

# Annual Report

*2016*



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NILE INSURANCE

CATCHING  
TOMORROW  
**TODAY.**

# Why wait until it's too late?

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LIFE / MOTOR / PROPERTY / ENGINEERING / LIABILITY / BONDS / TRAVEL ... WHAT NOT!



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# Annual Report *2016*

Nile Insurance Company S.C.

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## Board of Directors



**Mekdes Aklilu**  
*Board Chairman*



**Aemero Belete**  
*Deputy Board Chairman*



**Meseret Melese**  
*Board Director*



**Mulugeta Asmare**  
*Board Director*



**Yifru Tadesse**  
*Board Director*



**Yilikal Kassa**  
*Board Director*



**Yerom Gessesse**  
*Board Director*



**Tadesse Woldeher**  
*Board Director*

## Senior Management Team



**Melaku Sisay**  
*Chief Executive  
Officer*



**Shumetic Zerihun**  
*D/CEO Corporate  
Services*



**Nigus Anteneh**  
*D/CEO Operations*



**Hailu Makonnen**  
*Manager, Claims  
Management*



**Sangeorge Desalegn**  
*Manager, Resinsurance &  
Branch Operations*



**Ermias Teshome**  
*Manager, Marketing &  
Strategic Planning*



**Asmare Miheret**  
*Manager, Finance &  
Investments*



**Binalf Mekonnen**  
*Manager, Resource  
Management*



**Yinebeb Dersseh**  
*Manager, Legal  
Department*



**Zewdu Ayalew**  
*Manager, Information  
Technology*



**Ali Mohammed**  
*Manager, Project Office*



**Teferi Debas**  
*A/Manager, Internal  
Audit &  
Risk Management*



**Tesfaye Tolessa**  
*Manager, Life  
Department*



## Chairman's Statement

*Dear Stakeholders,*

I feel honored and pleased to present, on behalf of the Board of Directors and myself, the annual report of Nile Insurance Share Company for the operation that ended 30 June 2016. As in the past, the Board and Management of Nile have exerted their maximum effort to advance the sustainable growth and prosperity of the company withstanding a number of challenges ranging from internal manpower skill gaps up to external accident/risk aggravating factors.

This year we are particularly proud to report our achievements in developing existing and newly acquired properties for both own use and income generating purposes. As projected in the previous year our branch expansion and increasing services accessibility program has gone well and as a result we have secured more market share in the industry. Developing properties market expansion initiatives have consumed considerable financial resources as well as big portion of the Board's and management attention and time throughout the year. Such special long-term impact focused commitments made during the year on those previously undermined line of activity, no doubt has negatively impacted the immediate profit volume of the company. However, we trust the future cost saving and income generating capacity will more significantly enhance the profitability and overall future standing of the company.

The Board and Management was also deeply engaged in cultivating the organization culture towards increasing operational efficiency, competitiveness and up-holding high level ethical standard with ultimate objective of sustainable company development. Initiatives to change deep rooted institutional culture entail a daunting task as it affects the status quo and need paradigm shift. With this in mind, we trust our effort during the year was not without fruit and hope it will evolve for the better in the years to come.

As always, we appreciate the continued support and loyalty of our customers, shareholders, employees and other stakeholder.

**Mekdes Aklilu**

*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 21 years, the subscribed capital of the company has grown to birr 200 million, out of which birr 180 million is paid up. Currently, Nile's branch network in Addis Ababa and regional towns has reached 41, making it one of the leading insurance companies in terms of accessibility. The Company has more than 36,000 customer base across the country. The total asset of the company is Birr 734 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 services and engage in investment through high profile expertise and state of the art technology.

## Motto

Catching Tomorrow Today.

## 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 Executive Management members. The Board is further composed of sub-committees namely; Business Development and Risk Management, Finance and Audit, and Human Resource and 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 had convened 40 meetings during the budget year.

# Annual General Meeting 2015





## Directors' Report

*The Board of Directors of Nile Insurance Company is pleased to present the 2015/16 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 Statements.*

### Performance Highlights

#### Business & Economic Environment

The global economy continued to expand at only a moderate estimated pace in 2015/16. Recovery was hampered by some new challenges, including a number of unexpected shocks, such as the heightened geopolitical conflicts in different parts of the world. In the reporting year, Ethiopia's economic performance indicated a slight slowdown relative to last year due to the impact of the "El Niño"-related drought and a drastically weaker global environment.

Nevertheless, the slowdown was mitigated by effective and timely policy responses to the drought, and buoyant industrial and services sectors. Moreover, stability-oriented macroeconomic policies, including drought-related food imports, curbed inflationary pressures have been taken.

The global economic environment, on the other hand, is affecting the Ethiopian economy differently. Due to lower oil prices, the economy is benefiting from lower inflation as well as less pressure on current accounts. In general, Ethiopia has had an impressive track record of growth and poverty reduction in recent years, which has created ample opportunities for the insurance sector.

#### Industry Landscape

The robust economic background of the country has been a key driver of underwriting activity in the Ethiopian insurance industry and is expected to continue over the coming years. During the year under review, there was an upward trend in some of the key performance and financial position indicators for the industry. Based on the information obtained from the National Bank of Ethiopia, gross written premium from general and long-term insurance businesses grew from Birr 5.6 billion to Birr 6.4 Billion in 2016, with a 15.6% growth rate versus- the previous year.

On the other hand, claims incurred has reached ETB 3.1 billion (2015: Birr 2.5 Billion) and profit after tax stood Birr 835 million (2015: Birr 823 million). The industry's asset base grew from Birr 9.7 billion in 2015 to Birr 11.5 billion in 2016, a growth of 18.5%, signaling improving capital position.

Another development in the industry was the establishment of Ethiopian Reinsurance Company S.C. Besides retaining significant amount of premium that has been ceded to foreign reinsurers, it will generally enhance and stabilize the insurance industry.

Despite the positive developments, however, the contribution of the insurance industry, skewed towards general insurance business, to the overall GDP is about 1%, with a per-capita premium of below USD 3. The penetration level of life insurance business in particular is one of the lowest in the continent.

**NILE'S  
LIFE INSURANCE**  
Protect your loved ones.



The insurance industry is generally characterized by intense level of competition over established business segments primarily driven by premium – cutting, which leads to a zero-sum-game where every company will eventually be the loser. Very little effort has been made towards innovation in products, technology-supported and efficient service delivery methods and distribution channels. Although low level of insurance penetration is an opportunity for further growth, it however needs an orchestrated effort by all stakeholders in order to develop the industry.

## Operational Highlights

In 2015/16, Company's performance was underpinned by various activities which highly contribute to its market share growth, standing second from among the private insurers. Some of the operational highlights are indicated here below.

- Emerging risks are identified and managed using established governance processes.
- Detailed study has been conducted to improve major bottlenecks of underwriting processes and claims management.
- Various manuals and policy guidelines are issued considering Company's performance, competitor's position and strategic opportunities.
- Emphasis was given to capacity building activities.

## Financial Performance

### A. General Insurance Business

#### Gross Written Premium

Gross written premium (GWP) in the year under review was boosted by 18.3% to Birr 405,308,389 (2015: Birr 342,707,580). The strategic initiatives taken by the Company towards branch expansion, intermediary management and other business development activities contributed for the increase. Figure 1 below presents proportions of GWP in the different lines of business (portfolio mix).

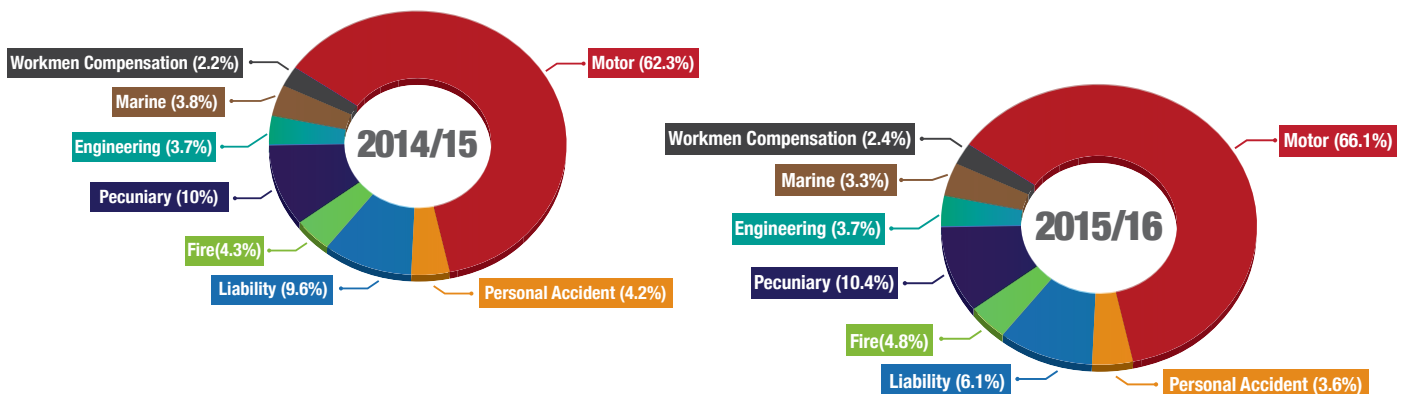


Fig. 1 Portfolio Mix

## NILE'S PROFESSIONAL INDEMNITY

Sometimes even the most experienced professionals get it wrong.

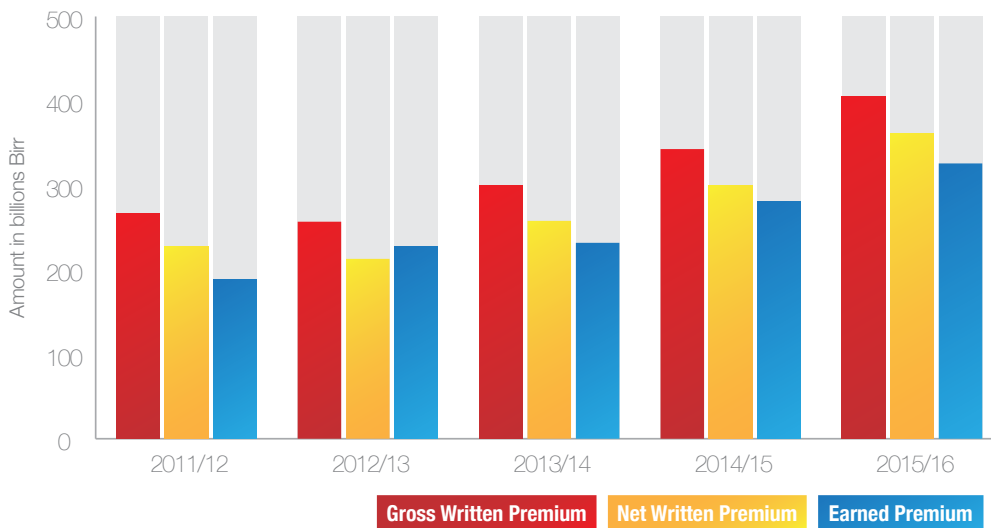


Compared to 2014/15, all classes of business except pecuniary has shown improvement. Fire business had the highest growth of 33% followed by liability (28%), workmen’s compensation (28%), motor (27%), pecuniary (42%), Engineering (5%), and personal accident (4%) from previous year.

In spite of the improvements seen in almost all line of businesses, pecuniary business has shown short fall from last year. This was mainly driven by stiff competition resulting from premium cutting.

**Net Earned Premium**

The net earned premium grew substantially by 16% to Birr 326,377,347, from Birr 280,698,189 in the previous year.



**Fig. 2 Trends of Gross Written Premium & Net Earned Premium (2011/12 – 2015/16)**

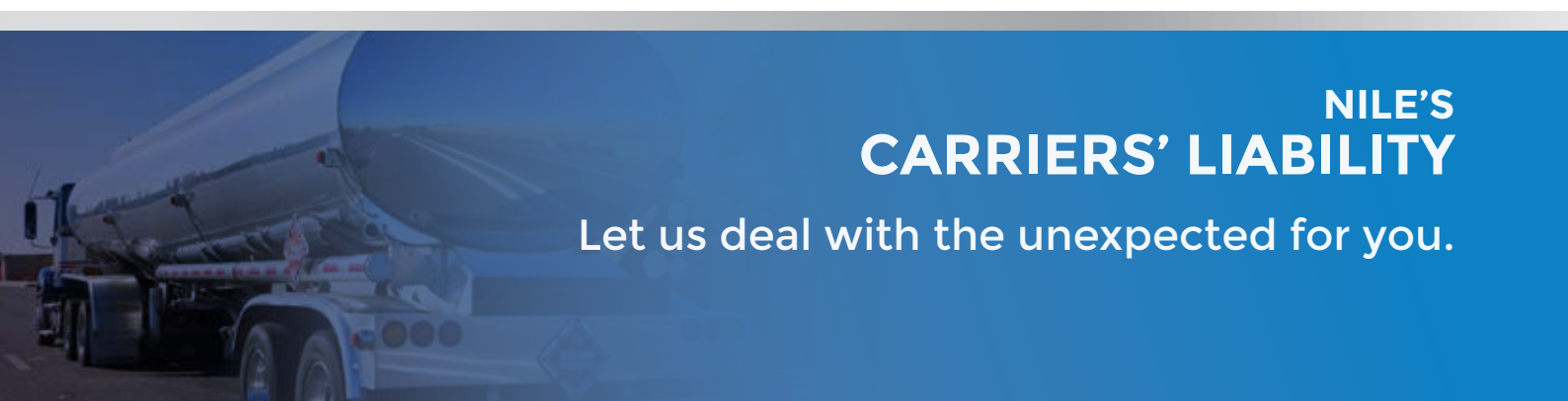
This is largely due to considerable increase in premium earned from motor, liability, fire and workmen’s class of businesses.

**Claims Paid**

Net claims paid amounted to Birr 228,658,087, portraying a 29.9% significant increment over last year’s figure of Birr 176,056,280. The increase in claims was mainly due to high payments for motor, fire, liability, marine, personal accident and pecuniary related losses.

**Claims Incurred**

The Company’s incurred net claims totaling Birr 255,648,100 in 2016 compared to Birr 192,455,141 in 2015, representing an increase of 32.8%. Accordingly, the loss ratio (net) rose to 78.3 % ( 2015: 68.6%) as a result of loss events in several lines of business. The provision for outstanding claims rose by 20.2% to Birr 133,505,018 compared to Birr 111,047,251 in the previous year. This was due to higher provision made for performance and advance payment bonds.



**NILE’S CARRIERS’ LIABILITY**

Let us deal with the unexpected for you.

## Technical Provisions

Technical provisions at the end of June 30, 2016 went up by 21.9% to Birr 348,777,098 compared to Birr 286,022,635 in the previous year.

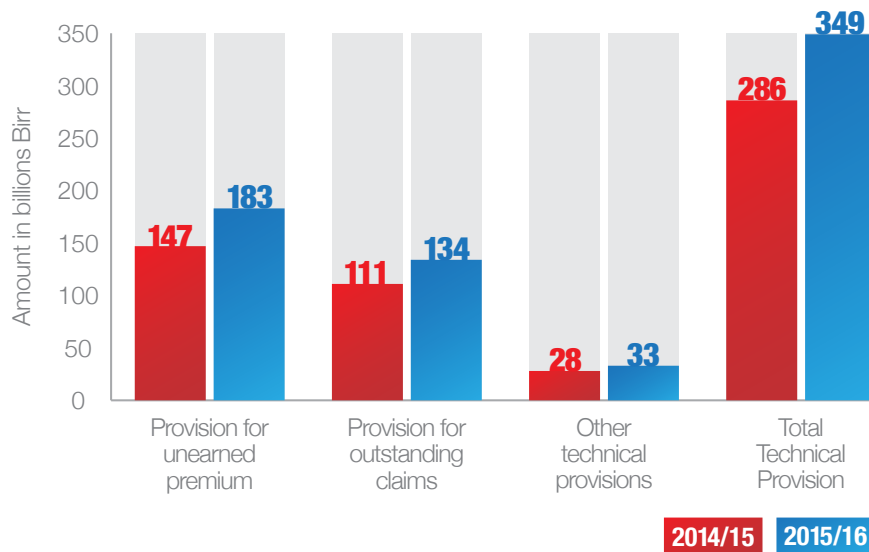


Fig. 3 Technical Provisions for 2014/15 & 2015/16

This was mainly impacted by a 24% (or Birr 35,764,449) and 11.5% (Birr 22,457,767) rise in the provision for unearned premium and outstanding claims respectively.

## Underwriting Surplus

The underwriting surplus for the year went down by 25% to Birr 56,502,869 compared to Birr 75,221,826 in the previous year. This decrease was largely due to a high claims payment, and increases in the provision for unearned premium and claims outstanding.

## Investment Income

Investment income represents a substantial portion of revenues for the Company. However, interest income from fixed time deposits and dividend realized from shareholdings in Bank of Abyssinia (BOA) dropped by 9% to Birr 39,656,222 from last year of Birr 43,732,962. This was mainly attributable to the decrease in interest income from time deposits by 12.5% to Birr 27,783,475 as compared to the previous year's record.

Interest income has shown a decrease from previous same period largely due to the decline in fixed time deposits resulting from Company's engagement in various big construction projects. Nevertheless, dividend income from BOA remains nearly the same compared with previous period and stood at Birr 11,872,748.

## Other Income

During the year under review, income from other sources was Birr 1,502,054. Compared to the previous year's of Birr 2,413,490, it has shown a decrease. This is due to the right back of Birr 1,534,603 made in last year and accounted as other income in the same period.

**NILE'S  
ENGINEERING INSURANCE**

Don't let a small mistake bankrupt  
your business.



**Expenses**

Administrative and general expense of the Company rose by 7.5% to Birr 78,354,152 compared to last year of Birr 72,875,530. This is primarily due to annual salary increment, increased office rent and the other related costs of doing business. Accordingly, the expense ratio for the reporting period stood at 28.4%, exhibiting 2.2% decrease from last year of 30.6%.

**Profit**

Profit before tax was Birr 20,043,960, showing a significant shortfall of 59% compared to Birr 48,876,981 in the previous year. This is mainly attributed to the significant increase of claims, increase in unearned premium, and increase in other expenses such as rent, salaries, stationery expense, and repair and maintenance.

**B. Long Term Insurance**

**Gross Written Premium**

This segment of the Company’s business recorded a steady growth of 7.48% to Birr 28,051,717 compared to Birr 26,099,943 in the previous year.

**Life Business Outgo**

In the year under review, the net claims incurred increased by 9.18% to Birr 12,325,763 compared to Birr 11,289,842 in last year. Likewise, administrative and general expense of life insurance was Birr 1,548,658 showing a decrease of 12.4% from last year.

**Life Fund**

As at June 30, 2016, the life fund stood at Birr 56,410,154, portraying an increase of 21.8 % from Birr 46,314,752 at the beginning of the year.

**Asset & Shareholders’ Funds**

The Company’s asset base grew from ETB 647 million in 2015 to ETB 734 million in 2016, signaling improving capital position of the Company. As shown in fig. 4 below, out of the total Company asset, 63.9% (ETB 468.7 million) was current asset while fixed asset and investments took 22.5% and 13.6% respectively. On the other hand, shareholders’ funds amounted to ETB 231 million, a slight growth of 0.4%.

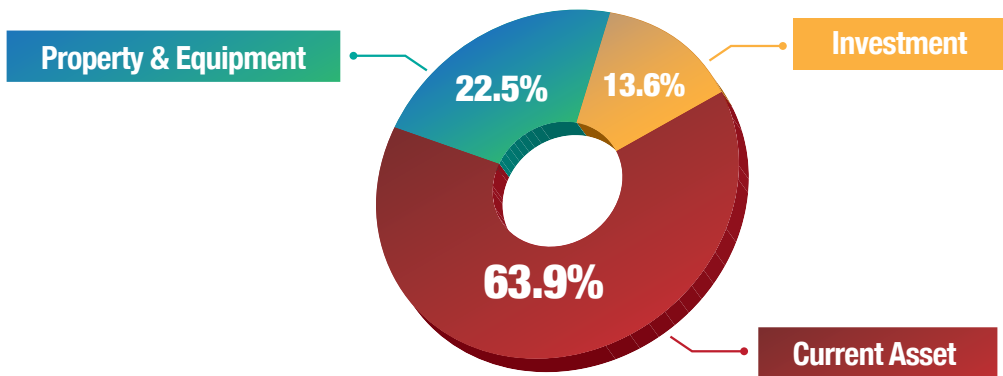


Fig. 4 Asset Composition of the Company as of June 30, 2016



**NILE'S  
FINANCIAL GUARANTEE**  
If you value it, insure it.

During the reviewed period, the balance of fixed time deposit decline by 9% to Birr 349,313,932 from the previous year's record of Birr 383,884,355. This decrease is mainly resulted from various investment engagements of the company during the period.

### **Solvency Margin - General Insurance**

Nile has continued to maintain a stable solvency margin ratio way above the statutory requirement. The statutory equity, which was Birr 204,739,941 for the fiscal year is above the minimum requirement of Birr 44,976,928 (i.e. 15% of previous year's net written premium). The solvency margin, therefore, was more than 5 times of the standard and assuring the adequacy of the Company's capital.

## **Investment Highlights**

### **Future Headquarter Project**

As part of its investment ventures, the company embarked on project of constructing its own three basement ground floor and 25 storey future head quarters building around the National Theater. Currently, third basement floor for Block-A, including design modification, has been partially completed. Furthermore, the structural work for Block-B is completed.

### **Gelan Industry Park and Recovery**

Nile acquired about 18,000 square meters strategic plot of land in Gelan area at a land leasehold cost of Birr 15.6 million. In the reporting period, the company started the process of land development works in the site, which is expected to serve as salvages recovery and multi-purpose warehousing.

### **Other Real-estate Projects**

A construction project around Kality Comet is on the final stage of finishing works. Moreover, store building at Gurdshola project sites are underway.

### **Strategic Plan and Organizational Transformation**

Nile had planned strategic investments in the previous year to launch its third strategic plan. Nevertheless, efforts made to realize the plan were not successful due to various reasons. Thus, the company had made revision on its request for proposal and rebidding was made for the consultancy work in the reporting period. Currently, the Company is in the process of recruiting a renowned consultancy firm to develop a new five year strategic plan.

### **Human Capital**

The ever-changing corporate landscape in highly competitive environment requires the Company to have qualified, skilled and motivated workforce that are critical to its success.

The Company's training and development programmes cater the employees' needs that enable them to enhance performance in their jobs. Nile has in-house training facility and employees are also developed through external training both locally and overseas.

## **NILE'S MOTOR INSURANCE**

**We provide you with one stop insurance solutions for your vehicles.**



During the year under review, the number of employees reached 377, showing an increase of 8.3% compared to the previous year. Out of the total employees, 202 (53.6%) are with first degree and above qualifications.

### **Risk Management**

Risk management is a key element of Nile's approach to corporate governance. We have an integrated process for managing risks throughout the Company. Nile's Risk Management Division supervises and integrates the risk management functions in each of major business units, providing senior management and the Board with a consolidated view on the Company's major risk positions.

### **Capitalization**

The total fund infused by the Shareholders of the Company in the period was Birr 179,859,000 showing an increase of 14.7% 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.

### **Dividends**

As at June 30, 2016, the Company was able to generate a net profit of Birr 20,043,960. After accounting Birr 2,004,396 for the legal reserve and Birr 841,667 for Director's share, the remaining balance of the profit is Birr 17,197,897. The Board of Directors, therefore, proposes to the general meeting of shareholders that Birr 17,197,897, (10.21% of the weighted average shares) be distributed to shareholders proportionate to their respective paid up shares.

### **Distribution Channels**

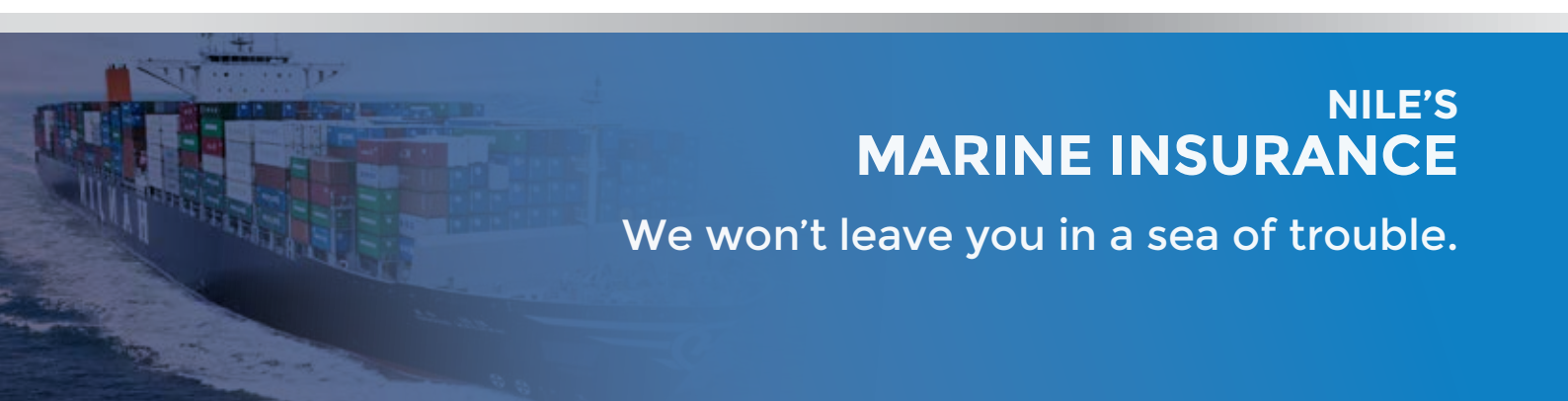
Distribution remains the key competitive arena for the Company and here the focus is on ensuring that our distribution channels are well aligned with the needs of the market.

During the year under review, the company made three branches operational. Thus, it is worth mentioning that Nile has 41 branches positioned throughout the country as of June 30, 2016. Moreover, we recruited additional sales agents and made bilateral discussion with brokers.

### **Corporate Social Responsibility (CSR)**

Our CSR strategy provides the framework for managing the different ways we connect with society. In the reporting year, Nile has closely worked with partners, such as Total Ethiopia and Addis Ababa Road Authority Drivers' Association, to address road safety programmes in the Djibouti corridor and different parts of the country.

Nile also participated in blood donation and tree planting campaign in association with the Ethiopian Red Cross Society and Ethiopia Heritage Trust Authority respectively. Both campaigns proved successful as numerous employees stepped forward and contributed their part. Over the year, the Company also sponsored various institutions.



**NILE'S  
MARINE INSURANCE**

**We won't leave you in a sea of trouble.**

## Future Outlook

We operate in a competitive market that is facing continued uncertainty about profitability, and pressure on pricing. The focus is therefore shifting to ways of improving efficiency on the overall risk management and meeting customers' expectation.

Claims account for the highest percentage of the Company's cost. The way a claim's process is managed and underwriting prudence are therefore vital to the Company's profitability. In addition, the company will strive at prudently managing its predominant motor business efficiently while at the same time working aggressively to expand and diversify further its business portfolio through aggressive marketing.

We hope the opportunities under the Second Growth and Transformation Plan (GTP II) and various macro level initiatives and actions that have started will enhance the overall growth the industry. In line with this economic opportunity and the pressing need for organizational transformation, the Company will launch its 3rd Strategic Road Map and continues to invest in enhancing its management capabilities.

In so doing, the Company is committed to, at all times, maintain a disciplined underwriting approach with a view to consolidating profitability and strengthen its financial position. The company will also continue with its quest to train its staff by continually exposing the technical team to vast trainings in order to attain a competitive edge. Moreover, special emphasis will be given to the following:

### Business Development

The Company will continue to enhance its branch expansion, portfolio mix with superior, differentiated product solutions that meet customer needs, using our scale and capital strength to pursue growth opportunities.

### Claims Management

Nile will continue improving claims handling practice to enhance its customer service, increase efficiency and lower the loss ratio. To mitigate the severity of accidents, the company will also launch education and awareness creation campaigns in collaboration with various stakeholders.

### Information Technology

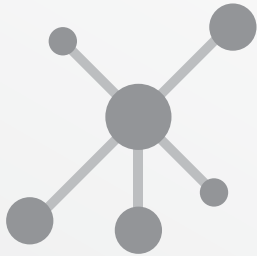
Ongoing focuses of the Board include the development of future capability and the monitoring of risks associated with IT systems' stability and the internal control environment. In addition to this, efforts will be made to enhance IT system efficiency which enables the delivery of better customer experience. To this end, upgrading of our IT system using more advanced technology will be the focus area in the year to come.

### Investment

We plan to execute our investment strategy, which includes increased asset diversification and yield-enhancement opportunities that meet our capital, liquidity, risk and return objectives.



# Who is Nile Insurance?



**41**  
Networked  
Branches



**370**  
Employees



**36,000**  
Customers



**200,000,000**  
Birr Capital



**734,000,000**  
Birr of Total Assets



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**NILE INSURANCE**

CATCHING  
TOMORROW  
**TODAY.**

## Customers at a glance



**YETEBABERUT**  
Transporters  
Association

**NEHAM**  
International  
Business

**GHION**  
Industrial &  
Commercial

**GAD**  
CONSTRUCTION

# Independent auditor's report to the shareholders of Nile Insurance Company (S.C.)

*We have audited the accompanying financial statements of Nile Insurance Company (S.C), which comprise the Balance Sheet as at June 30, 2016, and the Statement of Profit and Loss, 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 information.*

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Generally Accepted Accounting Principles 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.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

## Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the Company as at June 30, 2016 and of its statement of profit or loss and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

## Report on other legal and regulatory requirements

The Company has prepared its financial statements in compliance with the relevant provisions of the Insurance Business Proclamation No 746/2012 and the Commercial Code of Ethiopia (1960).

Pursuant to the legal requirement under Section 375, Sub Article 2 of the Commercial Code of Ethiopia 1960, we have no deficiencies to report as a result of our examination whether the report of the Directors, to the extent we can assess, is consistent with the financial statements we audited. We therefore recommend approval of the accounts.

**Tesfaye Teferi & Co.**

Chartered Certified Accountants



Addis Ababa, Ethiopia

October 31, 2016

**NILE INSURANCE COMPANY (S.C)****BALANCE SHEET** (To be continued)

AS AT JUNE 30, 2016

	Notes	General Insurance Birr	Long term Insurance Birr	Total Birr	2015 Birr
<b>CURRENT ASSETS</b>					
<b>Cash and Bank Balance</b>					
Cash on hand		2,296,893	167,193	2,464,086	2,950,723
Cash at bank - Current account	3	<u>21,779,414</u>	<u>1,361,896</u>	<u>23,141,310</u>	<u>19,347,459</u>
<b>Sub total</b>		<u>24,076,307</u>	<u>1,529,089</u>	<u>25,605,396</u>	<u>22,298,182</u>
<b>Debtors</b>					
Trade debtors		20,079,725	267,985	20,347,710	20,640,313
Less: Provision for doubtful debts		<u>(20,372,328)</u>	<u>(267,985)</u>	<u>(20,640,313)</u>	<u>(20,640,313)</u>
		<u>(292,603)</u>	_____	<u>(292,603)</u>	_____
Staff debtors		<u>7,075,154</u>	<u>17,988</u>	<u>7,093,142</u>	<u>1,812,837</u>
Sundry debtors		1,743,945	193,194	1,937,139	1,388,076
Less: Provision for doubtful debts		<u>(1,127,523)</u>	_____	<u>(1,127,523)</u>	<u>(1,127,525)</u>
		<u>616,422</u>	<u>193,194</u>	<u>809,616</u>	<u>260,551</u>
<b>Sub total</b>		<u>7,398,973</u>	<u>211,182</u>	<u>7,610,155</u>	<u>2,073,388</u>
Accrued interest receivable		12,931,901	2,138,187	15,070,088	18,628,071
Prepayments		6,304,704	719,820	7,024,524	4,809,549
Statutory deposits	4	24,730,000	2,250,000	26,980,000	23,520,000
Withholding tax receivable	5	3,364,442	676,325	4,040,767	1,887,618
Construction advance payments	6	33,087,668	-	33,087,668	41,131,669
Fixed time deposit at banks	7	<u>275,082,591</u>	<u>74,231,341</u>	<u>349,313,932</u>	<u>383,884,355</u>
<b>Sub total</b>		<u>355,501,306</u>	<u>80,015,673</u>	<u>435,516,979</u>	<u>473,861,262</u>
<b>TOTAL CURRENT ASSETS</b>		<u>386,976,586</u>	<u>81,755,944</u>	<u>468,732,530</u>	<u>498,232,832</u>
<b>LONG-TERM INVESTMENT</b>					
Investments	8	100,000,000	-	100,000,000	61,893,764
Saving bond coupon	9	25	_____	25	<u>2,000,025</u>
<b>Sub total</b>		<u>100,000,025</u>	_____	<u>100,000,025</u>	<u>63,893,789</u>
<b>FIXED ASSETS</b>					
Fixed assets (net)	10	124,292,513	107,585	124,400,098	60,991,728
Leasehold land	11	39,645,765	-	39,645,765	23,419,023
Intangible asset (net)	12	<u>939,053</u>	_____	<u>939,053</u>	<u>742,695</u>
<b>Sub total</b>		<u>164,877,331</u>	<u>107,585</u>	<u>164,984,916</u>	<u>85,153,446</u>
<b>TOTAL ASSETS</b>		<u>651,853,942</u>	<u>81,863,529</u>	<u>733,717,471</u>	<u>647,280,067</u>


**Mekdes Aklilu**

Chairman of the Board of Directors



**Melaku Sisay**

Chief Executive Officer

**NILE INSURANCE COMPANY (S.C)****BALANCE SHEET** (Continued)

AS AT JUNE 30, 2016

	Notes	General Insurance Birr	Long term Insurance Birr	Total Birr	2015 Birr
<b>LIABILITY</b>					
<b>CURRENT LIABILITIES</b>					
<b>Non-technical</b>					
Payables/Creditors	13	18,474,295	549,111	19,023,406	13,360,257
Due to re-insurers	14	44,544,520	10,204,731	54,749,251	42,618,828
Dividend payable	15	7,595,111	-	7,595,111	9,494,502
Accrued liability	16	3,891,195	181,182	4,072,377	8,139,168
Taxes payables	17	1,367,622	39,623	1,407,245	1,048,993
Pension payable	18	332,977	16,781	349,758	198,870
Stamp duty		235,249	7,114	242,363	81,482
Third party motor insurance fund		1,187,922	-	1,187,922	921,641
Current maturity of lease payable	22	<u>690,490</u>	<u>-</u>	<u>690,490</u>	<u>676,490</u>
<b>Sub total</b>		<u>78,319,381</u>	<u>10,998,542</u>	<u>89,317,923</u>	<u>76,540,231</u>
<b>Technical Provisions</b>					
Outstanding claims	19	133,505,018	789,335	134,294,353	111,647,251
Unearned premiums	20	182,673,756	-	182,673,756	146,909,307
Other technical claims (IBNR)	21	<u>32,598,324</u>	<u>-</u>	<u>32,598,324</u>	<u>28,066,077</u>
<b>Sub total</b>		<u>348,777,098</u>	<u>789,335</u>	<u>349,566,433</u>	<u>286,622,635</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>427,096,479</u>	<u>11,787,877</u>	<u>438,884,356</u>	<u>363,162,866</u>
<b>LONG TERM LIABILITY</b>					
Leasehold land payable	22	<u>7,410,942</u>	<u>-</u>	<u>7,410,942</u>	<u>7,695,433</u>
<b>TOTAL LIABILITIES</b>		<u>434,507,421</u>	<u>11,787,877</u>	<u>446,295,298</u>	<u>370,858,299</u>
<b>CAPITAL AND RESERVES</b>					
Paid up capital (authorized Birr 200 million)	1,23	164,859,000	15,000,000	179,859,000	156,779,000
Legal reserve	24	32,156,636	956,819	33,113,455	31,109,059
Retained profit		18,039,564	-	18,039,564	42,218,957
Inter business current account		<u>2,291,321</u>	<u>(2,291,321)</u>	<u>-</u>	<u>-</u>
<b>Shareholders' funds</b>		217,346,521	13,665,498	231,012,019	230,107,016
Life fund	Page 22	<u>-</u>	<u>56,410,154</u>	<u>56,410,154</u>	<u>46,314,752</u>
		<u>217,346,521</u>	<u>70,075,652</u>	<u>287,422,173</u>	<u>276,421,768</u>
<b>TOTAL LIABILITIES AND EQUITIES</b>		<u>651,853,942</u>	<u>81,863,529</u>	<u>733,717,471</u>	<u>647,280,067</u>


**Mekdes Akilu**

Chairman of the Board of Directors



**Melaku Sisay**

Chief Executive Officer

**NILE INSURANCE COMPANY (S.C)**  
**STATEMENT OF PROFIT AND LOSS**  
 FOR THE YEAR ENDED JUNE 30, 2016

	Notes	Birr	Birr	2015 Birr
<b>INCOME</b>				
Underwriting results	Page 21		56,502,869	75,221,826
Investment income	25		39,656,222	43,732,962
Rent			736,967	384,233
Sundry income	26		<u>1,502,054</u>	<u>2,413,490</u>
			<u>98,398,112</u>	<u>121,752,511</u>
<b>EXPENSES</b>				
General & administration expense	27	69,809,669		61,603,490
Financial charge		125,564		344,984
Depreciation		7,890,417		5,596,455
Amortization		332,602		464,449
Directors remuneration		130,350		182,150
Audit fee		65,550		76,705
Provision for doubtful debts		—		<u>4,607,297</u>
			<u>78,354,152</u>	<u>72,875,530</u>
<b>PROFIT BEFORE TAXATION- GENERAL INS</b>			20,043,960	48,876,981
<b>PROFIT BEFORE TAXATION- LONG TERM INS</b>			—	—
<b>TOTAL PROFIT BEFORE TAXATION</b>			20,043,960	48,876,981
<b>PROVISION FOR TAXATION</b>	28		—	<u>1,988,107</u>
<b>PROFIT AFTER TAX</b>			20,043,960	46,888,874
<b>TRANSFER TO LEGAL RESERVE</b>			<u>2,004,396</u>	<u>4,688,887</u>
			18,039,564	<u>42,199,987</u>
<b>RETAINED EARNINGS BROUGHT FORWARD</b>		42,218,957		58,453,178
<b>DIVIDEND &amp; DIRECTORS' PAYMENT DECLARED AND PAID</b>				
			<u>(42,218,957)</u>	<u>(58,453,178)</u>
			—	—
<b>PRIOR PERIOD ADJUSTMENT</b>			—	<u>18,970</u>
			<u>18,039,564</u>	<u>42,218,957</u>
<b>EARNINGS PER SHARE (EPS)</b>			<b><u>119</u></b>	<b><u>345</u></b>



**PEACE OF MIND**  
 =  
**NILE INSURANCE**

## NILE INSURANCE COMPANY (S.C) GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	Birr	2015 Birr
<b>PREMIUM</b>		
Gross written premium	405,308,389	342,707,580
Less: - Premium ceded	(43,166,593)	(42,861,395)
Net premium written	362,141,796	299,846,185
Change in unearned premium	(35,764,449)	(19,147,996)
<b>Net Earned Premium</b>	<u>326,377,347</u>	<u>280,698,189</u>
<b>CLAIMS</b>		
Claims paid net re-insurance	(228,658,087)	(176,056,280)
Change in net provision for claims	(22,457,765)	(11,533,202)
Change in other technical provision	(4,532,248)	(4,865,659)
<b>Total Claims Incurred</b>	<u>(255,648,100)</u>	<u>(192,455,141)</u>
<b>OPERATING EXPENSE</b>		
Insurance commission (net)	(14,226,378)	(13,021,222)
	<u>(226,874,478)</u>	<u>(205,476,363)</u>
<b>UNDERWRITING SURPLUS</b>	<u>56,502,869</u>	<u>75,221,826</u>

## NILE INSURANCE COMPANY (S.C) LONG TERM INSURANCE BUSINESS REVENUE ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	Notes	Birr	2015 Birr
<b>PREMIUM</b>			
Gross written premium		28,051,717	26,099,943
Less: - Premium ceded		(8,245,133)	(6,772,085)
Net premium written		19,806,584	19,327,858
Less: - Net commission income		(1,724,260)	(1,204,422)
Policy owners benefit-claims incurred		(12,325,763)	(11,289,842)
Change in provision for outstanding claims		(189,334)	63,502
<b>NET WRITTEN PREMIUM IN EXCESS OF CLAIMS</b>		<u>5,567,227</u>	<u>6,897,096</u>
<b>OTHER INCOME</b>			
Interest income		6,076,432	5,469,550
<b>Other income</b>		<u>401</u>	<u>4,465</u>
<b>Total other income</b>		<u>6,076,833</u>	<u>5,474,015</u>
<b>EXPENSES</b>			
Administrative expenses	27	1,522,702	1,740,568
Financial charge		5,419	5,511
Depreciation		<u>20,537</u>	<u>22,544</u>
		<u>1,548,658</u>	<u>1,768,623</u>
<b>INCREASE IN LIFE FUND</b>		<u>10,095,402</u>	<u>10,602,488</u>
<b>LIFE FUND, BEGINNING OF THE YEAR</b>		<u>46,314,752</u>	<u>35,712,264</u>
<b>LIFE FUND, END OF THE YEAR</b>		<u>56,410,154</u>	<u>46,314,752</u>



## NILE INSURANCE COMPANY (S.C) STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2016

	Paid up capital Birr	Legal reserve Birr	Retained earnings Birr	Life fund Birr	Total Birr
<b>Balance at 1 July 2014</b>	<b>100,000,000</b>	<b>26,420,172</b>	<b>58,453,178</b>	<b>35,712,264</b>	<b>220,585,614</b>
<b>Change in 2014/2015</b>					
Dividend declared	56,779,000	-	(56,672,531)	-	106,469
Profit share paid to Directors	-	-	(1,780,647)	-	(1,780,647)
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
<b>Balance at 30 June 2015</b>	<b>156,779,000</b>	<b>31,109,059</b>	<b>42,218,957</b>	<b>46,314,752</b>	<b>276,421,768</b>
<b>Change in 2015/2016</b>					
Dividend declared	-	-	(41,768,957)	-	(41,768,957)
Dividend Capitalized	22,713,574	-	-	-	22,713,574
P/UP capital paid in cash	366,426	-	-	-	366,426
Profit share paid to Directors	-	-	(450,000)	-	(450,000)
Net profit for the year	-	-	20,043,960	-	20,043,960
Transfer to legal reserve	-	2,004,396	(2,004,396)	-	-
Increase in life fund	-	-	-	10,095,402	10,095,402
<b>Balance at 30 June 2016</b>	<b>179,859,000</b>	<b>33,113,455</b>	<b>18,039,564</b>	<b>56,410,154</b>	<b>287,422,173</b>



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**NILE INSURANCE COMPANY (S.C)**  
**STATEMENT OF CASH FLOWS**  
 FOR THE YEAR ENDED JUNE 30, 2016

	Birr	Birr	2015 Birr
<b>Operating activities</b>			
Net profit before taxation		20,043,959	48,876,981
Prior year adjustment		-	18,970
Investment income		(39,656,221)	(44,117,195)
Provision for doubtful debts		-	2,175,117
Depreciation		7,890,417	5,611,112
Amortization		332,602	464,448
<b>Sub total</b>		<u>(11,389,243)</u>	<u>13,029,433</u>
<b>Change in working capital activities</b>			
Decrease in debtors		1,108,263	(40,065,712)
Increase in outstanding claims		27,179,348	16,335,358
Increase in unearned premium		35,764,449	19,147,996
Increase in due to re-insurers		12,130,423	15,963,606
Decrease in dividend payable		(1,899,392)	-
Increase payable/creditors		2,777,339	1,686,951
Increase in tax payable		358,253	365,716
Profit tax paid		-	(2,974,015)
		<u>77,418,584</u>	<u>10,459,900</u>
<b>Net cash provided by operating activities</b>		<b>66,029,341</b>	<b>23,489,333</b>
<b>Investing activities</b>			
Investment income		39,656,221	40,977,580
Purchase & construction of fixed assets		(71,298,787)	(10,551,389)
Acquisition of intangible asset		(382,032)	(174,413)
Acquisition of leasehold land		(16,373,670)	(859,599)
Decrease in leasehold land payable		(284,491)	(676,490)
Investment in government bond		2,000,000	3,000,000
Change in time deposit		34,570,423	(23,928,783)
Investment in shares		(38,106,236)	(11,974,148)
<b>Net cash provided by investing activities</b>		<b>(50,218,572)</b>	<b>(4,187,242)</b>
<b>Financing activities</b>			
Increase in statutory deposit		(3,460,000)	(8,520,000)
Dividend paid		(41,768,957)	(8,898,185)
Payment to directors		(450,000)	(1,780,647)
Increase in life fund		10,095,402	10,602,487
Additional shares issued		23,080,000	-
<b>Net cash provided by financing activities</b>		<b>(12,503,555)</b>	<b>(8,596,345)</b>
Change in Cash and Bank balances		3,307,214	10,705,746
Cash & bank balances beginning of year		22,298,182	11,592,436
<b>Cash and bank balances end of year</b>		<u>25,605,396</u>	<u>22,298,182</u>



**NILE INSURANCE COMPANY (S.C)**  
**NOTES TO THE ACCOUNTS**  
 FOR THE YEAR ENDED JUNE 30, 2016

**1. BACKGROUND**

Nile Insurance Company (S.C) was established in April 1995, in accordance with Proclamation No. 86/1994 and the Commercial Code of Ethiopia 1960. The Company has been licensed by the National Bank of Ethiopia, the licensing body of Banks, Insurance & 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 subscribed capital of the Company is Birr 200 million divided into 200,000 shares of Birr 1,000 par value each. The current paid up capital is Birr 179,859,000.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accountings policies adopted and consistently applied by the Company are the following: -

a) **Basis of preparation of Financial Statements**

The accompanying financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and in line with provisions of Insurance Business Proclamation 746/2012 of the Government of Ethiopia. The basis of accounting is accrual basis.

b) **Transaction in Foreign Currencies**

All amounts in the financial statements are expressed in Ethiopian Birr. All transactions involving foreign currencies are translated at exchange rates prevailing at transaction dates and are recorded in Birr.

c) **Underwriting Results-General Insurance Business**

The underwriting results for general insurance 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:

1. Unearned premiums represent the proportion of the premiums written in the period up to the accounting date which relate to unexpired terms of policies enforce at the balance sheet date, and calculated using the 1/24th method as prescribed by Licensing and Supervision of Insurance Business Directive No SIB/17/98;
2. 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 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.

d) **Underwriting Results-Long term Insurance Business**

1. As per Insurance Business Proclamation No 746/2012, Article 32, every insurer carrying on long-term insurance business shall appoint an actuary who possesses sufficient experience as shall be determined by directive; also the frequency and the time limit an actuarial valuation should be carried out and reported to the National Bank shall be determined by directive. As the directive is not issued, the Company follows the provisions of the previous proclamation No. 86/1994 according to which an actuarial valuation of the life fund is required to be made 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 results are obtained, the accumulated net profit/ loss are to be transferred to the profit and loss account as recommended by the actuaries.

2. Claims arising on maturity are recognized when claims become due for payment. Death claims are accounted for on notification and medical claims are accounted for on the basis of medical receipt.

e) **Property, plant and equipment**

Fixed assets are stated at cost less accumulated depreciation. Following the introduction of Proclamation No 286/2002, depreciation is calculated at the following rate per annum: -

	Method	Rate
Building	Straight line	5%
Motor vehicles	Pooling	20%
Office furniture & equipment	Pooling	20%
Computers & accessories	Pooling	25%
Machinery	Pooling	20%
Other assets	Pooling	20%

f) **Cash and bank balances**

Cash in hand and at bank 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 amount of cash and subject to insignificant risk of changes in value.

g) **Investment**

- The company's investments are stated at cost.
- Investment income is stated net of relevant taxes.
- Interest income is recognized in the period it is earned.
- Dividend income is recognized in the period in which it is received.

h) **Provision for doubtful receivables**

In compliance with Insurance Business Proclamation 746/2012, the company ceased to give insurance on credit basis since August 22, 2012. The balance of provision for doubtful full debt is for 100% of the trade debtors' balances that were not collected.

### 3. CASH AT BANK

	General Insurance Birr	Long term Insurance Birr	Total Birr
Bank of Abyssinia	6,752,941	1,336,678	8,089,619
Dashen Bank	5,996,154	25,218	6,021,372
Commercial Bank of Ethiopia	5,474,781	-	5,474,781
Wogagen Bank	1,695,249	-	1,695,249
United Bank	1,002,538	-	1,002,538
Oromia Cooperative Bank	567,193	-	567,193
Zemen Bank	150,724	-	150,724
Awash Bank	131,533	-	131,533
Enat Bank	8,301	-	8,301
	<u>21,779,414</u>	<u>1,361,896</u>	<u>23,141,310</u>



#### 4. STATUTORY DEPOSITS

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. The current balance represents the amount deposited up to June 30, 2016:

	General Insurance Birr	Long term Insurance Birr	Total Birr
Balance as at June 30, 2015	21,270,000	2,250,000	23,520,000
Add: Transfer from Government Bond	<u>3,460,000</u>	-	<u>3,460,000</u>
	<u>24,730,000</u>	<u>2,250,000</u>	<u>26,980,000</u>

#### 5. WITHHOLDING TAX RECEIVABLE

	General Insurance Birr	Long term Insurance Birr	Total Birr
Opening balance at June 30, 2015	1,220,786	666,832	1,887,618
Less:- Refund of excess withholding tax	(166,920)	(420,578)	(587,498)
Reclassified in to sundry debtors	<u>(81,409)</u>	<u>(18,597)</u>	<u>(100,006)</u>
	972,457	227,657	1,200,114
Current year withholding tax	<u>2,391,985</u>	<u>448,668</u>	<u>2,840,653</u>
	<u>3,364,442</u>	<u>676,325</u>	<u>4,040,767</u>

#### 6. ADVANCE PAYMENT TO CONTRACTORS

	Birr
Rama construction – National Theater Site	28,410,460
Abenet Ayalew B. C.– Gelan Site	2,398,966
Wondwossen Assefa B.C. – Gurd Shola Site	1,522,031
Gimay G/Michael B. C. – Commet site	669,460
Others	<u>86,751</u>
	<u>33,087,668</u>



## 7. FIXED TIME DEPOSIT

	General Insurance Birr	Long term Insurance Birr	Total Birr
Bank of Abyssinia SC	53,526,736	5,871,578	59,398,314
Wogagen Bank SC	44,119,027	19,273,501	63,392,528
Dashen Bank SC	11,350,902	-	11,350,902
Awash International Bank SC	66,561,362	12,254,332	78,815,694
NIB International Bank SC	14,000,057	6,355,007	20,355,064
United Bank SC	33,473,587	-	33,473,587
ENAT Bank SC	15,000,000	-	15,000,000
Addis International Bank SC	12,050,920	5,470,220	17,521,140
Bunna Bank SC	10,000,000	10,006,703	20,006,703
Zemen Bank SC	15,000,000	15,000,000	30,000,000
	275,082,591	74,231,341	349,313,932

## 8. INVESTMENTS

	No of Shares	Par value/ share Birr	Total Value Birr
Bank of Abyssinia	3,000,000	25	75,000,000
Ethiopian Reinsurance SC	2,500	10,000	25,000,000
			100,000,000

## 9. SAVING BOND COUPON

	Birr
Opening balance	2,000,025
Add: bonds bought during the year	1,460,000
	3,460,025
Less: Transfer to statutory deposit	(3,460,000)
	25



## NILE'S CARGO INSURANCE

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**10. FIXED ASSETS**

	Balance as at 30/06/15 Birr	Additions Birr	Balance as at 30/06/16 Birr
<b>GENERAL INSURANCE BUSINESS</b>			
<b>COST</b>			
Building	21,701,456	-	21,701,456
Office furniture and equipment	8,563,213	1,535,014	10,098,227
Computers and accessories	6,424,627	2,104,902	8,529,529
Motor vehicle	28,569,539	9,254,931	37,824,470
Books	32,130	20,830	52,960
Construction in progress	<u>28,367,366</u>	<u>58,339,642</u>	<u>86,707,008</u>
	<u>93,658,331</u>	<u>71,255,319</u>	<u>164,913,650</u>
<b>ACCUMULATED DEPRECIATION</b>			
Building	6,406,461	1,085,072	7,491,533
Office furniture and equipment	5,205,181	977,738	6,182,919
Computers and accessories	4,347,668	1,038,616	5,386,284
Motor vehicle	16,752,246	4,771,597	21,523,843
Books	<u>32,045</u>	<u>4,513</u>	<u>36,558</u>
	<u>32,743,601</u>	<u>7,877,536</u>	<u>40,621,137</u>
<b>NET BOOK VALUE</b>	<u>60,914,730</u>		<u>124,292,513</u>
<b>LONG TERM INSURANCE BUSINESS</b>			
<b>COST</b>			
Office furniture and equipment	64,352	-	64,352
Computers and accessories	124,723	51,124	175,847
Motor vehicle	<u>182,100</u>	-	<u>182,100</u>
	<u>371,175</u>	51,124	<u>422,299</u>
<b>ACCUMULATED DEPRECIATION</b>			
Office furniture and equipment	37,100	5,605	42,705
Computers and accessories	87,491	12,429	99,920
Motor vehicle	<u>169,586</u>	<u>2,503</u>	<u>172,089</u>
	<u>294,177</u>	<u>20,537</u>	<u>314,714</u>
<b>NET BOOK VALUE</b>	<u>76,998</u>		<u>107,585</u>
<b>NET BOOK VALUE (TOTAL)</b>	<u>60,991,728</u>		<u>124,400,098</u>



## NILE'S FIRE & HOUSE BREAKING

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**11. LEASEHOLD LAND**

	Lease period Years	Balance as at June 30, 2015 Birr	Additions Birr	Balance as at June 30, 2016 Birr
<b>COST</b>				
National Theater Site	50	16,376,466	574,601	16,951,067
Gelan site	30	-	15,578,337	15,578,337
Comet site	60	6,944,595	220,731	7,165,326
Gurd Shola site	59	1,050,719	-	1,050,719
Bahir Dar	60	<u>564,465</u>	<u>-</u>	<u>564,465</u>
		<u>24,936,245</u>	<u>16,373,669</u>	<u>41,309,914</u>
<b>AMORTIZATION</b>				
All leases together		<u>1,517,222</u>	<u>146,928</u>	<u>1,664,149</u>
<b>NET BOOK VALUE</b>		<u>23,419,023</u>		<u>39,645,765</u>

**12. INTANGIBLE ASSETS –COMPUTER SOFTWARE**

	Birr	Birr
<b>COST</b>		
Balance brought forward		3,517,138
Add: Maintenance payment for the year		<u>375,844</u>
		3,892,982
<b>AMORTIZATION</b>		
Balance brought forward	2,774,444	
Add: Current year amortization	<u>179,485</u>	
		<u>2,953,929</u>
		<u>939,053</u>

**13. PAYABLE/CREDITORS**

	General Insurance Birr	Long term Insurance Birr	Total Birr
Unclaimed payments	5,992,182	-	5,992,182
Interest received in advance	3,082,685	-	3,082,685
Retention payable	2,888,735	-	2,888,735
Sales agents/ brokers	2,313,391	-	2,313,391
Trade debtors with credit balance	1,569,898	-	1,569,898
Others	<u>2,627,404</u>	<u>549,209</u>	<u>3,176,613</u>
	<u>18,474,295</u>	<u>549,209</u>	<u>19,023,504</u>





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#### 14. DUE TO RE-INSURERS

	General Insurance Birr	Long term Insurance Birr	Total Birr
Africa Reinsurance Corporation	10,827,184	2,080,127	12,907,311
ARIG	1,058,966	-	1,058,966
Afro Asia Reinsurance Brokers	1,573,907	-	1,573,907
J.B. Boda Reinsurance Brokers	3,659,917	-	3,659,917
Munich Reinsurance Company	(394,605)	8,124,604	7,729,999
Midas Reinsurance Brokers	20,580,035	-	20,580,035
ZEP - Re (P.T.A Reinsurance Co.)	1,950,592	-	1,950,592
Swiss Reinsurance Company	575,196	-	575,196
Reinsurance facultatives	<u>4,713,328</u>	-	<u>4,713,328</u>
	<u>44,544,520</u>	<u>10,204,731</u>	<u>54,749,251</u>

#### 15. DIVIDEND PAYABLE

The balance represents unpaid dividend as approved on Annual General Meetings.

#### 16. ACCRUED LIABILITY

The balance mainly represents provision for unused annual leave pay of staff members.

#### 17. TAXES PAYABLE

	General Insurance Birr	Long term Insurance Birr	Total Birr
Employee income tax payable	705,261	39,623	744,884
Withholding tax payable	190,763	-	190,763
VAT payable	<u>471,598</u>	-	<u>471,598</u>
	<u>1,367,622</u>	<u>39,623</u>	<u>1,407,245</u>

#### 18. PENSION PAYABLE

Employees of the Company are included in the statutory pension scheme to which the company is currently contributing 11% and employees are contributing 7% of their basic monthly salaries. The balance represents the amount deducted from employees but not yet paid to the scheme as of the balance sheet date.

Some of the employees opted to continue with the provident fund scheme that was started before the introduction of statutory pension scheme. The fund is kept with Bank of Abyssinia in saving accounts in the name of the respective staff. Contribution to the fund is 10% from company and 5% from staff.



## 19. OUTSTANDING CLAIMS

	General Insurance Birr	Long term Insurance Birr	Total Birr
Motor	101,624,140	-	101,624,140
Liability	10,902,543	-	10,902,543
Pecuniary	10,096,049	-	10,096,049
Engineering	5,255,708	-	5,255,708
Fire	2,303,276	-	2,303,276
Workmen	2,060,731	-	2,060,731
Marine	845,673	-	845,673
Personal accident	416,898	-	416,898
Group	-	789,335	789,335
	<u>133,505,018</u>	<u>789,335</u>	<u>134,294,353</u>

Of the total outstanding claims, 169 claims worth Birr 19,905,022 are currently under heading 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.

## 20. UNEARNED PREMIUMS

	Birr
Motor	130,612,206
Liability	18,678,660
Marine	8,189,008
Personal accident	7,119,800
Pecuniary	5,051,675
Workmen	4,808,963
Fire	4,653,855
Engineering	<u>3,559,589</u>
	<u>182,673,756</u>

## 21. OTHER TECHNICAL CLAIMS

The balance represents provision for Incurred But Not Reported (IBNR) claims calculated as 10% of net premium earned in the year.

## 22. LEASEHOLD LAND PAYABLE

	Birr
Opening balance	7,695,433
Add:- current year addition	405,999
	8,101,432
Less:- Current year payable	(690,490)
Balance as at June 30, 2016	<u>7,410,942</u>



### 23. PAID UP CAPITAL

	No of shares	Birr	2015 Birr
Balance as at July 1, 2015	156,779	156,779,000	100,000,000
Additional shares issued	<u>23,080</u>	<u>23,080,000</u>	<u>56,779,000</u>
	<u>179,859</u>	<u>179,859,000</u>	<u>156,779,000</u>
<b>Earnings Per Share</b>			
Net Profit for the year		<u>20,043,960</u>	<u>46,888,874</u>
No of shares (weighted average)		<u>168,392</u>	<u>135,729</u>
<b>EPS</b>		<b><u>119</u></b>	<b><u>345</u></b>

### 24. LEGAL RESERVE

The balance represents transfer of 10% of Profit after tax, as per Article 22 of the Insurance Business Proclamation No 746/2012 until the balance reaches the paid up capital.

### 25. INVESTMENT INCOME

	Birr
Interest income from Fixed time deposit	27,748,168
Interest income from Current account	35,306
Dividend income	<u>11,872,748</u>
	<u>39,656,222</u>

### 26. SUNDRY INCOME

	Birr
Interest on staff loans	780,387
Income from towing	612,094
Sale of bid document	82,500
Interest income sundry	23,959
Other miscellanies income	<u>3,114</u>
	<u>1,502,054</u>



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## 27. GENERAL AND ADMINISTRATION EXPENSES

	General Insurance Birr	Long term Insurance Birr	Total Birr	2015 Birr
Salaries and related benefits	39,121,235	1,182,766	40,304,001	36,490,201
Rent	8,047,117	16,235	8,063,352	6,823,356
Car running and maintenance	5,285,973	99,315	5,385,288	4,383,441
Advertising and publication	3,005,290	9,600	3,014,890	2,585,478
Communication	2,350,310	35,742	2,386,052	2,329,824
Printing and stationeries	1,809,623	32,397	1,842,020	1,899,969
Education and training	1,602,358	-	1,602,358	379,593
Entertainment	1,246,154	5,816	1,251,970	180,713
Guarding and office cleaning fee	1,047,914	-	1,047,914	786,415
Traveling	910,061	59,078	969,139	1,039,252
Staff leave pay	796,216	44,216	840,432	891,645
Insurance	647,805	-	647,154	574,817
Repair and maintenance	587,616	-	587,616	988,124
Office cleaning and supplies	440,994	-	440,994	338,547
Office refreshment	453,615	-	453,615	349,220
Legal and professional fee	437,651	-	437,651	679,301
Uniform	247,689	-	247,689	806,296
Subscription and membership fee	224,279	-	224,279	106,282
Light and water	174,618	4,536	179,154	174,105
Shareholders meetings	162,816	-	162,816	72,097
Medical	136,799	-	136,799	64,623
Municipal tax	94,341	-	94,341	51,563
Marriage expense	11,000	-	11,000	12,000
Commission	-	-	-	7,999
Donations	-	-	-	23,000
Miscellaneous expense	968,195	33,001	1,001,196	306,197
	<u>69,809,669</u>	<u>1,522,702</u>	<u>71,332,371</u>	<u>62,344,058</u>



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## 28. PROFIT TAX PAYABLE

	Birr	Birr
Profit before tax – General Insurance		20,043,959
Profit before tax – Long term Insurance		-
		20,043,959
<b>Less: Income taxed at source</b>		
Interest income	27,783,474	
Dividend income	<u>11,872,747</u>	
		<u>(39,656,221)</u>
		(19,612,262)
<b>Add: Non-deductible expenses</b>		
Entertainment	1,246,154	
Staff leave pay –provision	796,216	
Office refreshments	453,615	
Shareholders' meeting	162,817	
Marriage expense	<u>11,000</u>	
		<u>2,669,802</u>
Loss from taxable activities		<u>(16,942,460)</u>
Profit tax		<u>NIL</u>

## 29. DIRECTORS' REMUNERATION

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

## 30. PROPOSED DIVIDENDS

Proposed dividends are not accounted for until they have been approved at the Annual General Meeting. The dividend proposal to be presented to the Annual General meeting had been determined and stated in the Directors' report.

## 31. COMPARATIVE FIGURES

In order to facilitate comparisons some of last year figures were rearranged in these accounts.

## 32. FINANCIAL GURANTEE BOND UNDER LITIGATION

The Company has instituted actions against Nile Coffee Export PLC at the Federal High Court for the performance of contract entered between the two parties for the issuance of Financial Guarantee Bond. The case has been decided in favor of the Company for which the Company became creditor of Birr 18,667,667 against the judgment creditor. Auction to sell Coffee Processing Machine which was held as collateral was processed but was not successful. Court order for second round auction is obtained as per which the process to sell the machine will continue.

## 33. EVENTS AFTER THE REPORTING PERIOD

No significant post balance sheet events have come to the attention of the Directors that require disclosure in the financial statements.



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