-5514592	12836	Addis Ababa
4	Abakoran	011-2779567/ 011-2779568	011-2779797	12836	Addis Ababa
5	Addis Ketema	011-2756389/ 011-2772155	011-2772058	12836	Addis Ababa
6	Bekelobet	011-4655289/ 011-4655262	011-4655308	12836	Addis Ababa
7	Bole	011-5546702/ 011-5526707	011-5526908	12836	Addis Ababa
8	Gerji	011-6298031/ 011-6298032	011-6294564	12836	Addis Ababa
9	Gotera	011-4426016/ 011-4426013	011-4426008	12836	Addis Ababa
10	Megenagna	011-6188464/ 011-6620681	011-6635607	12836	Addis Ababa
11	Tewodros	011-1559967/ 011-1552585	011-1559968	12836	Addis Ababa
12	Kality	011-4400963/ 011-4400962	011-4400961	12836	Addis Ababa
13	CMC	011-6675685/ 011-6675660	011-6675644	12836	Addis Ababa
14	Ledeta	011-5576230/78	011-5576291	12836	Addis Ababa
15	T/Medhanialem	011-6672665/49	011-6672633	12836	Addis Ababa
16	Addisu Gebya	011 126 8389	011 126 8408	12836	Addis Ababa
		011 126 8398			
17	Lebu	011 471 0911 011 471 0905	011471 0883	12836	Addis Ababa
18	Gofa	011 470 0843 011 470 0846	011 4700826	12836	Addis Ababa
19	Urael	0115620270	0115620046	12836	Addis Ababa
20	Kolfe	0112739839	0112739217	12836	Addis Ababa
21	Arat Kilo	0111261304		12836	Addis Ababa

Outlying Branches Address

No	Branch Name	Tel. No. Office	Fax No. Office	P.O. Box
1.	Awassa	046-2201262	046-2204032	529
2.	Bahir Dar	058-2201646/ 058-2203662	058-2201783	999
3.	Dessie	033-1120879/ 033-1113731	033-1120878	1076
4.	Dire Dawa	025-1110840/ 025-1120973	025-1111780	419
5.	Gondar	058 - 111 9868	058-111 9880	90
6.	Mekele	034-4408485	034-440 6499	545
7.	Adama	022-1114427/ 022-1114428	022-1120348	358
8.	Debre Markos	058-7716907 058-7716873	058-7711921	485
9.	Dilla	046 - 331 2497	046-3312498	235
10.	Jimma	047-1114577/ 047-1114588	047-1114578	1327
11.	Wolayita	046 - 551 4441	046-5514414	448
12.	Woldiya	033 - 331 0976	033-3310224	92
13.	Butajira	046-1150088	046-1150929	0187
14.	Debre Birhan	011 - 637 5100	011-681 4635	281
15.	Humera	034 - 448 0820	058-111 4590	96
		034-4981098		
16.	Mizan Teferi	047 - 135 0200	047-135 0206	437
17.	Nekmte	057 - 661 1574	057-661 1553	246
18.	Semera	033-366 5349	033-3663619	1076
19.	Shire	034-4440858	034-4440837	
20.	Mojo Contact Office	022-2361176		
21.	Bishoftu	011-4306467	011-4308435	


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Designed & Printed by Central Printing Press
Tel. +251-11-466 5781/82