



National Insurance Corporation
Of Eritrea Share Company



2015 | Annual Report & Financial Statement



UNPOLLUTED COLORFUL SEASCAPE

The Red Sea is a seawater inlet of the Indian Ocean, lying between Africa and Asia. The connection to the ocean is in the south through the Bab el Mandeb strait and the Gulf of Aden. In the north, there is the Sinai Peninsula, the Gulf of Aqaba, and the Gulf of Suez (leading to the Suez Canal). Occupying a part of the Great Rift Valley, the Red Sea has a surface area of roughly 438,000 km². It is about 2250 km long and, at its widest point, is 355 km wide. It has a maximum depth of 2211 meters in the central median trench, and an average depth of 490 meters. However, there are also extensive shallow shelves, noted for their marine life and corals. The sea is the habitat of over 1,000 invertebrate species, and 200 soft and hard corals.

Eritrea, located in the horn of Africa has a shore of around 1200 kms coast line in the Red Sea, which is least discovered, unutilized and un-publicized, characterized by untouched: rich in marine, amphibian and terrestrial biodiversity living deeply rooted under waters. The pelagic and shallow surface waters and dry land coasts are very interesting for scientific studies and discoveries. This unpolluted, beautifully decorated, attractive, cleanly ruffled water waves and really enjoyable coastline is a paradise for tourists that leaves memorable frame of mind. There are die living shrubs and burned shingle on God made wrinkled sand dunes and milky sand beaches especially in the southern part of Eritrea Red Sea coast. Generally, the unexplored marine resources of Eritrean coastline are fruitful and potentially secure for economic investment and harvest.

The above article and the photos in this Annual Report are reproduced with the kind permission of Engineer Luul Kidane (wedi-meite).

Near Buya (Gelalo)



**Mersa Fatma
Sea Coast**



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Company Information

REGISTERED AND PRINCIPAL PLACE OF BUSINESS

National Insurance Corporation of Eritrea Share Co.
NICE Building
Bdho Avenue, 171
P. O. Box 881
Asmara, Eritrea

BANKERS

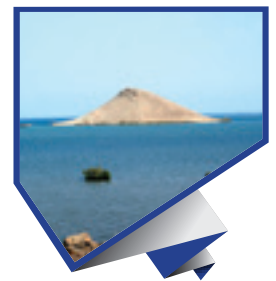
Commercial Bank of Eritrea
Martyrs Branch
Martyrs Avenue
Asmara, Eritrea

AUDITORS

Audit Services Corporation
P. O. Box 912
Asmara, Eritrea

SOLICITORS

Fessehaie Habte
Legal Consultant & Attorney at Law
P. O. Box 5530, Nakfa House,
1st Floor, No. 105
Asmara, Eritrea



The Board of Directors



Girmai Ghebremeskel
Chairman



Girmai Abraham
Director



Woldeyesus Elisa
Director



Ghebrebrhan Mihreteab
Director



Azieb Berhane
Director



Tewolde Ogbagebriel
Director



Elias Tesfay
Director



National Insurance Corporation of Eritrea Board meeting session in progress



Senior Management Team



Zeru Woldemichael
General Manager/ CEO



Mesghina Nemariam
Technical Manager



Tuquabo Moba
Administration Manager



Paulos Tecleab
Finance & Investment Manager



Brief Management Report

In 2015, the National Insurance Corporation of Eritrea Share Company has recorded an extraordinary and unmatched result since its inception. The table below shows the financial and technical highlights in the last ten years ending 31st December 2015. Most prominently, the premiums, profits, dividends and shareholders' funds have unprecedentedly exceeded the results of all past years in providing a remarkable benefit to the shareholders.

Financial & Technical Highlights (Non-Life) 2006 – 2015 (in '000 Nakfa)

DESCRIPTION	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Gross Premium	271,918	222,288	217,015	221,093	183,289	155,245	157,145	140,980	145,263	150,797
Net Written Premium	190,587	159,605	147,044	136,692	118,672	111,317	106,685	97,236	106,494	105,754
Net Premium Earned	183,864	156,992	146,359	135,612	115,951	111,301	105,110	102,736	109,553	107,772
Net Claims Incurred	53,175	64,734	55,790	47,073	50,781	34,491	29,709	24,135	31,713	35,682
Operating & Mngt Expenses	27,081	23,995	24,034	23,243	26,514	26,209	27,983	26,469	26,193	25,987
Management Expenses	16,968	13,672	14,275	13,470	11,712	11,225	12,817	11,578	10,902	11,003
Mngt Expenses to Gross Premium Ratio	6.2%	6.2%	6.6%	6.1%	6.4%	7.2%	8.2%	8.2%	7.5%	7.3%
Profit Before Tax	124,467	96,230	91,546	83,127	66,342	68,838	69,070	72,925	76,379	68,156
Net Profit	78,519	62,816	59,142	53,386	42,680	41,487	41,820	44,378	46,711	41,282
Property & Equipment	253,710	261,982	268,292	272,070	277,548	84,829	97,927	110,567	123,335	136,833
Investments	174,352	168,036	164,359	92,454	95,869	98,643	74,389	83,238	71,768	55,778
Proposed Dividend	70,721	55,934	52,994	51,059	47,074	46,060	48,279	48,517	50,500	45,886
Shareholders Fund	483,295	459,493	449,672	441,589	435,277	232,030	238,822	245,518	223,376	222,551

Brief Management Report (continued)

GROSS WRITTEN PREMIUM

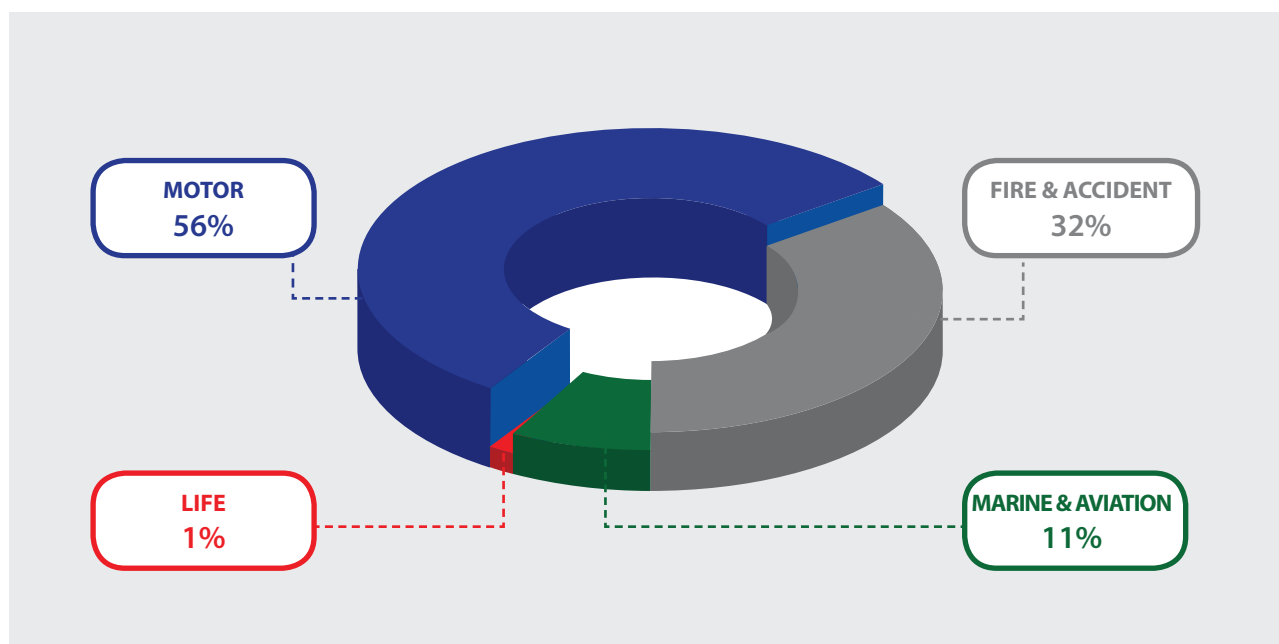
During the year under review, the Company's gross premium income from its non life business was Nakfa 271.9. This was an increase of 22.3% over the 2014 figure of 222.3 million.

As can be observed from the table below, all the classes of business have shown a tremendous increase across the board. Motor, as usual, has remained a dominant class of business with a share of 56.2% while income from our Life portfolio has grown at a slow pace.

GROSS PREMIUM INCOME (in '000 Nakfa)

BUSINESS	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MOTOR	80,216	80,138	72,236	78,742	81,058	87,176	103,412	113,022	124,493	154,624
FIRE & ACCIDENT	38,307	32,881	33,135	46,075	43,645	65,533	86,253	77,626	80,416	88,327
MARINE & Aviation	32,274	32,244	35,609	32,328	30,542	30,580	31,428	26,367	17,379	28,966
LIFE	2,835	2,455	2,208	2,128	2,217	2,610	2,298	2,725	2,450	2,857
TOTAL	153,632	147,718	143,188	159,273	157,462	185,899	223,391	219,740	224,738	274,774

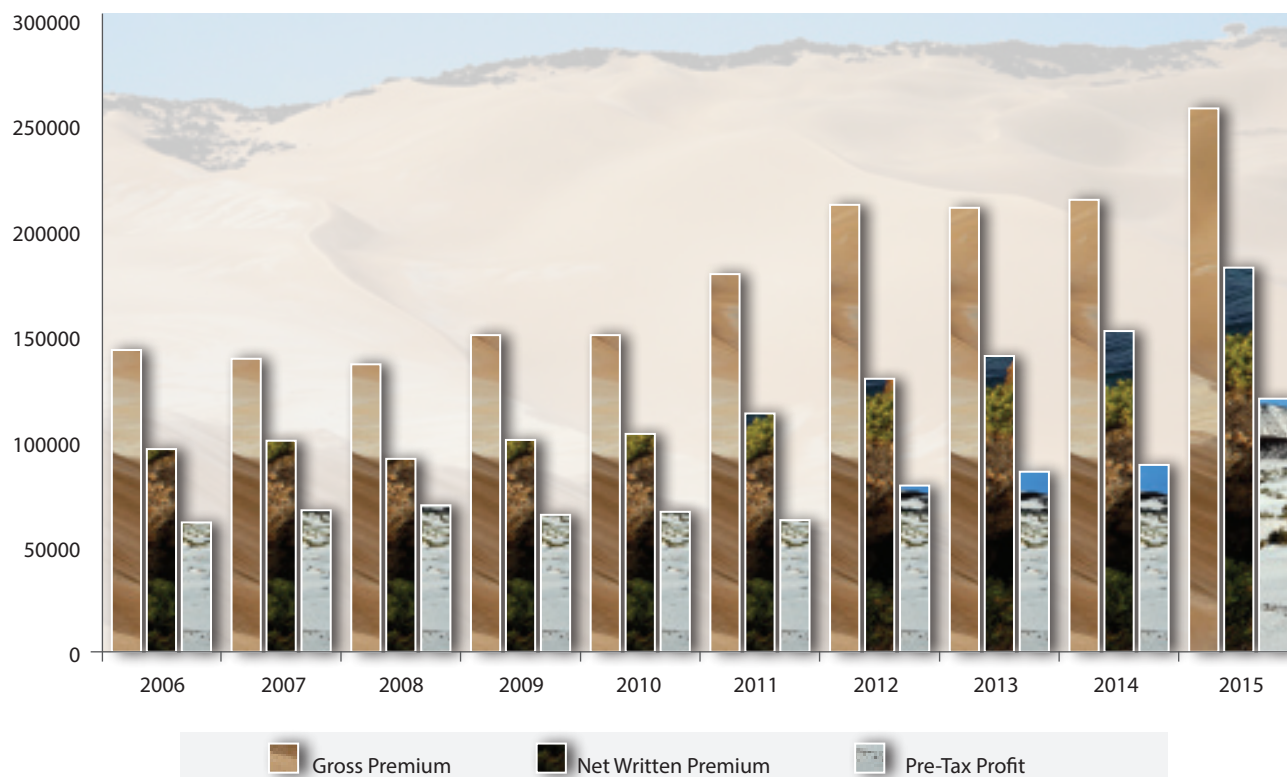
PREMIUM DISTRIBUTION 2015





Brief Management Report (continued)

DEVELOPMENT OF PREMIUMS AND PROFITS (in '000 Nakfa)



CLAIMS

The total claims incurred during the year under review amounted to 53.2 million showing 18% decrease against the corresponding period of 2014 which was 64.7 million. Consequently, the net claims ratio has decreased from 41% in 2014 to 29% in 2015, contributing to the remarkable result at the end of the year.

LOSS RATIO 2015 AND 2014 (Net for the Company) (in '000 Nakfa)

BUSINESS	2015			2014		
	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO
MOTOR	147,676	47,185	32%	118,702	57,927	49%
MARINE	6,424	1,789	28%	8,208	23	0.3%
FIRE	8,071	363	5%	7,828	531	7%
WORKMEN	9,902	1,849	19%	9,470	2,854	30%
ACCIDENT	11,791	1,989	17%	12,784	3,399	27%
TOTAL	183,864	53,175	29%	156,992	64,734	41%

UNDERWRITING RESULTS

In the year 2015 the net underwriting result was Nakfa 124.6 million showing a significant increase of 40.8% when compared to Nakfa 88.5 million in the preceding year. As can be seen from the table below, Motor has dominantly contributed 70% of the underwriting result in the year under review.

Brief Management Report (continued)

UNDERWRITING RESULTS (in '000 Nakfa)

BUSINESS	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MOTOR	42,691	51,110	51,420	45,285	48,380	33,464	55,030	55,442	51,251	86,997
MARINE	14,381	10,840	10,631	9,244	4,994	2,947	7,888	5,647	9,171	5,626
FIRE	6,519	5,329	7,279	8,195	7,323	8,634	6,786	7,349	9,760	10,733
WORKMEN	4,071	3,614	3,111	2,992	3,992	8,329	4,120	6,163	5,910	7,662
ACCIDENT	8,856	8,433	7,437	8,739	10,281	11,110	10,995	11,683	12,421	13,610
TOTAL	76,518	79,326	79,878	74,455	74,970	64,484	84,819	86,284	88,513	124,628

REINSURANCE COST

As can be noted from the table below the Company has retained 70.1% of its gross premium for its own account. Large risks, such as mining projects, bulk marine shipments, the power plant in Massawa etc. will necessitate larger share of reinsurance cover affecting our retention capacity. As has always been the case, the management will remain vigilant in minimizing reinsurance cost and will ensure that the shareholders assets and interests are duly protected.

The following table shows the development of the rate of retention and the premium ceded in the last 10 years.

NON-LIFE PREMIUM RETENTION RATES 2006– 2015 (in '000 Nakfa)

YEAR	GROSS PREMIUM	PREMIUM CEDED	PREMIUM RETAINED	RATE OF RETENTION
2006	150,797	45,043	105,754	70.1%
2007	145,263	38,769	106,494	73.3%
2008	140,980	43,744	97,236	69.0%
2009	157,145	50,460	106,685	67.9%
2010	155,245	43,928	111,317	71.7%
2011	183,289	64,617	118,672	64.7%
2012	221,093	84,400	136,692	61.8%
2013	217,015	69,972	147,044	67.8%
2014	222,288	62,683	159,605	71.8%
2015	271,918	81,331	190,587	70.1%

MANAGEMENT EXPENSES

During the financial year ending 31st December 2015, the total operating and management expenses was Nakfa 27.1 million (in 2014 was Nakfa 24 million). The management expenses charged to revenue account was Nakfa 17 million (in 2014 was 13.7 million). The remaining Nakfa 10.1 million was charged to the Statement of Profit or Loss.

The ratio of management expenses to gross premium was 6.2 % (in 2014 was 6.2%) which is favorably accepted within similar direct insurance companies in the African Insurance industry. Management will closely monitor the management expenses to remain within a ceiling of 10% by effectively optimizing resource allocation.

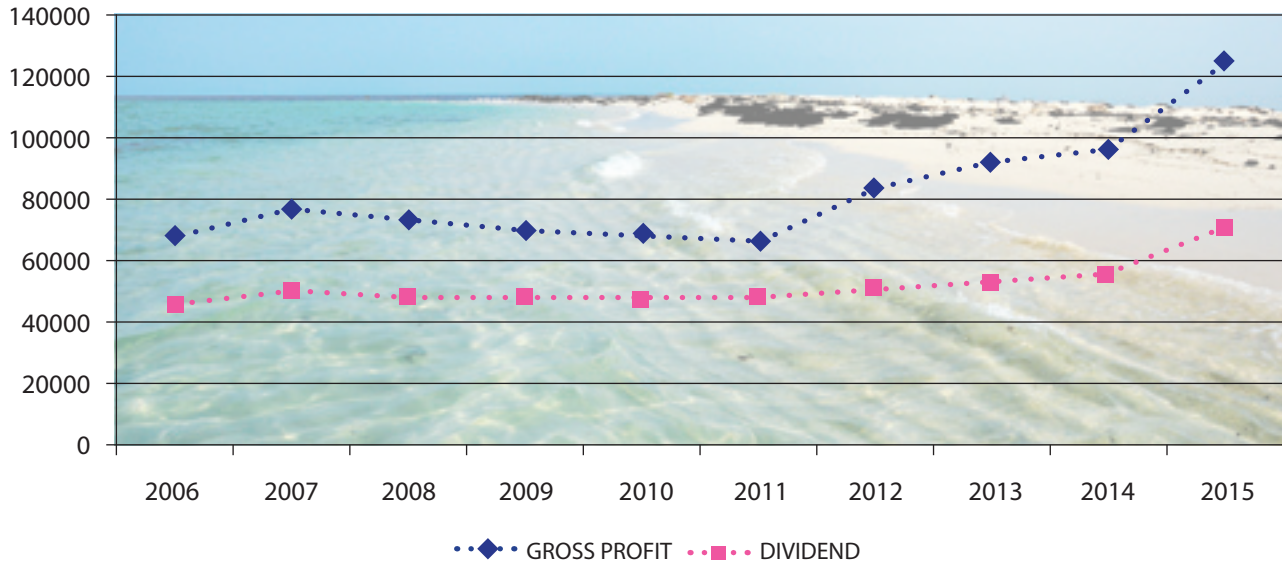


Brief Management Report (continued)

PROFIT

The profit before tax in the year under review was Nakfa 124.5 million (in 2014 was 96.2 million) resulting in a net profit of Nakfa 78.5 million (in 2014 was 62.8 million). The significant increase in premium and the remarkably less reported accidents have mainly contributed to the increase in profit of this year. The outlook for 2016 looks gloomy but the management will do all its best to keep the momentum for yet another successful year.

DEVELOPMENT OF PROFITS AND DIVIDENDS (in '000 Nakfa)



Directors' Report



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to submit the National Insurance Corporation of Eritrea Share Company annual report and the audited financial statements for the year ending 31st December 2015. The Company recorded unprecedented performance much higher than all previous years.

The Company reported an increase in gross written premium of 22.3% to Nakfa 271 million (2014: Nakfa 222 million) and profit before tax stood at Nakfa 124.5 million an increase of 29.3% (2014: Nakfa 96.2 million). It is also worthy to note that our affiliated company in South Sudan has indeed recorded remarkable performance in spite of the political turbulences in that country. Furthermore, return of our investment in both Africa Reinsurance Corporation (Africa Re) and Zep Re (PTA Reinsurance Company) for the year 2015 is also reported to be higher than our expectation. Based on this impressive 2015 performance, I am pleased to report that the Board has recommended a cash dividend of Nakfa 70.7 million as compared to the previous year of Nakfa 55.9 million, an increase of 26.4%.

Let me take this opportunity to express my sincere gratitude to our clients, our dedicated staff, our business partners and all stakeholders for their support throughout the year.

STATEMENT OF COMPLIANCE

The report is prepared in accordance with the provisions of the relevant articles of the Transitional Commercial Code of the State of Eritrea and the Memorandum and Articles of Association of the National Insurance Corporation of Eritrea Share Company and the International Financial Reporting Standards.

The National Insurance Corporation of Eritrea Share Company underwrites all classes of life and non-life insurance risks as mandated under Art. 4 of the Memorandum of Association.

Members of the Board of Directors

The Directors who have held office since the 10th Annual General Meeting, held on the 7th June 2014 will serve up to the 13th Annual General Meeting in mid of 2017.

The Directors at the date of this report are:

- | | | |
|--------------------------|---|----------|
| 1. Ghirmai Ghebremeskel | - | Chairman |
| 2. Girmai Abraham | - | Member |
| 3. Ghebrebrhan Mihreteab | - | Member |
| 4. Woldeyesus Elisa | - | Member |
| 5. Azieb Berhane | - | Member |
| 6. Tewolde Ogbagebriel | - | Member |
| 7. Elias Tesfay | - | Member |

STATEMENT OF GOOD GOVERNANCE

Good corporate governance is key to the integrity of corporations, especially in financial institutions, and plays a central role in directing and managing companies. Corporate governance, therefore, encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain legal, ethical, sustainable and fair.

The National Insurance Corporation of Eritrea Share Company is committed to the principle of corporate governance and has in place a Board Charter detailing the functions and responsibilities of the Board members. The Directors are ultimately accountable to all stakeholders for ensuring that the Company's business is conducted in accordance with high standards of corporate governance. The Board places critical importance on promoting and respecting the interests of shareholders.

GOVERNANCE STRUCTURE

The National Insurance Corporation of Eritrea Share Company is governed by its Memorandum and Articles of Association, The Transitional Commercial Code of the State of Eritrea, the laws, regulations and directives of the Bank of Eritrea and the upcoming Civil Code of the State of Eritrea (Art. 2635 to 2708). The Board ensures the adherence of these and other legal instruments pertaining to the insurance industry.



Directors' Report (continued)

BOARD OF DIRECTORS

The Board comprises seven non-executive Directors including the General Manager/CEO as a non-voting member. The Technical Manager and Finance & Investment Manager are in attendance at all regular meetings of the Board to ensure that any necessary information is readily available for appropriate decision making.

During the year,

- The Board held its regular meeting in compliance with Art. 12(a) of the Memorandum of Association
- Approved the 2016 budget
- Approved the audited financial Statement as at 31st December 2015
- Two Directors attended the Ordinary Shareholders' meeting of the New Sudan Insurance Company held in Juba on 1st April 2016
- Discussed thoroughly and is closely overseeing the implementation of the recommendation of the on-site inspection report of the Bank of Eritrea (insurance regulatory body) conducted from 27th July to 8th August 2015.
- Attended board induction training on risk management, reinsurance, laws and regulations pertaining to insurance, etc.
- Adopted the Board Charter
- Established the Risk, Audit and Compliance Committee with the primary responsibility of advising and assisting the Board in establishing a strategic approach to risk management, reviewing of the Company's financial and audit systems and ensuring legal, ethical and moral compliance. To this end the Committee Charter was adopted. Additionally, the Board has the Investment Committee – to review the Company's investment strategy and policy - and an Ad-hoc Human Resources Committee to specifically look into the succession plan of the senior management team in the Company.

APPROVAL OF THE AUDITED FINANCIAL STATEMENTS AND DISTRIBUTION OF PROFITS

The Board of Directors approved the audited financial statements as at 31st December 2015.

Realizing that the shareholders need to be remunerated for their investment, the Board of Directors recommends that the surplus realized amounting to Nakfa 84,199,490 be distributed in accordance with Art. 8 of the Memorandum of Association as follows:

- Nakfa 1,700,449 to Legal Reserve
- Nakfa 3,925,934 to Special Reserve
- Nakfa 7,851,867 to Technical Reserve
- Nakfa 70,721,240 to be paid as dividend at the rate of Nakfa 6.756169 (2014 was Nakfa 5.343465) for a fully paid up share capital (inclusive of bonus shares).

APPRECIATION

On behalf of the Directors, I wish to express our sincere gratitude to our clients, business partners, underwriting agents and all our stakeholders for the support and cooperation and look forward to continued fruitful association in the years ahead.

I recognize and appreciate the management and staff of the Company for the loyalty, dedication and hard work that have made these results possible.

Finally to my fellow Directors, thank you for your continued guidance, diligence and support that have remained a catalyst in achieving unprecedented and excellent result during the year. We are indeed honored and privileged to lead the most successful enterprise in the country.

Ghirmai Ghebremeskel
Chairman



Statement Of Directors' Responsibilities On The Financial Statements For The Year Ended 31 December 2015

The Transitional Commercial Code of the State of Eritrea and the Company's Memorandum and Articles of Associations require the Directors to prepare financial statements for each financial year, which present fairly the state of affairs of the Company as of the end of the financial year and of its results of operations for that year. They also require the Directors to ensure that the Company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using sound accounting principles supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the Transitional Commercial Code of the State of Eritrea. The Directors are of the opinion that the financial statements present fairly the state of financial affairs of the Company and of its results of operations in accordance with International Financial Reporting Standards.

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

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

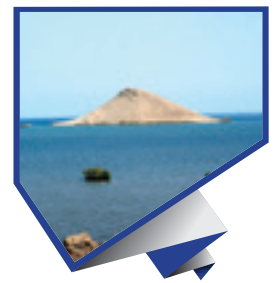
Chairman

Director

14 April 2016



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Audit Services Corporation (Asmara - Eritrea)

P.O.Box 912
E-mail ASC@TSE.com.er

Tel: 120814
202030
Fax: 125756

14 April 2016

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL INSURANCE CORPORATION OF ERITREA SHARE COMPANY

We have audited the accompanying financial statements of the National Insurance Corporation of Eritrea Share Company (the Company) which comprise the statement of financial position at 31 December 2015, the related statement of profit or loss, underwriting revenue account, 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.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Transitional Commercial Code of the State of Eritrea. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 our audit to obtain reasonable assurance that 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 judgement, 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 Company's preparation and fair presentation 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 Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by the Directors, as well as evaluating the overall 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 financial statements set out on pages 16 to 35, present fairly, in all material respects, the financial position of the National Insurance Corporation of Eritrea Share Company at 31 December 2015 and the results of its financial performance and its cash flows for the year then ended in conformity with International Financial Reporting Standards and comply with the Transitional Commercial Code of the State of Eritrea.

We have no comments on the report of the Board of Directors in so far as it relates to these financial statements and pursuant to Article 375 of the Transitional Commercial Code of the State of Eritrea, we recommend approval of the financial statements.

Audit Services Corporation





**Dessie Island
Tourist Area**



Statement Of Financial Position

At 31 December 2015

	Notes	Currency: Eritrean Nakfa 2014	
ASSETS			
Current assets			
Cash and bank balances		216,896,490	159,867,248
Treasury bill		30,000,000	30,000,000
Trade and other receivables	3	78,243,525	62,755,902
Related party receivables	4	12,656,283	14,105,888
Due from reinsurers		1,608,182	1,278,146
		339,404,480	268,007,184
Non-current assets			
Investments	5	191,338,253	194,114,146
Property and equipment	6	253,715,204	261,987,129
		445,053,457	456,101,275
Total assets		784,457,937	724,108,459
LIABILITIES, CAPITAL AND RESERVES			
Current liabilities			
Trade and other payables	7	30,018,986	33,101,224
Deferred income	8	612,931	154,221
Provision for taxation	9	45,742,793	33,209,032
Dividend payable	10	6,874,810	6,703,489
Due to reinsurers	11	16,900,169	18,372,225
Insurance fund	12	160,575,123	133,428,002
		260,724,812	224,968,193
Non-current liabilities			
Employee benefits and obligations	13	9,439,375	7,803,943
Capital and reserves			
Share capital	14	104,676,540	104,676,540
Legal reserve	15	20,935,308	19,234,859
Revaluation reserve		236,978,414	242,659,231
Technical reserve	16	34,534,892	26,683,025
Special reserve	17	14,232,222	10,306,288
Retained earnings		1,216,582	-
Unappropriated profit		70,721,240	55,933,544
		483,295,198	459,493,487
Life insurance fund	18	30,998,552	31,842,836
Total liabilities, capital and reserves		784,457,937	724,108,459

The statement of financial position is to be read in conjunction with the notes, set out on pages 25 to 35, forming part of the financial statements.

The financial statements, set out on pages 16 to 35, were approved by the Board of Directors on 14 April 2016 and were signed on its behalf by:

Chairman



Chief Executive Officer

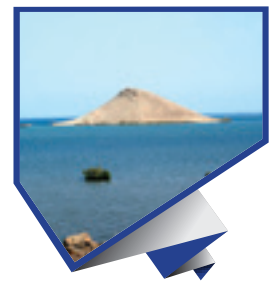


Statement Of Profit Or Loss

For The Year Ended 31 December 2015

	Notes	Currency: Eritrean Nakfa 2014	
Revenue			
Surplus from underwriting		124,627,599	88,513,226
Other income	19	3,357,402	2,219,827
		127,985,001	90,733,053
Expenses			
Depreciation	6(b)	9,402,238	9,491,094
General assembly and Board of Directors meetings		513,250	677,612
Audit fee		197,800	154,100
		10,113,288	10,322,806
Profit from operations		117,871,713	80,410,247
Office rent income		672,902	891,028
Interest income		2,208,404	2,626,544
Investment income		1,507,592	6,504,788
Management fee		2,805,000	2,563,292
Exchange rate differences	2(b)	1,481,080	3,121,396
Cost of finance		(212,445)	(390,598)
Gain on disposal of property and equipment		2,719,924	503,305
Provision for doubtful receivables		(4,587,642)	-
		6,594,815	15,819,755
Profit before taxation		124,466,528	96,230,002
Provision for taxation	9	45,947,855	33,414,094
Net profit after taxation		78,518,673	62,815,908

The statement of profit or loss is to be read in conjunction with the notes, set out on pages 25 to 35, forming part of the financial statements.



Underwriting Revenue Account

For The Year Ended 31 December 2015

Currency: Eritrean Nakfa
2014

Notes

INCOME		
Gross premiums	271,918,000	222,287,987
Premiums ceded	81,330,737	62,683,130
Net premiums	190,587,263	159,604,857
Changes in unearned premiums	6,723,443	2,612,453
Premiums earned	183,863,820	156,992,404
Reinsurance commissions		
Ceding commission	13,460,427	10,989,407
Profit commission	1,311,372	1,146,867
	14,771,799	12,136,274
Total income	198,635,619	169,128,678
OUTGO		
Gross claims paid	38,395,478	58,174,642
Claims ceded	2,525,935	576,267
Net claims paid	35,869,543	57,598,375
Changes in outstanding claims	17,305,233	7,135,898
Net claims incurred	53,174,776	64,734,273
Changes in technical provision	3,098,445	1,256,129
Commission	767,101	953,049
Total outgo	57,040,322	66,943,451
Management expenses	20	13,672,001
	74,008,020	80,615,452
Underwriting surplus	124,627,599	88,513,226

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 25 to 35, forming part of the financial statements.

Statement Of Changes In Equity

For The Year Ended 31 December 2015

	Share Capital	Legal Reserve	Technical Reserve	Revaluation Reserve	Retained Earnings	Special Reserve	Unappropriated Profit	Total
At 01 January 2014	104,676,540	16,094,064	20,401,434	248,340,048	-	7,165,493	52,994,468	449,672,047
Net profit after tax	-	-	-	-	-	-	62,815,908	62,815,908
Transfer to legal reserve	-	3,140,795	-	-	-	-	(3,140,795)	-
Transfer to technical reserve	-	-	6,281,591	-	-	-	(6,281,591)	-
Transfer to special reserve	-	-	-	-	-	3,140,795	(3,140,795)	-
Excess depreciation realised	-	-	-	(5,680,817)	-	-	5,680,817	-
Transfer to dividend payable	-	-	-	-	-	-	(52,994,468)	(52,994,468)
At 31 December 2014	104,676,540	19,234,859	26,683,025	242,659,231	-	10,306,288	55,933,544	459,493,487
Net profit after tax	-	-	-	-	-	-	78,518,673	78,518,673
Transfer to legal reserve	-	1,700,449	-	-	-	-	(1,700,449)	-
Transfer to technical reserve	-	-	7,851,867	-	-	-	(7,851,867)	-
Transfer to special reserve	-	-	-	-	-	3,925,934	(3,925,934)	-
Transfer from Dividend payable	-	-	-	-	1,216,582	-	-	1,216,582
Excess depreciation realised	-	-	-	(5,680,817)	-	-	5,680,817	-
Transfer to dividend payable	-	-	-	-	-	-	(55,933,544)	(55,933,544)
At 31 December 2015	104,676,540	20,935,308	34,534,892	236,978,414	1,216,582	14,232,222	70,721,240	483,295,198

The statement of changes in equity is to be read in conjunction with the notes, set out on pages 25 to 35, forming part of the financial statements.



Statement Of Cash Flows

For The Year Ended 31 December 2015

	Notes	Currency: Eritrean Nakfa 2014	
Cash flows from operating activities			
Net profit before taxation		124,466,528	96,230,002
Adjustments for:			
Depreciation	6(b)	9,402,818	9,491,674
(Gain) on disposal of property and equipment	6(b)	(2,719,924)	(503,305)
Investment income		(1,507,592)	(6,504,788)
Operating profit before changes on working capital			
		129,641,830	98,713,583
(Increase) /Decrease in trade and other receivables		(15,487,623)	10,107,301
Decrease/ (Increase) in related party receivables		1,449,605	(1,532,262)
(Increase) in amounts due from reinsurers		(330,036)	(189,065)
(Decrease) /Increase in trade and other payables		(3,082,238)	2,783,674
Increase in deferred income		458,710	-
(Decrease) in amounts due to reinsurers		(1,472,056)	(5,279,301)
Increase in insurance funds		27,147,121	10,994,480
Cash generated from operations			
		138,325,313	115,598,410
Profit tax paid	9	(33,414,094)	(36,136,901)
Dividend paid	10	(54,545,641)	(51,716,726)
Net cash flows from operating activities			
		50,365,578	27,744,783
Cash flows from investing / financing activities			
Purchase of property and equipment	6(b)	(1,155,489)	(3,288,706)
(Decrease)/Increase in life insurance fund		(844,284)	4,607,947
Investment income		1,507,592	6,504,788
Decrease/(Increase) in investments		2,775,893	(9,757,271)
Increase in employee benefits and obligations		1,635,432	613,304
Proceeds from disposal of property and equipment	6(b)	2,744,520	611,426
Net cash flow from/ (used in) investing / financing activities			
		6,663,664	(708,512)
Net increase in cash and bank balances			
		57,029,242	27,036,271
Cash and bank balances at the beginning of the year		159,867,248	132,830,977
Cash and bank balances at the end of the year		216,896,490	159,867,248

The statement of cash flows is to be read in conjunction with the notes, set out on pages 25 to 35, forming part of the financial statements.



Statement of Financial Position-Non-Life

At 31 December 2015

	Notes	Currency: Eritrean Nakfa 2014	
ASSETS			
Current assets			
Cash and bank balances		200,131,098	151,934,615
Treasury bill		30,000,000	30,000,000
Trade and other receivables	3	77,561,704	62,052,285
Related party receivables	4	12,656,283	14,105,888
Due from reinsurers		1,608,182	1,278,146
		321,957,267	259,370,934
Non-current assets			
Investment	5	174,351,675	168,036,415
Property and equipment	6	253,709,900	261,981,545
		428,061,575	430,017,960
Total assets		750,018,842	689,388,894
LIABILITIES, CAPITAL AND RESERVES			
Current liabilities			
Trade and other payables	7	27,671,587	30,797,703
Deferred income	8	612,931	154,221
Provision for taxation	9	45,742,793	33,209,032
Dividend payable	10	6,874,810	6,703,489
Due to reinsurers	11	16,479,834	18,364,590
Insurance funds	12	160,417,929	133,290,808
		257,799,884	222,519,843
Non-current liabilities			
Employee benefits and obligations	13	8,923,760	7,375,564
Capital and reserves			
Share capital	14	104,676,540	104,676,540
Legal reserve	15	20,935,308	19,234,859
Revaluation reserve		236,978,414	242,659,231
Technical reserve	16	34,534,892	26,683,025
Special reserve	17	14,232,222	10,306,288
Retained earnings		1,216,582	-
Unappropriated profit		70,721,240	55,933,544
		483,295,198	459,493,487
Total liabilities, capital and reserves		750,018,842	689,388,894

The statement of financial position is to be read in conjunction with the notes, set out on pages 25 to 35, forming part of the financial statements.



Statement of Financial Position-Life

At 31 December 2015

	Notes	Currency: Eritrean Nakfa 2014	
ASSETS			
Current assets			
Cash and bank balances		16,765,392	7,932,633
Trade and other receivables	3	681,821	703,617
		17,447,213	8,636,250
Non-current assets			
Investment	5	16,986,578	26,077,731
Furniture and equipment	6	5,304	5,584
		16,991,882	26,083,315
Total assets		34,439,095	34,719,565
Current liabilities			
Trade and other payables	7	2,347,399	2,303,521
Outstanding claims (Net)	12	157,194	137,194
Due to reinsurers		420,335	7,635
		2,924,928	2,448,350
Non-current liabilities			
Employee benefits and obligations	13	515,615	428,379
Life Insurance Fund	18	30,998,552	31,842,836
Total liabilities and funds		34,439,095	34,719,565

The statement of financial position is to be read in conjunction with the notes, set out on pages 25 to 35, forming part of the financial statements.



Underwriting Revenue Account-Life

For The Year Ended 31 December 2015

	Notes	Currency: Eritrean Nakfa 2014	
INCOME			
Gross premiums		2,856,581	2,450,356
Premiums ceded		601,702	547,365
Net premiums collected		2,254,879	1,902,991
Commission		189,002	171,820
Total income		2,443,881	2,074,811
OUTGO			
Gross claims paid		1,287,590	1,094,172
Claims ceded		-	-
Net claims paid		1,287,590	1,094,172
Commission		3,918	4,305
Change in outstanding claims		20,000	(10,000)
Others		1,615	3,815
Total outgo		1,313,123	1,092,292
Management expenses	20	338,340	221,452
		1,651,463	1,313,744
Underwriting surplus		792,418	761,067
Interest income		1,000,341	3,864,336
Other income		50	-
		1,792,809	4,625,403
Expenses			
Depreciation		580	580
Cost of finance		598	8,176
Audit fee		10,000	8,700
		11,178	17,456
Net operating surplus		1,781,631	4,607,947
Insurance fund at 01 January 2015		31,842,836	27,234,889
Prior year adjustment		(2,625,915)	-
Insurance fund at 31 December 2015	18	30,998,552	31,842,836

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 25 to 35, forming part of the financial statements.



Dahlak
Cleanly ruffled water waves

Notes To The Financial Statements

31 December 2015

1. ESTABLISHMENT

National Insurance Corporation of Eritrea Share Company was formed as Share Company to take over the activities of the former National Insurance Corporation of Eritrea. The main activities of the Company are: - To carry on all kinds of life, non-life insurance, reinsurance, all kinds of guarantee and indemnity business.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention as modified by revaluation of the buildings disclosed on Note 6(c) below.

(b) Translation of foreign currencies

i) Functional currency

The Company's reporting currency is the Eritrean Nakfa (Nfa).

ii) Transactions and balances

Transactions in foreign currencies are translated into Eritrean Nakfa at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Eritrean Nakfa at the rate ruling at the reporting date. Resulting exchange differences are recognised in the statement of profit or loss.

(c) Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognised and classified as follows:

Recognition

All purchases and sales of investments are recorded on the trade date, which is the date that the company commits to purchase or sell the investment.

i) Measurement

Investments at fair value through profit or loss

Investments acquired for the purpose of trading in the near future or are part of a portfolio of financial assets subject to trading are classified under this heading. Investments, which are designated as such, are re-measured to fair value at each subsequent reporting date. Gains or losses on investments on re-measurement are recognised in the statement of profit or loss. The company currently has no such investments.

ii) Held to maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to maturity.



Notes To The Financial Statements

31 December 2015

iii) Available-for-sale investments

Investments which are intended to be held for undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available- for-sale investments. The fair value changes of available-for-sale investments are recognised in investment reserves as part of shareholders' equity, with the exception of interest calculated using effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in statement of profit or loss.

(d) Trade receivables

Trade receivables are carried at original invoice less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad receivables are written off when identified.

(e) Property and equipment

These are stated at cost/valuation less accumulated depreciation. Depreciation is charged on the straight-line basis at the following rates per annum:

	%
Buildings	2-5
Furniture and equipment	10
Computers	20
Motor vehicles and cycles	20
Text books	20

(f) Impairment

At each reporting date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is deemed to have occurred where the asset is carried at more than its recoverable amount. Such losses are immediately expensed through the statement of profit or loss.

(g) Outstanding claims (Net)

This is a provision for the net estimated cost of incidents notified on or before the end of the financial year. Any difference between the estimated claim and the actual settlement is charged/ credited to the revenue account of the year in which the settlement is made.

(h) Provision for unexpired risks

(i) The provision for unexpired risks for marine and aviation insurance business is provided for at 100% of the total premium underwritten during the year.

(ii) The provision for unexpired risks for other classes of insurance business is calculated on the assumption that all contracts made with the policyholders are signed at the middle of the various months. Hence, to spread the risk over and evenly throughout the year the risk exposure is computed applying the formula $\frac{(2M-1)P}{24}$: where 'P' is the annual premium and 'M' represents month.

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(i) Technical provisions

These are provisions made for all types of insurance, except aviation, at 10% of the net premium underwritten during the year. These are meant to cover unreported and unforeseen risks.



Notes To The Financial Statements

31 December 2015

(j) Employee benefits and obligations

The Company contributes towards the following employee benefits and obligations:

- Provident fund representing 13% of the employees' salaries;
- Compensation for service (severance pay) in accordance with the Labor Law Proclamation No. 118/2001;
- Pension scheme, which is a defined contribution scheme in line with the National Pension Establishment Proclamation No. 135/2003.

(k) Dividend on shares

Dividend on shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders in their annual general meetings.

3. TRADE AND OTHER RECEIVABLES

Currency: Eritrean Nakfa

				31 December 2014		
	Non-life	Life	Total	Non-life	Life	Total
Trade receivables	79,072,151	651,915	79,724,066	60,356,128	674,506	61,030,634
Other receivables	4,380,262	29,906	4,410,168	2,999,224	29,111	3,028,335
	83,452,413	681,821	84,134,234	63,355,352	703,617	64,058,969
Less: Provision for doubtful receivables	5,890,709	-	5,890,709	1,303,067	-	1,303,067
	77,561,704	681,821	78,243,525	62,052,285	703,617	62,755,902

4. RELATED PARTY RECEIVABLES

The Company has various related parties, most of whom are by virtue of being shareholders and partly common ownership. Transactions with related parties are at arm's length and in the ordinary course of business at terms and conditions those offered to other clients.

				31 December 2014		
	Non-life	Life	Total	Non-life	Life	Total
Roof Garden Restaurant	1,119,847	-	1,119,847	4,678,805	-	4,678,805
Shishay Feed Plant	583,737	-	583,737	3,231,221	-	3,231,221
New Sudan Insurance	2,412,784	-	2,412,784	1,172,355	-	1,172,355
Ministry of Finance	58,221	-	58,221	58,221	-	58,221
Shemshemiya Commercial Farm	8,481,694	-	8,481,694	4,965,286	-	4,965,286
	12,656,283	-	12,656,283	14,105,888	-	14,105,888



Notes To The Financial Statements

31 December 2015

5. INVESTMENTS

(a) *These are made up of:*

Currency: Eritrean Nakfa

				31 December 2014		
	Non-life	Life	Total	Non-life	Life	Total
Available for sale						
Cost of 18,300 shares African Reinsurance Corporation	15,664,635	-	15,664,635	15,664,635	-	15,664,635
COMESA Reinsurance Contribution	351,000	-	351,000	351,000	-	351,000
Shishay Feed Plant	6,000,000	-	6,000,000	6,000,000	-	6,000,000
P.T.A Reinsurance Co. Shemshemiya	44,271,266	-	44,271,266	36,396,266	-	36,396,266
Commercial Farm	68,699,000	-	68,699,000	59,999,000	-	59,999,000
New Sudan Insurance Co.	22,444,995	-	22,444,995	22,444,995	-	22,444,995
	157,430,896	-	157,430,896	140,855,896	-	140,855,896
Held to maturity						
Loan to New Sudan Insurance Co.	2,700,000	-	2,700,000	2,700,000	-	2,700,000
Loans to life policyholders to financial institutions	-	2,043,396	2,043,396	-	2,031,361	2,031,361
	14,220,779	14,943,182	29,163,961	24,480,519	24,046,370	48,526,889
	16,920,779	16,986,578	33,907,357	27,180,519	26,077,731	53,258,250
	174,351,675	16,986,578	191,338,253	168,036,415	26,077,731	194,114,146

- b) *The share certificate in respect of 6,800 shares in the African Reinsurance Corporation is in the name of the State of Eritrea.*
- (c) *The loan to New Sudan Insurance Company is fully repayable before 31 December 2017 and bears interest of 7.5% per annum.*
- (d) *The loan to a financial institution is a loan granted to Eritrean Development and Investment Bank at different intervals. The batches of loan are fully repayable before 30 June 2016, 30 June 2017, 31 December 2018 and 30 June 2018 and bears average interest of 5% per annum.*

Notes To The Financial Statements

31 December 2015

6. PROPERTY AND EQUIPMENT

(a) The details of the property and equipment are:

Currency: Eritrean Nakfa

				31 December 2014		
	Non-life	Life	Total	Non-life	Life	Total
Cost/Valuation						
Buildings	376,787,216	-	376,787,216	376,787,216	-	376,787,216
Furniture and equipment	11,366,751	55,963	11,422,714	11,373,020	55,663	11,428,683
Computers	14,884,344	31,906	14,916,250	14,027,967	31,906	14,059,873
Motor vehicles and cycles	9,180,978	-	9,180,978	10,405,373	-	10,405,373
Text books	83,360	-	83,360	83,360	-	83,360
	412,302,649	87,869	412,390,518	412,676,936	87,569	412,764,505
Depreciation						
Buildings	132,989,671	-	132,989,671	125,559,951	-	125,559,951
Furniture and equipment	8,829,402	50,660	8,880,062	8,280,810	50,080	8,330,890
Computers	10,045,598	31,905	10,077,503	9,562,277	31,905	9,594,182
Motor vehicles and cycles	6,644,750	-	6,644,750	7,209,025	-	7,209,025
Text books	83,328	-	83,328	83,328	-	83,328
	158,592,749	82,564	158,675,314	150,695,391	81,985	150,777,376
Carrying Amount						
Buildings	243,797,545	-	243,797,545	251,227,265	-	251,227,265
Furniture and equipment	2,537,349	5,303	2,542,652	3,092,210	5,583	3,097,793
Computers	4,838,746	1	4,838,747	4,465,690	1	4,465,691
Motor vehicles and cycles	2,536,228	-	2,536,228	3,196,348	-	3,196,348
Text books	32	-	32	32	-	32
	253,709,900	5,304	253,715,204	261,981,545	5,584	261,987,129

(b) The movements on property and equipment during the year are:

	Cost/Revaluation			Depreciation		
	Additions	Transfers	Disposal	Additions	Transfers	Disposal
Non-Life	1,155,189	-	(1,529,476)	9,402,238	-	(1,504,880)
Life	300	-	-	580	-	-
	1,155,489	-	(1,529,476)	9,402,818	-	(1,504,880)

c) The company's buildings were revalued at 31 December 2011 by General, Development Engineering and Consulting Company (GEDECC), independent valuers, on open market basis and issued a certificate in February 2012.



Notes To The Financial Statements

31 December 2015

7. TRADE AND OTHER PAYABLES

Currency: Eritrean Nakfa

				31 December 2014		
	Non-life	Life	Total	Non-life	Life	Total
Trade payables	23,910,995	1,887,426	25,798,421	28,022,521	1,885,348	29,907,869
Payable to contractors	42,763	-	42,763	42,763	-	42,763
Other payables	3,019,105	431,643	3,450,748	2,148,896	389,843	2,538,739
Accruals	698,724	28,330	727,054	583,523	28,330	611,853
	27,671,587	2,347,399	30,018,986	30,797,703	2,303,521	33,101,224

8. DEFERRED INCOME

				31 December 2014		
	Non-life	Life	Total	Non-life	Life	Total
Premiums received in advance	462,931	-	462,931	4,221	-	4,221
Interest received in advance	150,000	-	150,000	150,000	-	150,000
	612,931	-	612,931	154,221	-	154,221

9. PROVISION FOR TAXATION

a) This is made up of:

	Profit Tax	Municipal Tax	Rent income Tax	Total
Balance at 01 January 2015	28,712,024	3,512,046	984,962	33,209,032
Less: Payments made during the year	29,268,290	3,902,439	243,365	33,414,094
	(556,266)	(390,393)	741,597	(205,062)
Add: Current year's provision	40,381,189	5,384,158	182,508	45,947,855
Balance at 31 December 2015	39,824,923	4,993,765	924,105	45,742,793

b) *The current year's provision for taxation has yet to be assessed by and agreed with the Inland Revenue Department.*

10. DIVIDEND PAYABLE

a) *The balance comprises:*

	2014	
Balance at 01 January 2015	6,703,489	5,425,747
Dividend declared	55,933,544	52,994,468
	62,637,033	58,420,215
Less: Payment made during the year	54,545,641	51,716,726
	8,091,392	-
Less: Transferred to retained earnings	1,216,582	-
Balance at 31 December 2015	6,874,810	6,703,489

b) *The shareholders in their 11th annual general meeting, Resolution No 6, has agreed to transfer dividends owing to those shareholders that never claimed their dividends for the last ten years to Retained Earnings Account and any subsequent claim by such shareholders to be paid out of this fund.*



Notes To The Financial Statements

31 December 2015

11. DUE TO REINSURERS

The substantial amount due to reinsurers is in respect of Aviation and Mining risks, the premium of which is payable on installment basis and is collectable in US dollars.

12. INSURANCE FUNDS

Currency: Eritrean Nakfa

				31 December 2014		
	Non-life	Life	Total	Non-life	Life	Total
Outstanding claims (Net)	96,946,120	157,194	97,103,314	79,640,887	137,194	79,778,081
Provision for unexpired risks	44,412,877	-	44,412,877	37,689,434	-	37,689,434
Technical provisions	19,058,932	-	19,058,932	15,960,487	-	15,960,487
	160,417,929	157,194	160,575,123	133,290,808	137,194	133,428,002

13. EMPLOYEE BENEFITS AND OBLIGATIONS

				31 December 2014		
	Non-life	Life	Total	Non-life	Life	Total
Provident fund	5,836,061	310,252	6,146,313	5,200,732	273,600	5,474,332
Provision for compensation for service	3,087,699	205,363	3,293,062	2,174,832	154,779	2,329,611
	8,923,760	515,615	9,439,375	7,375,564	428,379	7,803,943

- The average number of employees engaged during the year was 88(2014: 78).

14. SHARE CAPITAL

The share capital of the Company is Nfa 104,676,540 sub-divided into 10,467,654 ordinary registered shares, the par value of each share being 10 Eritrean Nakfa.

15. LEGAL RESERVE

In accordance with Article 8 (1) (a) of the Memorandum of Association and the Transitional Commercial Code of the State of Eritrea, Article 454 (1); 5% of the net profit after tax is transferred to legal reserve until it amounts to 20% of the share capital.

16. TECHNICAL RESERVE

Transfer of 10% of net profit after tax is made to technical reserve each year in accordance with Article 8 (1) (b) of the Memorandum of Association.

17. SPECIAL RESERVE

Transfer of 5% of the net profit after tax is made to special reserve in accordance with Article 8 (1) (c) of the Memorandum of Association and General Assembly Resolution No.5/2010.



Notes To The Financial Statements

31 December 2015

18. LIFE INSURANCE FUND

Currency: Eritrean Nakfa

(a) The balance comprises:

2014

Balance at 01 January 2015	31,842,836	27,234,889
Less: Prior year adjustment	(2,625,915)	-
	29,216,921	27,234,889
Add: Current year's transfer	1,781,631	4,607,947
Balance at 31 December 2015	30,998,552	31,842,836

(b) Actuarial valuation:

The latest actuarial valuation of the long-term life assurance business was carried out by Alexander Forbes Financial Services (EA) Limited consulting actuaries at 31 December 2011.

19. OTHER INCOME

			31 December 2014	
	Non-life	Life	Non-life	Life
Survey fees	66,083	-	239,203	-
Crane rental	22,916	-	59,583	-
Claims recovery	-	-	1,915,641	-
Cost recovery	3,230,587	-	-	-
Others	37,816	-	5,400	-
	3,357,402	-	2,219,827	-

20. MANAGEMENT EXPENSES

			31 December 2014	
	Non-life	Life	Non-life	Life
Salaries and related benefits	6,495,430	304,300	3,651,973	197,534
Car running and maintenance	2,158,967	-	1,788,517	-
Advertisement and promotion	637,732	-	651,941	-
Printing and stationery	1,800,066	-	2,942,408	-
Light and water	237,783	-	212,404	-
Insurance	1,742,414	34,040	986,452	23,600
Travel and per-diem	432,314	-	432,798	-
Maintenance and supplies	308,506	-	640,399	-
Postage, telephone and fax	309,828	-	324,936	318
Representation	181,903	-	79,314	-
Entertainment	268,352	-	208,525	-
Legal, membership and consultation fees	662,439	-	630,353	-
Uniforms	177,937	-	210,228	-
Cleaning and sanitation	779,208	-	695,792	-
Medical	38,351	-	34,215	-
Tuition and training	528,003	-	126,232	-
Land and building taxes	202,137	-	52,074	-
Others	6,328	-	3,440	-
	16,967,698	338,340	13,672,001	221,452



Notes To The Financial Statements

31 December 2015

21. COMMITMENTS

The Company has no capital expenditure commitments at 31 December 2015.

22. FINANCIAL RISK MANAGEMENT

(a) Reinsurance risk

The above risk is mitigated by reinsurance agreements to cover the high risk nature of insurance class of business such as mining and aviation industry. The management constantly strives to minimize its dependence in the reinsurance market without disproportionately exposing its assets. The motor class of business, whose risk is significantly retained within the company, plays a major role in local loss minimization activities by sponsoring annual safety events to increase road safety awareness.

(b) Interest rate risk

- i) The company's exposure to market risk due to changes in interest rates would primarily relate to long term borrowings where potential increases in interest rates would translate into higher interest expense exposure.
- ii) The company has no long-term interest bearing obligations that would expose it to interest rate risk. However, on the loan extended to local financial institutions, the Company is exposed to interest rate risk in case of a change in interest rate by the Government. Nevertheless, there is no risk exposure to the loan due from its subsidiary as the loan attracts interest at fixed rates.

(c) Foreign currency risk

Foreign currency risk arises from translation of balances and transactions into local currency (Eritrean Nakfa), where such translation may affect the company's profitability. The company is exposed to the risk of foreign exchange losses arising from transactions or translation as it has revenues, expenses and balances denominated in foreign currencies.

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fully discharge its obligations under the terms of its agreement. To mitigate this risk, the company's credit risk policy requires testing rigorously the financial worthiness of its credit customers and proper follow up of receivables is made to ensure their recoverability.



Notes To The Financial Statements

31 December 2015

23. SEGMENT INFORMATION

The company is organized into two main business segments of short term and long term business operations. The performance of these two segments is reported separately under Non-Life and Life underwriting revenue accounts respectively, which are part of the financial statements.

- a) The company's Non-Life Insurance business is organised into three broad business segments aligned to the revenue generation process. The results are summarised below:-

Non-Life Underwriting Revenue Account

Currency: Eritrean Nakfa

	Fire and Accident	Motor	Marine and Aviation	Total
INCOME				
Gross written premiums	88,327,338	154,624,420	28,966,242	271,918,000
Premiums ceded	57,957,639	1,014,093	22,359,005	81,330,737
Net written premiums	30,369,699	153,610,327	6,607,237	190,587,263
Changes in unearned premiums	604,722	5,934,148	184,573	6,723,443
Net earned premiums	29,764,977	147,676,179	6,422,664	183,863,820
Ceding commission	10,038,147	10,525	3,411,755	13,460,427
Profit commission	1,311,372	-	-	1,311,372
Technical income	41,114,496	147,686,704	9,834,419	198,635,619
OUTGO				
Gross claims paid	6,625,039	30,312,534	1,457,905	38,395,478
Claims ceded	2,525,935	-	-	2,525,935
Net claims paid	4,099,104	30,312,534	1,457,905	35,869,543
Changes in o/s claims	101,981	16,872,272	330,980	17,305,233
Net claims incurred	4,201,085	47,184,806	1,788,885	53,174,776
Changes in technical provision	21,222	2,993,908	83,315	3,098,445
Sales commission	214,251	552,444	406	767,101
Total technical outgo	4,436,558	50,731,158	1,872,606	57,040,322
Result before management expenses	36,677,938	96,955,546	7,961,813	141,595,297
Management expenses	5,274,185	9,958,873	1,734,640	16,967,698
Underwriting surplus	31,403,753	86,996,673	6,227,173	124,627,599
Percentage	25%	70%	5%	100%

- b) The majority of the company's revenue is generated locally as stipulated here above from Motor and Fire and Accident.
- c) The management expenses indicated in Note 20 to the financial statements are prorated among the Fire and Accident, Motor and Marine and Aviation insurances in accordance with their respective gross written premium of each segment and their related branches.

Notes To The Financial Statements

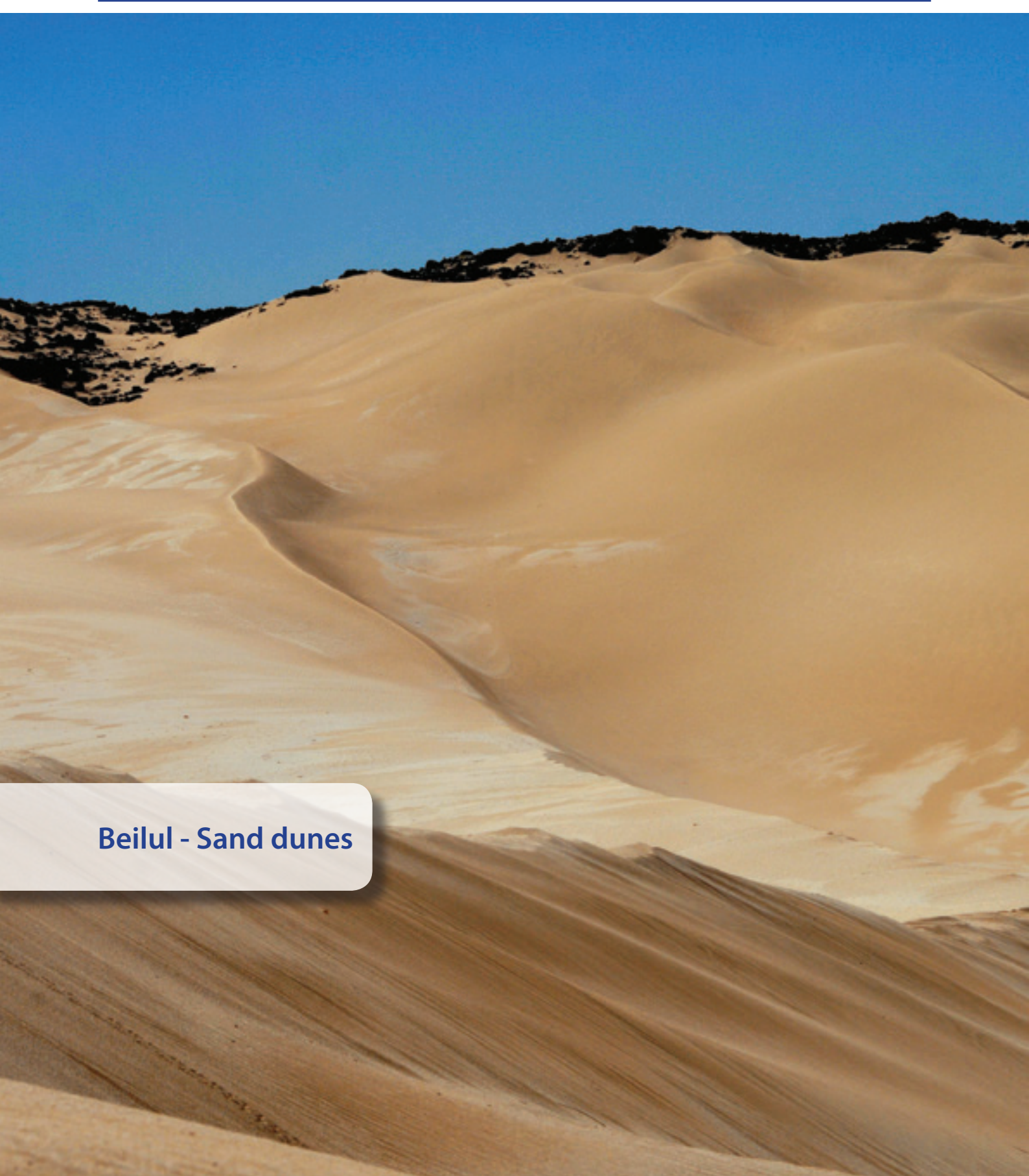
31 December 2015

24. SHAREHOLDINGS

The following is a list of shareholders at the year-end.

	2015
	Holdings %
Ministry of Finance	58.77
Ministry of Labor and Human Welfare (Martyrs' Trust Fund)	30.02
Mahber Wenenti Mekayin White	4.33
Others	6.88
	100.00

Sereru
Wrinkled sand dunes



Beilul - Sand dunes



Dahlak - Cleanly ruffled water waves



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