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Nile Insurance Company s.c.

ANNUAL REPORT 2015

Who is NILE Insurance?



36

branches across the country



348

employees



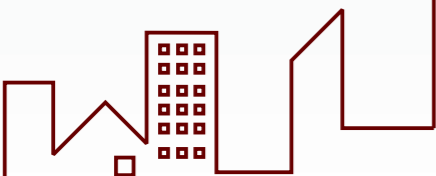
28,500

customers



200 Million

birr capital



650 Million

birr of total asset

20+ years of commitment



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Nile Insurance Company s.c.

Nile is one of the pioneer private insurers established in 1995.

Nile Insurance Company s.c. ANNUAL REPORT 2015

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BOARD OF DIRECTORS

MEKDES AKLILU
Board Chairman (MBA)



AEMERO BELETE
Deputy Board Chairman (MBA)



MESERET MELESE
Board Director (MBA)



YIFRU TAFESSE
Board Director (MBA)



MULUGETA ASMARE
Board Director (MBA)



YELEKAL KASSA
Board Director (MBA)



YEROM GESSESSE
Board Director (MBA)



TADESSE WOLDEHER
Board Director (BSC)



ENDAKMEW GETNET
Board Director (LLB)



SENIOR MANAGEMENT TEAM

MENBERU DIBEKULU
A/CEO



SHUMETIE ZERIHUN
D/CEO Corporate Services



ABEBAYEHU ABEBE
Manager, Human Resource Management



ANDUALEM DEMISSACHEW
Manager, Board Sec., Advisory & Customers Compliant Services



MELAKU SISAY
Manager, Internal Control



ERMIAS TESHOME
Manager, Marketing and Corporate Communications



TEKALIGN PAULOS
Manager, Finance & Investments



HAILU MAKONNEN
Manager, Risk Management



WAGAYE TAFERE
Manager, Engineering



SANGEORGE DESALEGN
Manager, Reinsurance & Branch Operations



ZEWDU AYALEW
Manager, Information Technology



YINEBEB DERSEH
Manager, Legal Service



ALI MOHAMMED
Manager, Project Office



ELIAS SEYOUM
Manager, Claims Management



CHAIRMAN'S STATEMENT



Dear Stakeholders,

This year Nile is proudly celebrating its 20th Anniversary with extraordinary achievements. We take a special pride in being one of the private pioneer insurance firms in Ethiopia who have made remarkable economic and social contributions to the development of the nation in general and its closer stakeholders in particular.

As we celebrate, we are also critically reflecting on our past, addressing the present and projecting our direction ahead.

Looking back, Nile has exhibited notable institutional and financial strength enduring both good and challenging times. Establishing a company to operate with only highest standard of professionalism and excellence to thrive regardless

of the circumstances was the vision of our founders back in 1995 and that is what Nile has demonstrated in the past and continuing to pursue 20 years later.

Currently, we are putting maximum effort to address the fundamentals – expand our market position, increase business efficiency, improve financial performance, provide more variety of product and services, strengthen our customer and partner relationships, and more importantly cultivate employees in all respects. As a result of such inputs, our company not only manages to maintain its position within the top tier private insurers in the market but also has started to increase its proportionate market share in recent periods. We have learnt that we still have plenty of room for improvement even in the short term so long as we keep determined to accelerate the progress we have made.

The year ahead will be a defining year for Nile. We have embarked on preparation of 10 years strategic plan covering 2016 -2025 to be formulated with a professional support from reputed international consultants specialized in financial service industry. Our challenges and opportunities to take Nile's performance to next level will be articulated in this document.

As a person who knows Nile since its inception, I am more confident than ever that we are doing the right things to strengthen our company, improve the value we deliver to our customers, increase return on investment to our shareholders, and become the most preferred employer in our category.

Finally, we appreciate the continued support and loyalty of our customers, shareholders, and employees and would like to assure them that we will continue to do all we can to further earn their trust and confidence and look forward to delivering on our commitments.



Mekdes A.
MEKDES AKILU
Chairman, Board of Directors

COMPANY PROFILE

Who we are

Nile Insurance Company (S.C) is one of the pioneer private insurers in Ethiopia. It was established in April 1995 with a capital of birr 12.5 million. Over the past 20 years, the subscribed capital of the company has grown to birr 200 million, out of which birr 157 million is paid up. Currently, Nile's branch network in Addis Ababa and regional towns has reached 36, making it one of the leading insurance companies in terms of accessibility. Currently, Nile has more than 28,500 customer base across the country. The total asset of the company is Birr 650 million. This remarkable growth was largely driven by active participation of its valuable employees, customers, shareholders, and other stakeholders in general.

Vision

Nile envisages being a frontline insurer with excellence in Ethiopia by 2025.

Mission

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

The Nile Culture

We at Nile believe in Dynamism, Professionalism, Team work, Respect and above all we are human.

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 Management Executives. The Board is further composed of sub-committees namely; Business Development & Risk Management, Finance & Audit, and Human Resource & Property Administration Management. The committee plays an advisory and consultation role in a well-built alignment with the company's corporate strategy.

The Board of Directors reports the annual performance of the company to the general assembly. The Assembly has the ultimate authority to pass major decisions and oversee the board of directors.

The BOD held a total of 33 meetings during the budget year and has passed strategic decisions.

ANNUAL GENERAL MEETING 2014



DIRECTORS' REPORT

The Board of Directors of Nile Insurance Company is pleased to present the 2014/15 annual report to its esteemed Shareholders, Customers, and Partners. 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

Global growth remains moderate with uneven prospects across countries and regions. Relative to last year, the outlook for advanced economies is improving, while growth in emerging markets and developing economies is projected to be lower. Despite the slowdown in developing economies, Ethiopia has registered a remarkable economic performance with an estimated annual growth of 11.4% in the year under review.

Looking at the major sectoral classifications, the growth remained robust and broad based as all sectors registered positive growth. The growth in the industry sector was very strong in the past five years of the Growth and Transformation Plan (GTP I). This sector was the highest performer, which is sustained by a boom in construction and expansion in mining and manufacturing sub-sectors. Agriculture and allied activities also showed improvements relative to the previous year.

Thus, this tremendous growth is deemed to have a better prospect for the insurance industry in both operations and investment endeavors.

Industry landscape

Like in the previous year, the overall growth seen in the domestic economy has contributed positively to premium growth for the insurance industry. Preliminary figures indicate that gross written premium (GWP) from general and long-term insurance in the industry grew by 12.2% (Birr 5.5 billion) compared to Birr 4.9 billion in the previous year.

On the other hand, total claims payment reached Birr 2.4 billion and profit after tax stood at Birr 823 million.

Nevertheless, the year under review was marked by mixed signals. While premiums continued to show improvement, lack of cooperation among industry players especially in maintaining market discipline, the growing motor & related accidents, lack of new insurance products, etc still remained the industry's challenge.

Operational Highlights

In the reporting period, the company was able to execute various activities, which have greatly contributed to address operational challenges, and improve its operational efficiency.

This in turn helps the company to balance the growth drive with improved profitability. Some of the highlights are indicated here below.

- The Company has cautiously studied the diverse bottlenecks on the operation in the reporting year. Based on this, various measures have been taken in relation to rate review, policy guidelines preparation, re-insurance arrangement to enhance company's retaining capacity, and improving claims management.
- In the reporting year, the Company opened three branches in Mizan-Teferi, Nekemtie and Butajira towns to serve its current and potential customers in proximity.

FINANCIAL PERFORMANCE

A. General Insurance Business

Gross Written Premium

Gross written premium (GWP) in the year under review was boosted by 14.1% to Birr 342,707,580 compared to the previous period of Birr 300,433,888.

Compared to 2013/14, the performance per line of businesses in 2014/15 was mixed. While fire, liability, personal accident, pecuniary and workmen's compensation appreciated year-on-year, engineering and marine class of businesses recorded lower figures. Personal accident had the highest growth of 48% followed by pecuniary (42%), liability (37%), motor (17%), fire (11%), and workmen's compensation (9%) from last year.

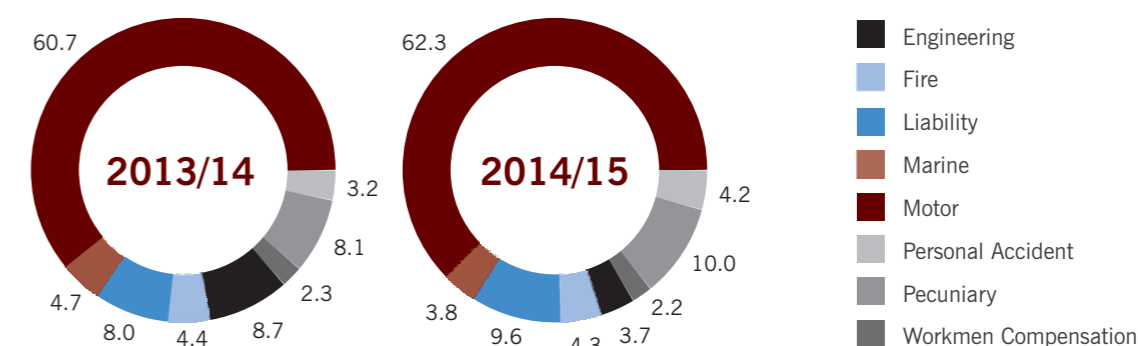


FIG. 1 PORTFOLIO MIX



ENDOWMENT (with / without profit)

- Individual Endowment Policy
- Group Endowment Policy

TERM

- Individual Term Life Assurance
- Group Level Term Assurance
- Group Yearly Renewable Term Life Assurance

MEDICAL

- Individual Medical Insurance
- Group Medical Insurance

RIDERS

- Accidental Death Benefit (ADB)
- Accidental Death and Dismemberment Benefit (AD&DB)
- Supplementary Accident Insurance (SAI)
- Comprehensive Accidental Insurance

The increase in premium was attributable to positive growth of the national economy and the company's prudent policy measure taken in different areas.

In spite of the improvements seen in almost all line of businesses, marine & engineering businesses were lower than last year.

This was mainly driven by the slowdown in export activities and fierce competition resulting from unethical price war.

Net Earned Premium

The net earned premiums grew substantially to Birr 280,698,189 from Birr 232,004,174 (with a 21% increment) in the previous year.

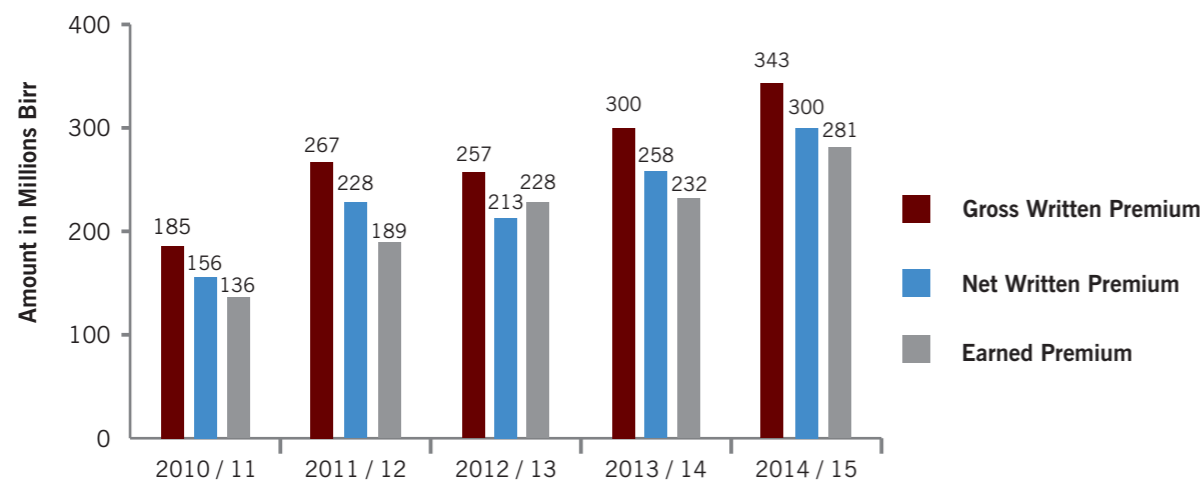


FIG. 2 Trends of Gross Written Premium & Net Earned (2010/11-2014/15)

This is largely due to considerable increase in premium earned from motor, liability and pecuniary class of businesses.

Claims Paid

Net claims paid amounted to Birr 176,056,280, portraying a 15.42% increment over last year's figure of Birr 152,539,344. The increase in claims is primarily due to the impact of large engineering, pecuniary, liability, workmen's compensation and motor related losses. Motor class of business takes the lion-share of total claims paid which mainly due to the frequency and severity of motor accidents both for own damage and third party claims.

Claims incurred

Birr 192,455,141 has been incurred in the budget year showing an increase of 18.4% from last year. However, the loss ratio improved marginally from 70% to 68.6%.

The provision for outstanding claims rose by 13.4% to Birr 139,113,328 compared to Birr 122,714,468 in the previous year. The increase in provision from last year is due to efforts made in improving the company's claims management.

Technical Provisions

Technical provisions at the end of June 30, 2015 have climbed by 14.2% increasing from Birr 250,475,779 to Birr 286,022,635 in the reporting period.

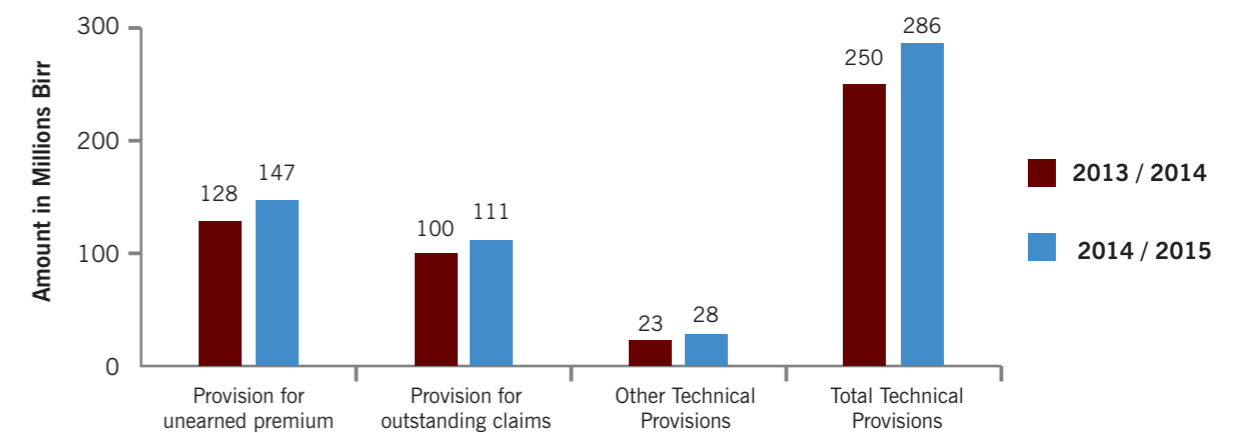


FIG. 3 Technical Provisions for 2013/14 & 2014/15

This was mainly impacted by a 15% (or Birr 19,147,996) and 11.5% (Birr 11,533,201) rise in the provision for unearned premium and outstanding claims respectively.

Underwriting Surplus

The underwriting surplus for the year went up by Birr 16,134,430 (27.3%) to Birr 75,221,826 compared to Birr 59,087,396 in the previous year. This increase was largely due to an improvement in premium earned and a decrease in loss ratio by 1.50% from last year.

Investment Income

As in the previous years, the Company has been cautious that its investments are secure and at the same time with the highest returns to shareholders. Interest income from fixed time deposits and dividend

NILE'S PROFESSIONAL INDEMNITY

Don't let a small mistake bankrupt your business.



NILE'S COURIERS LIABILITY

Let us deal with the unexpected for you.



realized from shareholdings in Bank of Abyssinia (BOA) rose by 4% to Birr 43,833,091 from last year of Birr 42,205,102. This was mainly attributed to the increase in interest income from time deposits by 32.7% to Birr 31,761,816 as compared to the previous year's record.

Other Income

During the year under review, income from other sources was Birr 2,313,361. Compared to the previous year's performance, it has shown a decrease. However, it is worth noting that the previous year's income was boosted by a onetime activity of sale of excess investment amounting to birr 8, 851, 428 held in the Bank of Abyssinia.

Expenses

Administrative and general expense of the Company rose by 36.2%. It increased to Birr 72,875,530 compared to last year of Birr 53,496,436.

This was primarily due to annual salary increment, increased office rent and other increment in related costs of doing business.

Moreover, the additional provision of Birr 5,503,380 held for outstanding premium following the directive of the National Bank of Ethiopia (NBE), and the payment of Birr 3,032,435 made for prior years VAT & TOT had enormous contribution to the increase in expenses.

Accordingly, the expense ratio for the reporting period stood at 25.96%, exhibiting 2.90% increase from last year of 23.06%.

Profit

Profit before tax was Birr 48,876,981, showing a decline of 15.16% compared to Birr 57,612,293 in the previous year. The profit shortfall was attributable to the reduction in investment income from Bank of Abyssinia following the disposal of excess investment made in the previous year. Moreover, the increase in operating expenses in connection to additional outstanding premium provisions and prior years VAT and ToT payments had contributed for the shortfall.

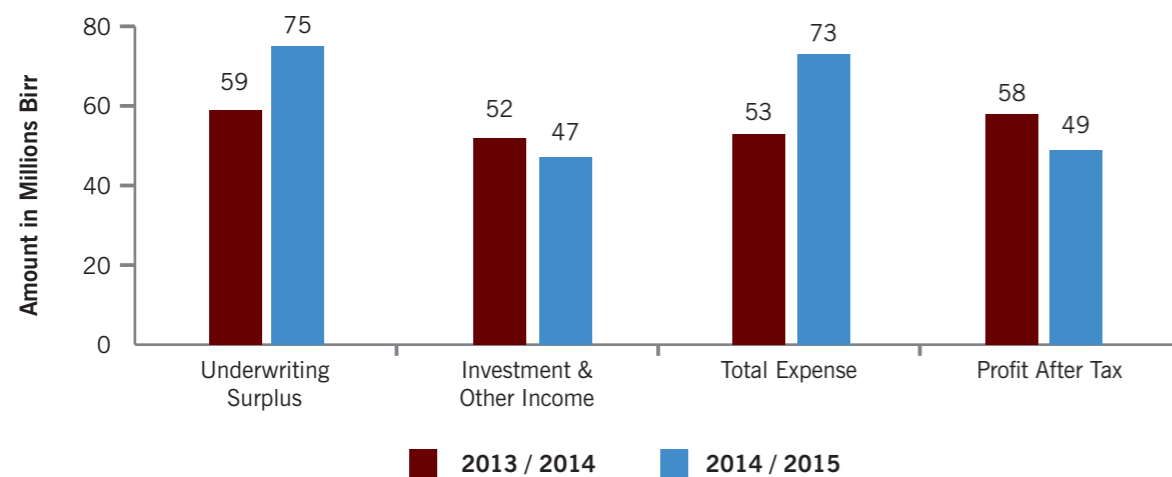


FIG. 4 Overall Financial Results of the Company

B. Long Term Insurance

Gross Written Premium

This segment of the Company's business recorded a steady growth of 3.49% to Birr 26,099,943 compared to Birr 25,219,447 in the previous year.

Life Business Outgo

In the year under review, the net claims incurred rose by 46.2% to Birr 11,289,842 compared to Birr 7,724,794 in last year. Likewise, administrative and general expense of life insurance was Birr 1,768,623 showing an increase of 23.67% from last year.

Life Fund

As at June 30, 2015, the life fund stood at Birr 46,314,752, with an increase of 29.7 % from Birr 35,712,264 at the beginning of the year.

Asset and Shareholders' Funds

Nile's total assets and shareholders' funds reflect an increment of 18.03% and 24.47% respectively over the previous year. As a result, the total assets in the year under review went up from Birr 547,335,003 to Birr 646,008,628 and shareholders' funds from 184,873,350 to Birr 230,107,016.

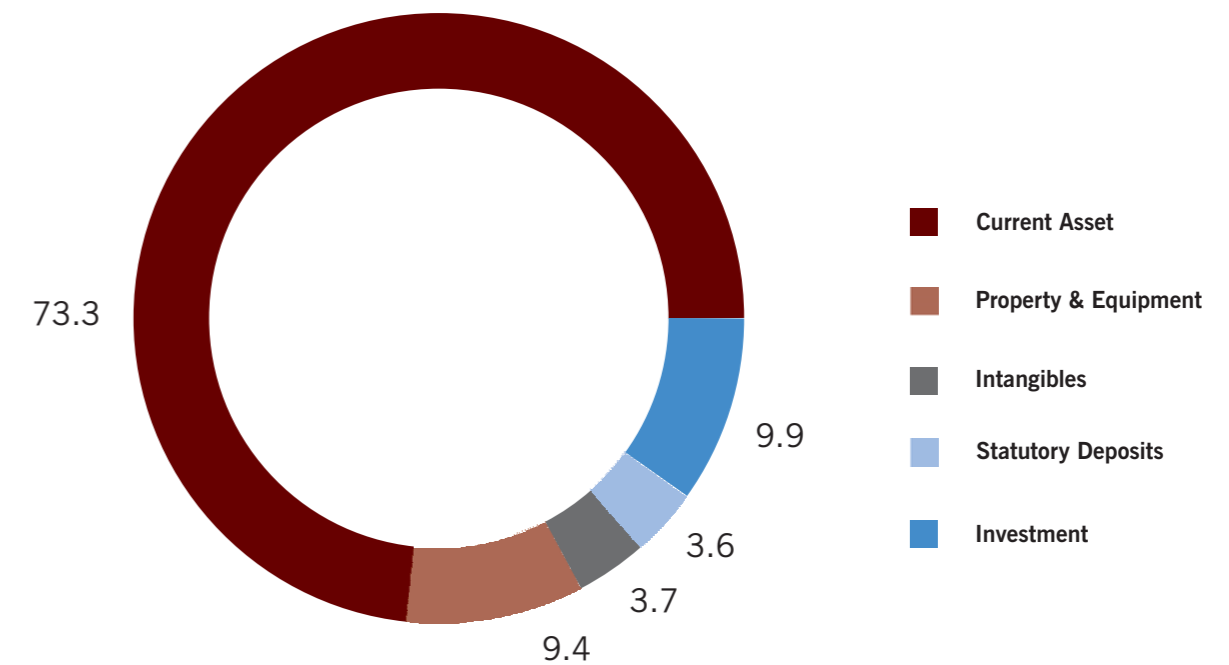


FIG. 5 Asset Composition of the Company as of June 30, 2015

During the reviewed period, the balance of fixed time deposit grew by 6.65% to Birr 383,884,355 from the previous year's record of Birr 359,955,572.

This growth is mainly resulted from improvements seen in financial management of the Company.

Solvency Margin - General Insurance

Nile has continued to maintain a stable solvency margin ratio way above the statutory requirement reflecting a strong financial status that benefits the Company in many respects.

The statutory equity, which was Birr 165,962,671 for the fiscal year was above the minimum requirement of Birr 38,647,507 (i.e. 15% of previous year's net written premium). The solvency margin, therefore, is more than 4 times of the standard and assuring the adequacy of the Company's capital.

INVESTMENT HIGHLIGHTS

Future Headquarter Project

The period under review was marked by the final award of the future Headquarter Building to a contractor, Rama Construction PLC. Currently, bulk excavation and shoring works are completed while pile foundation and construction of structural works are underway. The building is projected to be finalized by 2019.

Gelan Industry Park and Recovery

Nile is on the final stage of acquiring strategic plot of land at Gelan area covering close to 18,000 square meters. The spot is expected to serve as an industry park, multi-purpose warehousing and recovery.

Other Real-estate Projects

Nile has finalized basic construction of two mixed use G+4 and G+2 buildings at Commet and Gurdshola areas respectively. The buildings are on final stage of finishing works and will be operational by the end of 2015.

As an expansion of the Gurdshola real-estate, the company intended to broaden the investment by building additional storage for warehousing purpose.

Strategic Road-Map

Nile aspires to be a world-class insurer and a leading insurance company in Ethiopia in the areas of maximizing revenue, market share, breadth of key product offerings and services, profit, and shareholder value. Nile wants to be the most preferred and leading insurer in Ethiopia by 2025. To realize this Nile is deploying strategic investments in systems and processes that would enable it to be modernized and transformed.

To this effect we are in the process of recruiting an international and renowned consultancy firm to develop a new strategic road map for the Company.

Human Capital

Nile believes no greater dream is realized without a great team. The company has professional, like-minded yet diversely talented team members that can deliver a wider range of projects with a higher quality of standards.

The company strongly understands the importance of investing in its employees via succession planning, development and performance management programmes. Nile aspires to carry on recruiting talented and well versed human resource to bring in new perspectives so as to attain its corporate strategy and objectives.

In the year under review, the number of employees reached 348, showing an increase of 7.1% compared to the previous year. Out of the total employees, 165 (47.4%) are with first degree and above qualifications.

GERD Bond Purchase

In addition to the 20 million birr bond purchase made in the previous years, Nile has invested on a bond amount of 5.5 million to the Great Ethiopian Renaissance Dam (GERD) in the budget year.

Risk Management

We apply a consistent Enterprise Risk Management Program (ERMP) to ensure a fully integrated view of risk thereby sustaining long-term stability and growth. Pursuant to the risk management program approved by the National Bank of Ethiopia, risk management action plan has been prepared and is under implementation.

CAPITALIZATION AND DIVIDENDS

The total fund infused by the Shareholders of the Company in the period was Birr 156,779,000 showing an increase of 56.8% from last year. This is mainly due to the capitalization of dividend during the year 2014/15 as per the previous decision of shareholders to raise the capital of the company to Birr 200,000,000.

As mentioned above, the net profit for the reporting year was Birr 46,888,874. The balance after accounting Birr 4,688,887 for legal reserve and Birr 450,000 for Director's share in total profit is Birr 41,749,987.

In order to further strengthen the financial position of the Company, the board of directors proposes a modality for the capital increment. Accordingly, the Board recommends allocation of Birr 41,768,957 (30.77% of the weighted average capital of Birr 135,729,000) to the implementation of the Capital increase plan.

NILE'S MOTOR INSURANCE

We provide one stop insurance solutions
for your vehicles.



NILE'S HEALTH INSURANCE

Protect the things that matter.



TWENTY YEARS OF SERVICE EXCELLENCE

Nile has been engaged in providing full-fledged insurance solutions to its customers for the past 20 years.

Financial Milestones

	2015	1995	Since 1995	
Asset	650 Mln	14.7 Mln	Premium Collected	2.4 Bln
Capital	200 Mln	12.5 Mln	Claims Paid	1.3 Bln
GWP	370 Mln	5.7 Mln	Investment in Shareholdings	62 Mln
Profit	50 Mln	0.43Mln	Customer base	28,500
Shareholders	122	50	Branch Network	36
Employees	348	35	Profit	305 Mln
Investment Income	46.5 Mln	0.2 Mln		

Branch Network

Nile considers expanding its branch network as one of its strategies to create service accessibility and convenience to its current and potential customers. Hence, the company has opened three branches in the year under review and looks forward to continue increasing its accessibility in the years to come.

Corporate Social Responsibility (CSR)

As much as we prudently engage in insurance operations, we are also very sensitive to the community we function in. Accordingly, Nile has been supporting development projects undertaken by various organizations. Some of these organization are Ethiopian Heritage Trust Authority (Preserving Entoto Park), Ethiopian Red Cross Society, Macedonia Humanitarian Association, Addis Ababa Police (Community Policing), Ethiopian Business Coalition Against HIV/AIDS, and Wag Hemra Development Association.

NILE'S CARGO INSURANCE

No matter how large the distance, we'll cover you all the way.



Why choose NILE Insurance?

28,500+ CUSTOMERS



1,3 Billion Birr

of paid up claims

We've got you covered

We provide our customers with a wider range of insurance solutions, both in the General and Long-Term insurance categories.



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Nile Insurance Company s.c.

FUTURE OUTLOOK

Despite the challenges posed by the operating environment the Company was generally able to record a modest improvement in its overall financial performance in the year under review.

Prospects for sustained economic prosperity in the country are expected to continue under the 2nd Growth and Transformation Plan (GTP II). This is driven by the projected improvements in the export sector, increase in foreign direct investment (FDI) in sectors such as: manufacturing, service and agriculture, increase in capital expenditure for infrastructure, and other mega projects.

We are optimistic on the continuity of improvements in the regulatory environment to enhance industry regulations and address certain issues that paves the way for market discipline and sustainable development in the insurance sector.

Going forward, Nile will continue its growth strategy by enhancing its earnings and contributing positively to shareholders' value. Furthermore, a particular emphasis will be given to the following:

Business Development

In an effort to increase its business portfolio through market development and penetration, the Company will continue its expansion strategy and scale up these efforts in the coming years.

Claims Management

Nile will meticulously work on reducing loss experiences by introducing improved claims analytics and services, developing knowledge of the economic drivers, and improve customer insights.

Information Technology

Nile is the pioneer in the industry to network its branches via PREMIA insurance software and this has greatly enhanced its operational efficiency. We are planning to upgrade our IT infrastructure in line with the strategic road-map underway so as to improve the company's efficiency and boost productivity.



NILE'S FIRE & HOUSE BREAKING

Protect your property from
unwanted visitors.

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የወደፊት ዋና መስሪያ ቤት

Nile Insurance... Soon to be Headquarter



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Nile Insurance Company s.c.

3 Basements + Ground + 22

CUSTOMERS AT A GLANCE



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NILE INSURANCE SHARE COMPANY (S.C)

We have audited the accompanying financial statements of Nile Insurance Share Company (S.C), which comprise the Balance Sheet as at 30 June 2015, the Income Statement, Revenue Accounts, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 20 to 37, which have been prepared under the historical cost convention and the accounting policies on page 26 to 28.

Respective responsibilities of Management and Auditors

The Management of the Company is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with the Generally Accepted Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the management in preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of Nile Insurance Company (S.C) and its results and cash flows for the year ended 30 June 2015 in accordance with the accounting policies adopted by the Company.

We have no comment to make on the report of your Board of Directors so far as it relates to the financial statements and pursuant to Article 375(2) of the Commercial Code of Ethiopia 1960, and recommend approval of the financial statements.

Kokeb & Melkamu

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia



Addis Ababa
September 30, 2015

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E-mail: kokmelk@ethionet.et Mobile Tel. 251-91-120-37-78/51-61-46 Fax 251-11-552-26-88

BALANCE SHEET

AS AT 30 JUNE 2015

Currency: Ethiopian Birr

ASSETS	Notes	General Ins. Business	Long term Business	Total	2014
Fixed Assets					
Property, plant and equipment	2e, 3	60,914,730	76,998	60,991,728	56,051,451
Leasehold land	2d, 4	23,419,023	-	23,419,023	22,705,942
Integrated computer system	5	742,695	-	742,695	886,212
		85,076,448	76,998	85,153,446	79,643,605
Investments					
Bank deposits at interest		319,983,729	63,900,626	383,884,355	359,955,572
Government bond	7	25	2,000,000	2,000,025	5,000,025
Equity investments	2g,6	61,723,264	170,500	61,893,764	49,919,616
		381,707,018	66,071,126	447,778,144	414,875,213
Other Assets					
Cash and bank balances	2f,8	21,257,617	1,040,564	22,298,181	11,592,436
Trade and other receivables	2i,9	64,980,003	2,961,460	67,941,463	26,223,749
Statutory deposits	10	21,270,000	2,250,000	23,520,000	15,000,000
Due from reinsurers	11	-	-	-	-
		107,507,620	6,252,024	113,759,644	52,816,185
Total Assets		574,291,086	72,400,148	646,691,234	547,335,003
LIABILITIES					
Technical provisions					
Outstanding claims	2b(iv),12	139,113,328	600,000	139,713,328	123,377,970
Unearned premium	2b(ii)	146,909,307	-	146,909,307	127,761,311
		286,022,635	600,000	286,622,635	251,139,281
Other liabilities					
Due to reinsurers	11	33,564,350	9,054,478	42,618,828	26,655,222
Taxes payable	13	1,022,675	26,318	1,048,993	981,681
Dividend payable		9,494,502	-	9,494,502	18,499,156
Other creditors	15	22,086,919	702,156	22,789,075	21,102,124
		66,168,446	9,782,952	75,951,398	67,238,183
Long term liabilities					
Land lease payable	16	7,695,433	-	7,695,433	8,371,923
Total liabilities		359,886,514	10,382,952	370,269,466	326,749,387
NET ASSETS		214,404,572	62,017,196	276,421,768	220,585,616
CAPITAL AND RESERVES					
Paid up capital	20	141,779,000	15,000,000	156,779,000	100,000,000
Legal reserve	21	30,152,241	956,818	31,109,059	26,420,172
Retained earnings		42,218,957	-	42,218,957	58,453,178
Inter business current accounts		254,374	(254,374)	-	-
Shareholders' funds		214,404,572	15,702,444	230,107,016	184,873,350
Life Fund		-	46,314,752	46,314,752	35,712,266
Total Capital and Reserves		214,404,572	62,017,196	276,421,768	220,585,616

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

INCOME	Notes	2014	
Underwriting surplus-(General Insurance)		75,221,826	59,087,396
Investment income	2h,17	43,732,962	42,205,102
Rent	2h	384,233	558,099
Sundry income	18	2,413,490	9,258,132
		121,752,511	111,108,729
EXPENSES			
General and administration expenses	2b(v),22	61,603,490	48,085,342
Financial charges		344,984	273,911
Depreciation		5,596,455	5,863,474
Amortization		464,449	343,257
Directors' remuneration	19	182,150	202,500
Loss on investment (Ethio Investment Group)		-	3,752,541
Audit fee		76,705	64,400
Provision for doubtful debts		4,607,297	(5,088,989)
		72,875,530	53,496,436
Profit before taxation-(General Insurance)		48,876,981	57,612,293
Profit before taxation-(Long term)	25	-	10,202,224
Profit before taxation		48,876,981	19,319,334
Total profit before taxation		48,876,981	67,814,517
Provision for taxation	14	1,988,107	2,969,320
Profit after provision for taxation		46,888,874	64,845,197
Earnings per share of Birr 1,000 par value		311	598

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

	<u>Notes</u>		2014
PREMIUM			
Gross written premium	2b (i)	342,707,580	300,433,888
Less: Premium ceded		<u>(42,861,395)</u>	<u>(42,783,840)</u>
Net premium written		299,846,185	257,650,048
Change in unearned premium		<u>(19,147,996)</u>	<u>(25,645,874)</u>
Net Earned Premium		<u>280,698,189</u>	<u>232,004,174</u>
CLAIMS			
Claims paid net of re-insurance	2b (iv)	(176,056,280)	(152,539,344)
Change in net provision for claims	2b (iv)	(11,533,202)	(9,115,371)
Change in other technical provisions		<u>(4,865,659)</u>	<u>(884,821)</u>
Claims incurred		<u>(192,455,141)</u>	<u>(162,539,536)</u>
OPERATING EXPENSES			
Insurance commission (Net)		<u>(13,021,222)</u>	<u>(10,377,242)</u>
		<u>(205,476,363)</u>	<u>(172,916,778)</u>
UNDERWRITING SURPLUS		<u>75,221,826</u>	<u>59,087,396</u>

LONG TERM INSURANCE BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

	<u>Notes</u>		2014
PREMIUMS			
Gross premiums written		26,099,943	25,219,447
Less: Premium ceded		<u>(6,772,085)</u>	<u>(8,223,500)</u>
Net written premium		19,327,858	16,995,947
Add: Net commission income		(1,204,422)	(271,223)
Policy owners benefits-claims incurred	2c	(11,289,842)	(7,724,794)
Change in provision for outstanding claims		<u>63,502</u>	<u>(144,168)</u>
Net written premium in excess of claims		<u>6,897,096</u>	<u>8,855,762</u>
OTHER INCOME			
Interest income		5,469,550	4,086,458
Other income		<u>4,465</u>	<u>194</u>
Total other income		<u>5,474,015</u>	<u>4,086,652</u>
EXPENSES			
Administrative expenses	22	1,740,568	1,142,277
Financial charge		5,511	185,561
Depreciation		22,544	18,302
Actuarial fee		<u>-</u>	<u>84,000</u>
		<u>1,768,623</u>	<u>1,430,140</u>
Increase in life fund		10,602,488	11,512,274
Life fund, beginning of the year		35,712,264	29,771,700
Prior year adjustment		-	4,630,514
Profit Transferred to Retained Earnings		<u>-</u>	<u>(10,202,224)</u>
Life fund, end of the year		<u>46,314,752</u>	<u>35,712,264</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

	<u>Paid up capital</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>	<u>Life fund</u>	<u>Total</u>
Balance at 1 July 2013	91,601,000	19,935,652	42,749,163	29,771,701	184,057,516
Net profit for the year	-	-	64,845,197	-	64,845,197
Additional share issued	-	-	--	-	-
Profit share paid to Directors	-	-	(2,472,837)	-	(2,472,837)
Dividend declared	8,399,000	-	(35,078,371)	-	(26,679,371)
Prior year adjustment	-	-	116	(475,053)	(474,937)
Transfer to legal reserve	-	6,484,520	(6,484,520)	-	-
Transfer to life fund	-	-	(5,105,570)	5,105,570	-
Increase in life fund	-	-	-	1,310,048	1,310,048
Balance at 1 July 2014	100,000,000	26,420,172	58,453,178	35,712,266	220,585,616
Change 2014/2015					
Dividend declared	56,779,000	-	(56,672,531)	-	106,469
Profit share paid to Directors	-	-	(1,780,647)	-	(1,780,647)
Transfer to life fund-	-	-	-	-	-
Prior year adjustment	-	-	18,970	-	18,970
Net profit for the year	-	-	46,888,874	-	46,888,874
Transfer to legal reserve	-	4,688,887	(4,688,887)	-	-
Increase in life fund	-	-	-	10,602,488	10,602,488
Balance at 30 June 2015	156,779,000	31,109,059	42,218,957	46,314,754	276,421,770

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

		<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	48,876,981	67,814,517
Prior year adjustment	18,970	(474,940)
Investment income	(44,117,195)	(42,763,201)
Provision for doubtful debts	2,175,117	(7,614,052)
Loss on Investment	-	2,525,000
Gain on disposal of investment/fixed asset	-	(8,851,428)
Amortization	464,448	343,257
Depreciation	5,611,112	5,881,775
Decrease/(Increase) in debtors	(40,065,712)	10,630,585
Decrease/(Increase) in due from reinsurers	-	-
Increase in outstanding claims	16,335,358	10,144,358
(Decrease) Increase in unearned premium	19,147,996	25,645,874
Increase in amount due to re-insurers	15,963,606	1,861,628
Increase in other creditors	1,686,951	7,763,152
Increase (Decrease) in taxes payable	365,716	(5,881)
Advance profit tax deducted from profit tax	(2,675,611)	(2,670,916)
	23,787,737	70,229,728
Profit tax paid	(298,404)	(2,299,187)
Net cash inflow from operating activities	23,489,333	67,930,541
INVESTING ACTIVITIES		
(Decrease) in investment in time deposit	(23,928,783)	(71,251,998)
Purchase/construction of fixed assets	(10,551,389)	(20,694,047)
Investments	(11,974,148)	(18,288,616)
Proceeds/ from the sale of fixed assets net of tax	-	26,573,605
Acquisition of leasehold land	(859,599)	(867,366)
Lease settlement	(676,490)	(676,490)
Loans granted	-	-
Investment in intangible assets	(174,413)	(341,788)
Decrease in Investment in Government bond	3,000,000	1,205,050
Investment income received	40,977,580	37,603,243
Net cash used in investing activities	(4,187,242)	(46,738,407)
FINANCING ACTIVITIES		
Equity dividend paid	(8,898,185)	(33,473,357)
Increase in statutory deposit	(8,520,000)	(1,261,650)
Profit share paid to directors	(1,780,647)	(2,472,837)
Increase in life fund (net)	10,602,487	1,310,051
Additional shares issued	-	8,399,000
Net cash outflows from financing activities	(8,596,345)	(27,498,793)
Decrease/Increase in cash and bank balances	10,705,746	(6,306,659)
Cash and bank balances at the beginning of the year	11,592,436	17,899,095
Cash and bank balances at the end of the year	22,298,182	11,592,436
Cash and bank balances consists of:		
Cash in hand	2,950,723	2,396,879
Cash at bank	19,347,459	9,195,557
	22,298,182	11,592,436

Why does
NILE Insurance ?
 think you should get insured



**NOT
 EVERYTHING
 GOES ACCORDING TO PLAN.**

**Insurance is not an option,
 You need it.**

A lot could go wrong, but we are always
 there to make things right!



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 Nile Insurance Company s.c.

NILE INSURANCE COMPANY (S.C)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

1. BACKGROUND

Nile Insurance Company was established in April 1995, in accordance with Proclamation No.86/1994 and the Commercial Code of Ethiopia 1960. The Company is licensed by the National Bank of Ethiopia to operate general and long term (life) insurance business.

The Company's registered Head Office is in Addis Ababa Lafto Kifle Ketema Kebele 11. It has currently 36 branches all over Ethiopia.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Company which are consistent with those applied in the preceding years are stated below:

a) Basis of Preparation of Financial Statements

The accompanying financial statements have been prepared in accordance with the Generally Accepted Accounting Standards and in line with issued Insurance Business Proclamation 746/2012 of the Government of Ethiopia. The financial statements are presented in Ethiopian Birr prepared under the historical cost convention.

b) Underwriting Results - General Insurance Business

The underwriting results for general business are determined on annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(i) Unearned premiums represent the proportion of the premiums written in period up to the accounting date which relate to unexpired terms of policies enforce at the balance sheet date, and are calculated using the 1/24th method as prescribed by Licensing and Supervision of Insurance Business Directive No SIB/17/98.

(ii) Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported (IBNR) which is computed at 10% of Net Premium earned during the year.

c) Underwriting Results - Long term Insurance Business

(i) Claims arising on maturity are recognized when claims become due for payment. Death claims are accounted for on notification and medical claims are accounted on the basis of medical receipts.

As per the Proclamation No. 86/1994 an actuarial valuation of the life fund is required to be made

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

annually during the first five years after commencement of such business, and at least once every three years thereafter. Until this is done, the profit or loss on this business for a given financial year is transferred to the life insurance fund. After the actuarial valuation result is obtained, the accumulated net profit/ loss are to be transferred to the profit and loss account as recommended by the actuaries.

d) Leasehold Land

The Company has plots of leased land from Addis Ababa City Administration with a lease period of over 50 years. Though the government has the right to take back the land at the end of the lease period, the management believes that right to use the land over 50 years lease period is quite long, to consider the lease as finance lease. Over the 50 years lease period, any benefit and risk associated with the land is transferred to the lessee.

The lessee during the lease period has the right to transfer the lease right to others without the consent of the lessor by way of sale or mortgage. The lease transaction is therefore classified as finance lease.

e) Property, plant and equipment

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed as per the Income Tax Proclamation No. 286/2002, which requires application of straight-line method for buildings & constructions on cost and pooling system for the others. Accordingly, the depreciation rates per annum are as follows:

- | | |
|----------------------------------|-------------------------|
| i. Computers | 25% pooling |
| ii. All other business assets | 20% pooling |
| iii. Buildings and Constructions | 5% straight line method |

f) Cash and bank balances

Cash in hand and at banks in current and deposit accounts are carried at cost.

Cash and cash equivalents are defined as cash in hand, cash at banks in current and deposit accounts and short term finance with maturity period of three months or less and readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

g) Equity investments

The Company's investments are stated at cost of acquisition. Income generated from investment is accounted only at the time when it is actually received or credit given in the form of dividend.

h) Investment Income

Investment income is stated net of relevant taxes. Interest income is recognized in the period in which it is earned. Dividend income is recognized in the period in which it is received.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

i) Provision for Doubtful Receivables

In compliance with the newly issued Insurance Business Proclamation 746/2012, the Company ceased to give insurance on credit basis since August 22, 2012.

For trade debtors that were not collected, 100% provision is maintained in the accounts

j) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

k) Transaction in Foreign Currencies

All transactions involving foreign currencies are translated at exchange rates prevailing at transaction dates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

3. PROPERTY, PLANT AND EQUIPMENT

	General Insurance Business				Long term Insurance Business			
	Balance 1/7/2014	Additions	Disposal	Balance 30/6/2015	Balance 1/7/2014	Additions	Balance 30/6/2015	Total 30/6/2014
COST								
Buildings	21,701,456	-	-	21,701,456	-	-	-	21,701,456
Office furniture & equipment	6,529,678	2,033,535	-	8,563,213	36,447	27,905	64,352	8,627,565
Computers and related	6,316,459	108,168	-	6,424,627	112,912	11,811	124,723	6,549,350
Motor vehicles	27,605,052	964,487	-	28,569,539	182,100	-	182,100	28,751,639
Books	32,130	-	-	32,130	-	-	-	32,130
Construction in progress	20,961,883	7,405,483	-	28,367,366	-	-	-	28,367,366
	83,146,658	10,511,673	-	93,658,331	331,459	39,716	371,175	94,029,506
DEPRECIATION								
Buildings	5,321,388	1,085,073	-	6,406,461	-	-	-	6,406,461
Office furniture & equipment	4,363,961	841,220	-	5,205,181	30,095	7,005	37,100	5,242,281
Computers and related	3,639,738	707,930	-	4,347,668	75,080	12,411	87,491	4,435,159
Motor vehicles	13,797,922	2,954,324	-	16,752,246	166,458	3,128	169,586	16,921,832
Books	32,024	21	-	32,045	-	-	-	32,045
Sub total	27,155,033	5,588,568	-	32,743,601	271,633	22,544	294,177	33,037,778
NET BOOK VALUE	55,991,625			60,914,730	59,826		76,998	60,991,728

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

4. LEASEHOLD LAND

COST

Balance as at 30 June 2014	24,076,646	
Add: additional lease hold land	859,599	
		24,936,245

AMORTIZATION

Balance as at 30 June 2014	1,370,704	
Add: current year amortization	146,518	
		1,517,222

NET BOOK VALUE

23,419,023

5. INTANGIBLE ASSETS (INTEGRATED COMPUTER SYSTEM)

COST

Balance as at 30 June 2014	3,342,725	
Add: additional cost	174,413	
		3,517,138

AMORTIZATION

Balance as at 30 June 2014	2,456,513	
Add: current year amortization	317,930	
		2,774,443

NET BOOK VALUE

742,695

6. EQUITY INVESTMENT

	General Insurance Business	Long term Insurance Business	Total	2014
Shares in Bank of Abyssinia : 1,990,544.64 shares at Birr 25 par value	49,763,616	156,000	49,919,616	49,217,600
Disposal of 708,704 shares			-	(17,717,600)
Additional shares purchased	11,959,648	-	11,959,648	18,263,616
Loan to policy holders	-	-	-	131,000
Additional policy holder loan	-	14,500	14,500	25,000
	<u>61,723,264</u>	<u>170,500</u>	<u>61,893,764</u>	<u>49,919,616</u>

The Company has capitalized its share of dividend (Birr11,959,648.23) being partial settlement of subscribed shares in the Bank of Abyssinia.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

7. GOVERNMENT SAVING BOND

	General Insurance Business	Long term Insurance Business	Total	2014
Government Saving Bond (Note)	<u>25</u>	<u>2,000,000</u>	<u>2,000,025</u>	<u>5,000,025</u>
Note				
Balance brought forward	2,250,025	2,750,000		
Addition	5,520,000	-		
Transfer from life	<u>750,000</u>	<u>-</u>		
	8,520,025	2,750,000		
Less: Transfer to statutory deposit	(8,520,000)	-		
Transfer to non life	<u>-</u>	<u>(750,000)</u>		
	<u>25</u>	<u>2,000,000</u>		

8. CASH AND BANK BALANCES

	General Insurance Business	Long term Insurance Business	Total	2014
Cash on hand	2,778,803	171,920	2,950,723	2,396,879
Cash at bank	<u>18,478,815</u>	<u>868,644</u>	<u>19,347,459</u>	<u>9,195,557</u>
	<u>21,257,618</u>	<u>1,040,564</u>	<u>22,298,182</u>	<u>11,592,436</u>

9. TRADE AND OTHER RECEIVABLES

	General Insurance Business	Long term Insurance Business	Total	2014
Trade debtors (Note 9.1)	19,783,494	267,986	20,051,480	21,280,257
Staff debtors	1,795,935	16,902	1,812,837	948,047
Construction advance	41,131,669	-	41,131,669	-
Prepayment and deposits	4,809,549	-	4,809,549	5,719,311
Accrued Interest receivable	16,350,345	2,277,726	18,628,071	15,488,456
Withholding tax receivable (Note 9.2)	1,220,786	666,832	1,887,618	1,200,114
Sundry	<u>1,388,076</u>	<u>-</u>	<u>1,388,076</u>	<u>1,180,284</u>
	86,479,854	3,229,446	89,709,300	45,816,469
Provision for doubtful receivables	<u>(21,499,851)</u>	<u>(267,986)</u>	<u>(21,767,837)</u>	<u>(19,592,720)</u>
	<u>64,980,003</u>	<u>2,961,460</u>	<u>67,941,463</u>	<u>26,223,749</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

9.1 Related party transactions

The Company has various related parties, primarily by virtue of being shareholders and directorship. The other related parties include the staff of the Company.

Transaction with directors are as stated in Note 19 to the financial statements. Transactions with key managing staff remunerations are all of the nature of salaries and related expenses and are included in salaries and employees benefits in Note 22 to the financial statement.

Related parties by virtue of shareholding and directorship which could have significant influence had transaction with the Company in the ordinary course of business at terms and conditions similar to those offered to others. Out of the total uncollected premium, Birr 881,937.38 is attributed to related parties.

9.2 Withholding tax receivable outstanding over a year

	General Insurance Business	Long term Insurance Business	Total
Balance at 30 June 2014	972,457	227,657	1,200,114
Add: withholding tax of the year	<u>2,236,436</u>	<u>439,175</u>	<u>2,675,611</u>
	3,208,893	666,832	3,875,725
Less: Transfer to income tax payable	<u>1,988,107</u>	<u>-</u>	<u>1,988,107</u>
	<u>1,220,786</u>	<u>666,832</u>	<u>1,887,618</u>

10. STATUTORY DEPOSIT

This represents 15% of the paid up capital at 30 June 2015 and is deposited with National Bank of Ethiopia in accordance with Article 20 of Proclamation No. 746/2012.

	General Insurance Business	Long term Insurance Business	TOTAL
Balance as at 30 June 2014	12,750,000	2,250,000	15,000,000
Add: Transfer from government bond	<u>8,520,000</u>	<u>-</u>	<u>8,520,000</u>
	<u>21,270,000</u>	<u>2,250,000</u>	<u>23,520,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

11. DUE TO/FROM REINSURERS

	General Insurance Business	Long term Insurance Business	Total	2014
Due to reinsurers	33,564,350	9,054,478	42,618,828	26,655,222

12. OUTSTANDING CLAIMS

	General Insurance Business	Long term Insurance Business	Total	2014
Marine	1,139,575	-	1,139,575	1,426,604
Fire	2,579,500	-	2,579,500	1,293,284
Motor	93,153,391	-	93,153,391	83,256,145
Workmen	959,419	-	959,419	1,351,257
Personal accident	1,776,004	-	1,776,004	755,135
Pecuniary	3,672,096	-	3,672,096	4,512,768
Engineering	1,184,973	-	1,184,973	2,838,340
Liability	6,582,295	-	6,582,295	4,080,519
IBNR	28,066,077	-	28,066,077	23,200,418
Group endowment	-	600,000	600,000	663,502
	139,113,328	600,000	139,713,330	123,377,972

Out of the total outstanding claims, Birr 9,137,730.71 are currently under hearing and examination in different Federal and Regional Courts. The causes for the majority of these cases are death and bodily injury compensation claims resulted from car accidents. The company is involved in such cases as per the third party liability insurance cover given to owners of motor vehicles.

13. TAXES PAYABLE

	General Insurance Business	Long term Insurance Business	Total	2014
Employees' income tax payable	452,978	26,318	479,296	9,778
Profit tax payable (14)	-	-	-	298,404
VAT	448,979	-	448,979	538,084
Withholding tax payable	120,718	-	120,718	135,415
	1,022,675	26,318	1,048,993	981,681

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

14. PROFIT TAX PAYABLE

		2014
Opening Balance	298,404	2,299,187
Less: Settlements	(298,404)	(2,299,187)
	-	-
Profit before tax for the year-Non-Life	48,876,981	57,612,293
Profit before tax for the year Life	-	10,202,224
	48,876,981	67,814,517
Less: Income taxed at source		
Interest income	31,773,314	32,096,783
Dividend income	11,959,648	18,263,616
Gain on sale of shares	-	8,736,450
	43,732,962	59,096,849
Add: Non -deductible expenses		
Donation	23,000	220,000
Staff Leave Pay - Provision	855,239	257,514
Marriage expense	12,000	7,000
Entertainment	171,448	469,601
Shareholders' meeting expense	72,096	-
Office refreshments	349,220	225,951
	1,483,003	1,180,066
	6,627,022	9,897,734
Profit tax (30%)	1,988,107	2,969,320
Less : Withholding tax paid during the year	(1,988,107)	(2,670,916)
	-	298,404

Tax assessments have been made and finalized by the Ethiopian Revenue and Customs Authority up to the year ended 30 June 2007

15. OTHER CREDITORS

	General Insurance Business	Long term Insurance Business	Total	2014
Sundry creditors	12,723,773	47,651	12,771,424	14,063,454
Accrued charges	7,493,204	645,964	8,139,168	5,517,204
Stamp duty	74,993	6,489	81,482	57,588
Pension payable	196,818	2,052	198,870	1,037
Third party motor insurance fund	921,641	-	921,641	786,351
Current maturity of lease payable	676,490	-	676,490	676,490
	22,086,919	702,156	22,789,075	21,102,124

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

16. LAND LEASE PAYABLE

	General Insurance Business	Long term Insurance Business	Total	2014
Balance as at 1 July 2013	8,371,923	-	8,371,923	9,048,413
Less: Current Year payable	<u>676,490</u>	<u>-</u>	<u>676,490</u>	<u>676,490</u>
Balance as at 30 June 2014	<u>7,695,433</u>	<u>-</u>	<u>7,695,433</u>	<u>8,371,923</u>

17. INVESTMENT INCOME

	General Insurance Business	Long term Insurance Business	Total	2014
Interest on fixed deposit	31,761,816	5,469,550	37,231,366	28,023,414
Interest on saving and current account	11,498	-	11,498	9,984
Interest on policy loans	-	-	-	-
Dividend	<u>11,959,648</u>	<u>-</u>	<u>11,959,648</u>	<u>18,263,616</u>
	<u>43,732,962</u>	<u>5,469,550</u>	<u>49,202,512</u>	<u>46,291,581</u>

18. OTHER INCOME

	General Insurance Business	Long term Insurance Business	Total	2014
Sales of bid documents	101,376	-	101,376	323,424
Interest on staff loans	84,896	-	84,896	7,329
Gain on disposal of investment/ fixed asset	7,887	-	7,887	8,851,428
Sundry	15,233	-	15,233	(12,762)
Other Income	<u>2,204,098</u>	<u>4,465</u>	<u>2,208,563</u>	<u>83,452</u>
	<u>2,413,490</u>	<u>4,465</u>	<u>2,417,955</u>	<u>9,252,871</u>

19. DIRECTORS' REMUNERATION

	General Insurance Business	Long term Insurance Business	Total	2014
Transport allowance paid	54,500	-	54,500	59,500
Accrued Directors' fee	<u>127,650</u>	<u>-</u>	<u>127,650</u>	<u>143,000</u>
	<u>182,150</u>	<u>-</u>	<u>182,150</u>	<u>202,500</u>

The annual Board of directors'(BOD`s) emolument was earlier determined as 7.5% of the net profit (i.e. after deducting profit tax and investment income from Banks with a maximum of Birr 200,000 for each BOD . However, currently, the National Bank of Ethiopia issued a directive to limit remuneration payable to the directors with a maximum of Birr 50,000 and transport allowance of Birr 2000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2015

Currency: Ethiopian Birr

20. PAID UP CAPITAL

Subscribed capital is 200,000 shares each at Birr 1000 par value.

Paid up capital is made up of as follows :

	Shares	Amount	2014
Balance at 1 July 2014	100,000	100,000,000	91,601,000
Add: Settlement of subscribed capital	<u>56,779</u>	<u>56,779,000</u>	<u>8,399,000</u>
Balance at 30 June 2015	<u>156,779</u>	<u>156,779,000</u>	<u>100,000,000</u>

21. LEGAL RESERVE

In compliance with Article 22 of Insurance Business Proclamation No. 746/2012, 10% of the net profit after tax is transferred to legal reserve account until the balance reaches the paid up capital.

22. GENERAL AND ADMINISTRATION EXPENSES

	General Insurance Business	Long term Insurance Business	Total	2014
Salaries & related benefits	35,551,109	939,092	36,490,201	25,909,384
Marriage exp	12,000	-	12,000	7,000
Staff leave pay prov.	855,239	36,406	891,645	277,813
Car running and maintenance	5,342,546	40,895	5,383,441	4,642,323
Advertising and publicity	2,585,478	-	2,585,478	1,666,831
Printing and stationeries	1,862,827	37,142	1,899,969	2,389,280
Light and water	169,886	4,219	174,105	193,749
Insurance	574,817	-	574,817	445,913
Traveling	1,039,252	-	1,039,252	941,675
Office cleaning and supplies	338,547	-	338,547	138,643
Communication	2,302,366	27,458	2,329,824	2,140,967
Entertainment	171,448	9,265	180,713	408,053
Office refreshment	349,220	-	349,220	225,951
Municipal tax	51,563	-	51,563	136,182
Legal and professional fee	679,301	-	679,301	463,231
Rent	6,218,088	605,268	6,823,356	5,411,640
Commision	7,999	-	7,999	-
Education and training	379,593	-	379,593	601,491
Uniform	806,296	-	806,296	189,095
Medical	64,623	-	64,623	61,980
Repair and maintenance	979,042	9,082	988,124	1,281,667
Subscription and membership fee	90,803	15,479	106,282	130,719
Expenses related with shareholders meeting	72,097	-	72,097	121,103
Guarding and office cleaning fee	786,415	-	786,415	651,138
Donations	23,000	-	23,000	220,000
Miscellaneous Expense	<u>289,935</u>	<u>16,262</u>	<u>306,197</u>	<u>571,790</u>
	<u>61,603,490</u>	<u>1,740,568</u>	<u>63,344,058</u>	<u>49,227,618</u>

23. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares.

		2014	
Profit attributable to ordinary shareholders	*	42,199,987	58,360,677
Weighted average number of shares		135,729	97,513
Earnings per share		<u>311</u>	<u>598</u>

(* Profit calculation includes deduction of legal reserve)

24. ACTUARIAL VALUATION

As per the accounting policy of the Company, the actuarial valuation was not done for the year ended 30 June 2015.

25. STAFF COSTS

Staff costs for the year amount to Birr 36,490,201 (2014 - Birr 25,909,384) and are shown under general and administration expenses (Note 22).

26. EMPLOYEES

The company employed 348 staff at 30 June 2015 (30 June 2014 -326).

27. RETIREMENT BENEFIT OBLIGATIONS

Staff retirement benefits are provided to some permanent employees by way of a provident fund to which the Company and these employees contribute 10% and 5% of the individual monthly salaries respectively. The fund is kept at the Bank of Abyssinia in the saving account opened in the name of the company and each employee. Other employees are included in a statutory pension scheme to which the Company and these employees contribute 7% and 11% of the individual monthly salaries, respectively. For the year ended 30 June 2015 the Company contributed Birr 2,373,394.78 (30 June 2014 - Birr 1,547,951) which has been charged against income.

28. THIRD PARTY RECOVERY CASES

There are about 168 pending cases involving Birr 16,958,904 for which the company is a plaintiff at different courts. Such cases are instituted based on the rule of subrogation against third parties who are legally liable for the damages that we have paid to insured persons. Among the number of cases stated above most of them are under the stage of litigations or execution at court.

29. FINANCIAL GUARANTEE BONDS UNDER LITIGATION

The Company has instituted action against Nile Coffee Export PLC at the Federal High Court for the performance of contract entered between the two parties for the issuance Financial Guarantee Bond. The case has been decided in favor of the Company for which the company become creditors of Birr 18,667,667 against the judgment debtors.

30. CAPITAL COMMITMENTS

The Company has capital commitments amounting to Birr 165 million in connection with building constructions.

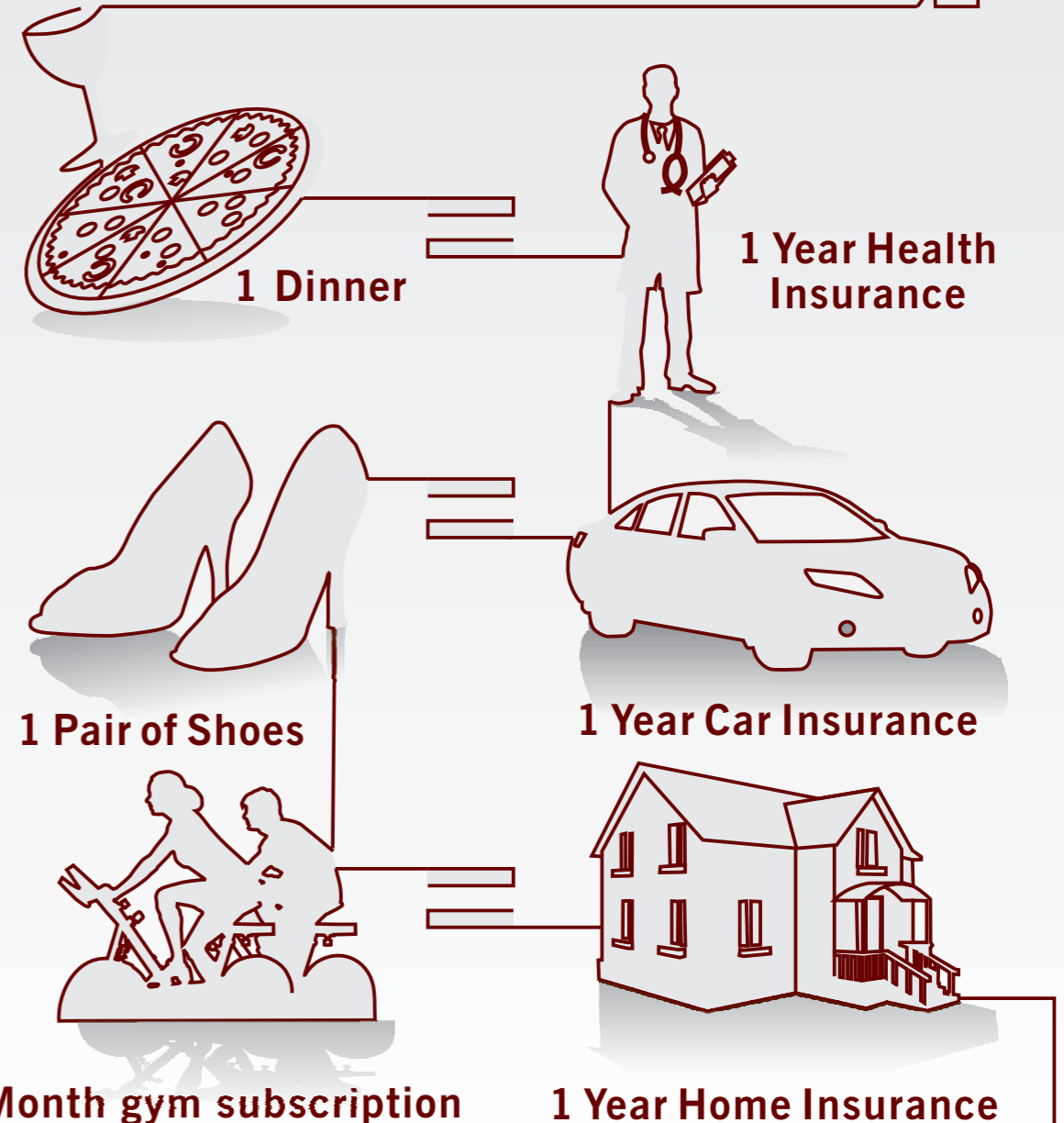
31. COMPARATIVE FIGURES

In order to facilitate comparison, some of the previous year figures in the accounts have been rearranged.

32. DATE OF AUTHORIZATION

The Company's management authorized the issue of these financial statements on 30 September 2015.

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