



National Insurance Corporation
Of Eritrea Share Company



2019 ANNUAL REPORT

and Financial Statements





NICE PROUDLY SPONSORS THE “GAZELLES” FOOTBALL TEAM TO EMPOWER THE ERITREAN FEMALE TO FIGHT FOR GENDER EQUALITY

FRONT ROW SQUATTED (LEFT - RIGHT)

Aziza Abdulrahman, Lula Mussie, Saron Goitom, Rahel Michael,
Liya Elias, Tiegsti Abrahaly, Saron Estifanos

BACK ROW STANDING (LEFT - RIGHT)

Ariam Habte (Medical Personnel), Arsema Michael (Assistant Coach),
Eritrea Weldeyesus, Lidia Tsehaye, Marta Tewelde, Fithawit Tewelde,
Venus Habteslasie, Misyan Meles, Trhas Habte, Luwam Solomun,
Hermela Tedros, Kisanet Samsom, Jemal Ibrahim (Head Coach),
Tesfalidet Solomun (Goalkeeper Coach)

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OUR MISSION

To provide risk management, insurance security and quality services



OUR VISION

To enable people overcome uncertainty by transferring risks



OUR VALUES

Professionalism, integrity, transparency and quality service

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



National Insurance Corporation of Eritrea Board meeting session in progress

THE BOARD OF DIRECTORS



Girmai Ghebremeskel
Chairman



Almaz Lijam
Director



Woldeyesus Elisa
Director



Ghebrebrhan Mihreteab
Director



Ghebregus Zere
Director



Abraha Tuccu
Director



SENIOR MANAGEMENT TEAM



Zeru Woldemichael
General Manager/ CEO



Mesghina Nemariam
Technical Manager



Tuquabo Moba
Administration Manager



Paulos Tecleab
Finance & Investment Manager





CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT



Dear Shareholders,

It is my pleasure to present to you the Annual Report and Audited Financial Statements of the National Insurance Corporation of Eritrea Sh. Co. as at 31st December 2019. I would also like to point out that the financial statements for this year, as in previous years, are prepared in accordance with International Financial Reporting Standards (IFRS) and in line with Commercial Code of the State of Eritrea and in adherence to the regulations of the Bank of Eritrea and the Memorandum and Articles of Association of the Company.

PERFORMANCE

The gross premium has shown a declining trend in the last four years recording 4.8% less than in 2018. But the bottom line figures of Net Profit and Dividend have only shown a slight decrease of around 1%, in spite of our Net Claims souring to 21% more than in 2018. Nevertheless, Management Expense has been managed properly with 7.6% less from the previous year.

The management has reinvigorated its focus to write more life business and has recorded a tremendous increase of 144% more from the premium of 2018 (from Nfa 3.4 million in 2018 to Nfa 8.3 million in 2019).

The New Sudan Insurance Company, our affiliated company in South Sudan, has recorded an impressive result (from its unaudited accounts of 2019) where its gross premium and net profit increased by around 34% and 18% from the previous year respectively. It has developed a three story parking slots to attract tenants to rent its six story modern office complex.

Our investment in Africa Reinsurance Corporation (Africa Re) and Zep Re (PTA reinsurance Company) are expected to generate a reasonably good dividend yields from their 2019 financial results.

Unfortunately, our investment in the commercial farm at Gash Barka has extensively deteriorated with a negative results starting from

CHAIRMAN'S STATEMENT (CONTINUED)

2013. Similarly our animal feed plant in Asmara is also reflecting a declining result in the last two years.

CORPORATE GOVERNANCE

NICE is committed to adhering to the highest standards of good corporate governance at all levels of its operations. This commitment is rooted in our core values and beliefs. We have put in place elaborate governance processes which comply with best practice as set out in various codes on Corporate Governance.

Key aspects of our approach to corporate governance are as follows:

Board of Directors

The Board consists of seven non-executive directors (one director from the minority shareholders did not attend the 2019 meetings due to situations beyond our control). The Board is composed of directors with a good mix of skills, experience and competences in the relevant fields of expertise and must possess sufficient qualification, experience and knowledge with high integrity and dedication in accordance with Article 11 (c) of the Memorandum and Articles of Association of the Company.

The Directors are:

- | | |
|------------------------------|----------------------------|
| 1. Mr. Ghirmai Ghebremeskel | - Chairman (Non-Executive) |
| 2. Mr. Woldeyesus Elisa | - (Non-Executive Member) |
| 3. Mr. Ghebreberhan Mehretab | - (Non-Executive Member) |
| 4. Mrs. Almaz Lijam | - (Non-Executive Member) |
| 5. Mr. Ghebregus Zere | - (Non-Executive Member) |
| 6. Mr. Abraha Tuccu | - (Non-Executive Member) |

Board Charter and Work Plan

The Board Charter contains provisions that ensure that the Board observes best practice in corporate governance and contains among other things, size, role and functions, induction, performance assessment, corporate compliance, anti-money laundering, succession management, internal control procedures, conflict of interest, etc. The Board closely follows the work plan presented by the management through its annual budget and evaluates quarterly its performance in its meetings.

One of the Board's highest priority during the year under review was to implement a senior management succession plan that is realistic and sustainable. The leadership succession plan is the cornerstone of the strategic objective of NICE and provides periodic monitoring throughout the year.

The Company's plan to fully computerize by the end of 2020 is also progressing well and the Board is confident of its realization.

Board Meetings

The full Board meets at least four times a year. The Board deals with all significant matters including strategic direction of the Company; ensuring competent management of the business, internal control, compliance with laws and regulations and reporting performance. On a quarterly basis, the Board reviews the business operational plan to monitor the actual performance with the forecasted figures, while at the 4th quarter of each year the Board notes and approves the management's negotiated reinsurance treaty facilities. At the same time it reviews business performance and forecast for the coming year.

The directors are provided with all available information in respect of items to be discussed at a meeting of the Board or Board committees around five days prior to the meeting.

Conflict of Interest

The directors of the Company are under fiduciary duty to act honestly and in the best interest of the Company. NICE has put in place a policy to ensure that a director must refrain from discussion or voting on matters of potential conflict of interests. In every Board meeting each member is formally requested to declare if there is any actual, potential or perceived conflict of interest, which may not allow him/her to participate in the meeting.

Committees of the Board

Subject to the fundamental strategic and policy matters reserved for the Board decision, it delegates some of its responsibilities to a number of standing committees which operate within defined terms of reference laid down by the Board in the Board Charter. The Board has two standing committees and may appoint an ad-hoc committee whenever a need arises.

• Risk, Audit and Compliance Committee

The Committee meets four times a year or as necessary. Its responsibilities include review of financial information, evaluation of compliance and effectiveness of internal controls in liaison with the internal auditor and the help and advice of the external auditor, review and monitor overall risk tolerance and risk appetite. The Committee is made up of three members of the Board. The Chief Executive Officer (CEO), the Finance and Investment Manager, Internal Auditor, the Technical Manager,

CHAIRMAN'S STATEMENT (CONTINUED)

the Risk & Compliance Officer, the External Auditor and whenever necessary, the Legal Advisor, attend all meetings of the Committee.

Current members of the Committee are: Mr. Ghebreberhan Mehretab (Chairperson), Mr. Abraha Tuccu and Mrs. Almaz Lijam.

• Strategy and Investment Committee

The Committee meets twice a year or as necessary. Its responsibility includes reviewing issues pertaining to strategy and investment. It also sets investment benchmark, monitors and reviews the performance and recommends on any strategic equity investments. The CEO, the Finance and Investment Manager and the Risk & Compliance Officer attend all the meetings of the Committee.

Current members of the Committee are: Mr. Woldeyesus Elisa (Chairperson) and Mr. Ghebregus Zere.

APPROVAL OF THE FINANCIAL STATEMENTS AND APPROPRIATION OF RESULTS

The Board of Directors approved the audited financial statements as at 31st December 2019 on 17th April 2020 and it proposes to the Annual General Meeting of the Shareholders of the Company to be held on 6th June 2020 to approve the unappropriated profit be distributed as follows:

- Nakfa 4,774,419 to Special Reserve
- Nakfa 9,548,839 to Technical Reserve
- Nakfa 86,845,951 to be paid as dividend at the rate of Nakfa 8.296601 (2018 was Nakfa 8.392677) for a fully paid up share capital (inclusive of bonus shares).

Outlook for 2020

COVID-19 is impacting the insurance industry in multiple ways - from employee and business continuity issues to client service considerations to the financial outlook.

However, the most immediate concern for NICE is protecting the health and safety of its employees while striving to maintain business continuity. NICE is being challenged to review and update its crisis management plans and take steps to continue operations with a minimum of disruption to clients.

To work off-site from home, due to lack of internet and Wi-Fi connectivity, is difficult, and the key personnel of NICE are attending in the office to provide services and communicate with international reinsurers and brokers.

However, the bigger concern is how the outbreak might affect the economic environment—specifically, prospects for growth and profitability in our underwriting and investment portfolios.

During 2020 we will try to remain in business and our stakeholders should face the reality of the ongoing pandemic situation and expect for the worst scenario to happen in the outcome of our financial results.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our clients, reinsurers, brokers, business partners and the underwriting agents for the business and support throughout the year. I recognize and appreciate the management and staff of the Company for their loyalty, dedication and hard work without which these results would not have been possible. I would also like to acknowledge with appreciation my colleagues in the Board for their diligence, guidance and support.

I also seize this opportunity to thank the Bank of Eritrea for its guidance and continued cooperation and support.



Ghirmai Ghebremeskel
Chairman



BRIEF MANAGEMENT REPORT



BRIEF MANAGEMENT REPORT

This report is designed to provide an overview of the Company's performance, focusing on the key operational activities of premium, claims, reinsurance and expenses for the 2019 financial year.

The Company has a prudent underwriting policy and adheres to the best practice and good governance principles.

The table below provides a summary of the key performance movements in the last ten years.

FINANCIAL & TECHNICAL HIGHLIGHTS (NON-LIFE) 2010 – 2019 (IN '000 NAKFA)

DESCRIPTION	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross Premium	155,245	183,289	221,093	217,015	222,288	271,918	265,389	253,417	247,277	235,512
Net Written Premium	111,317	118,672	136,692	147,044	159,605	190,587	196,986	182,935	177,059	165,837
Net Premium Earned	111,301	115,951	135,612	146,359	156,992	183,864	193,034	186,545	180,786	172,328
Net Claims Incurred	34,491	50,781	47,073	55,790	64,734	53,175	57,685	43,445	27,824	33,735
Operating Expenses	26,209	26,514	23,243	24,034	23,995	27,081	25,834	25,392	26,768	23,892
Management expenses	11,225	11,712	13,470	14,275	13,672	16,968	15,751	14,219	15,532	14,349
Mgt expenses to Gross premium ratio	7.2%	6.4%	6.1%	6.6%	6.2%	6.2%	5.9%	5.6%	6.3%	6.1%
Profit before tax	68,838	66,342	83,127	91,546	96,230	124,467	129,914	141,622	149,654	145,835
Net Profit	41,487	42,680	53,386	59,142	62,816	78,519	82,783	91,849	96,672	95,488
Property & Equipment	84,829	277,548	272,070	268,292	261,982	253,710	247,806	241,872	233,661	226,868
Investments	98,643	95,869	92,454	164,359	168,036	174,352	288,227	314,090	343,288	336,639
Proposed Dividend	46,060	47,074	51,059	52,994	55,934	70,721	76,046	83,753	87,852	86,846
Share holders Fund	232,030	435,277	441,589	449,672	459,493	483,295	612,476	628,519	667,416	665,792

BRIEF MANAGEMENT REPORT (CONTINUED)

GROSS WRITTEN PREMIUM

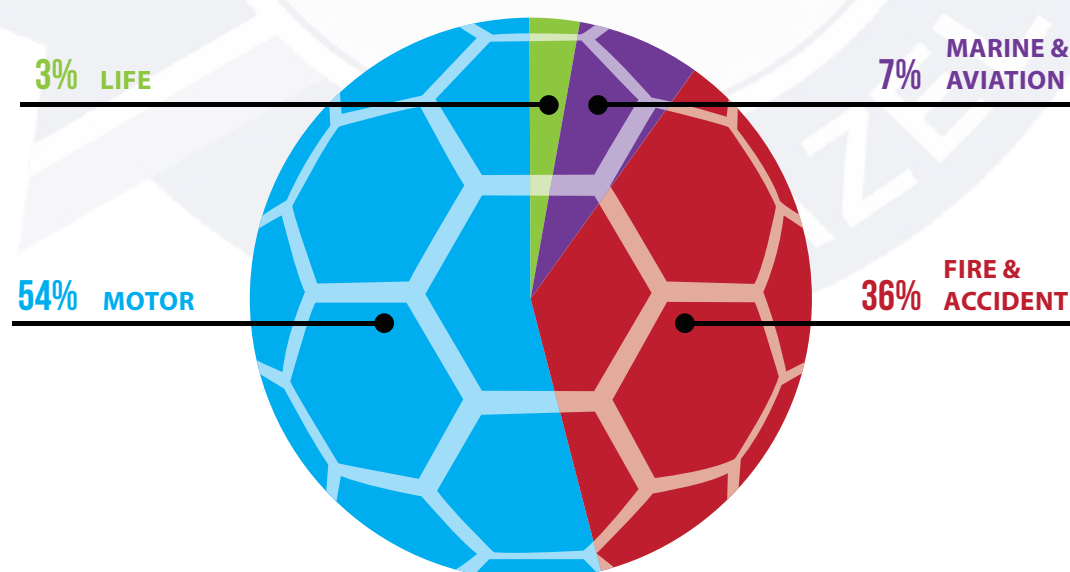
In 2019 the Company generated a gross premium income of Nakfa 235.5 million which is less by 4.8% when compared to that of 2018. However gross premium from life business amounted to Nakfa 8.3 million has shown an increase of 144% when compared with that of 2018 (Nakfa 3.4 million). As can be noted from the table below Motor class of business as always has remained a dominant business with a share of 54%.

The table below shows comparative figures over the last ten years in respect of the gross premium income of the Company.

GROSS PREMIUM INCOME (IN 000' NAKFA)

BUSINESS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
MOTOR	81,058	87,176	103,412	113,022	124,493	154,624	161,834	147,909	141,052	132,586
FIRE & ACCIDENT	43,645	65,533	86,253	77,626	80,416	88,327	86,410	81,585	81,998	87,107
MARINE & AVIATION	30,542	30,580	31,428	26,367	17,379	28,966	17,145	23,923	24,226	15,819
LIFE	2,217	2,610	2,298	2,725	2,450	2,857	4,261	3,429	3,404	8,274
TOTAL	157,462	185,899	223,391	219,740	224,738	274,774	269,650	256,846	250,680	243,786

PREMIUM DISTRIBUTION 2019



BRIEF MANAGEMENT REPORT (CONTINUED)

DEVELOPMENT OF PREMIUMS AND PROFITS



CLAIMS

The total net claims incurred during the year under review amounted to Nakfa 33.7 million is showing 21.2% increase against the corresponding period of 2018 which was Nakfa 27.8 million. Consequently, the overall claims ratio has increased from 15% in 2018 to 20% in 2019.

Comparison of the loss ratios of the company for the years 2018 and 2019 is as stated below.

LOSS RATIO 2018 AND 2019 (NET FOR THE COMPANY) (IN '000' NAKFA)

BUSINESS	2018			2019		
	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO
MOTOR	146,249	19,307	13%	133,571	27,430	20%
MARINE	2,442	(164)	0%	3,425	32	1%
FIRE	6,337	16	0.25%	7,871	3,360	43%
WORKMEN	11,165	3,323	30%	11,919	2,650	22%
ACCIDENT	14,593	5,342	37%	15,542	263	2%
TOTAL	180,786	27,824	15%	172,328	33,735	20%

BRIEF MANAGEMENT REPORT (CONTINUED)

UNDERWRITING RESULTS

In the year under review the net underwriting result of Nakfa 140.6 million was less by 7.3% when compared to Nakfa 151.7 million in 2018. The decrease in underwriting result was mainly contributed by motor class of business.

The table below shows comparative underwriting results in the last ten years.

BUSINESS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
MOTOR	48,380	33,464	55,030	55,442	51,251	86,997	95,428	105,366	117,985	98,314
MARINE & AVAITION	5,865	4,087	2,947	7,888	5,647	9,171	5,626	6,878	6,534	4,384
FIRE	8,195	7,323	8,634	6,127	9,171	6,229	7,268	7,314	5,071	5,856
WORKMEN	3,992	8,329	4,120	6,163	5,910	7,662	6,908	7,002	7,002	8,708
ACCIDENT	9,410	9,970	9,762	11,203	12,421	13,007	14,108	12,297	11,989	12,676
TOTAL	74,970	64,484	84,819	86,284	88,513	124,628	131,142	143,442	151,677	140,649

REINSURANCE COST

The Company has retained 70.4% of its gross premium for its own account. Our retention capacity is affected by the reinsurance cover that we seek for the large risks, such as mining projects, bulk marine shipments etc. However the management will remain vigilant on the effect of the 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 2010– 2019 (IN '000' NAKFA)

YEAR	GROSS PREMIUM	PREMIUM CEDED	PREMIUM RETAINED	RATE OF RETENTION
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%
2016	265,389	68,404	196,986	73.9%
2017	253,417	70,482	182,935	72.2%
2018	247,277	70,218	177,059	71.6%
2019	235,512	69,675	165,837	70.4%

BRIEF MANAGEMENT REPORT (CONTINUED)

MANAGEMENT EXPENSES

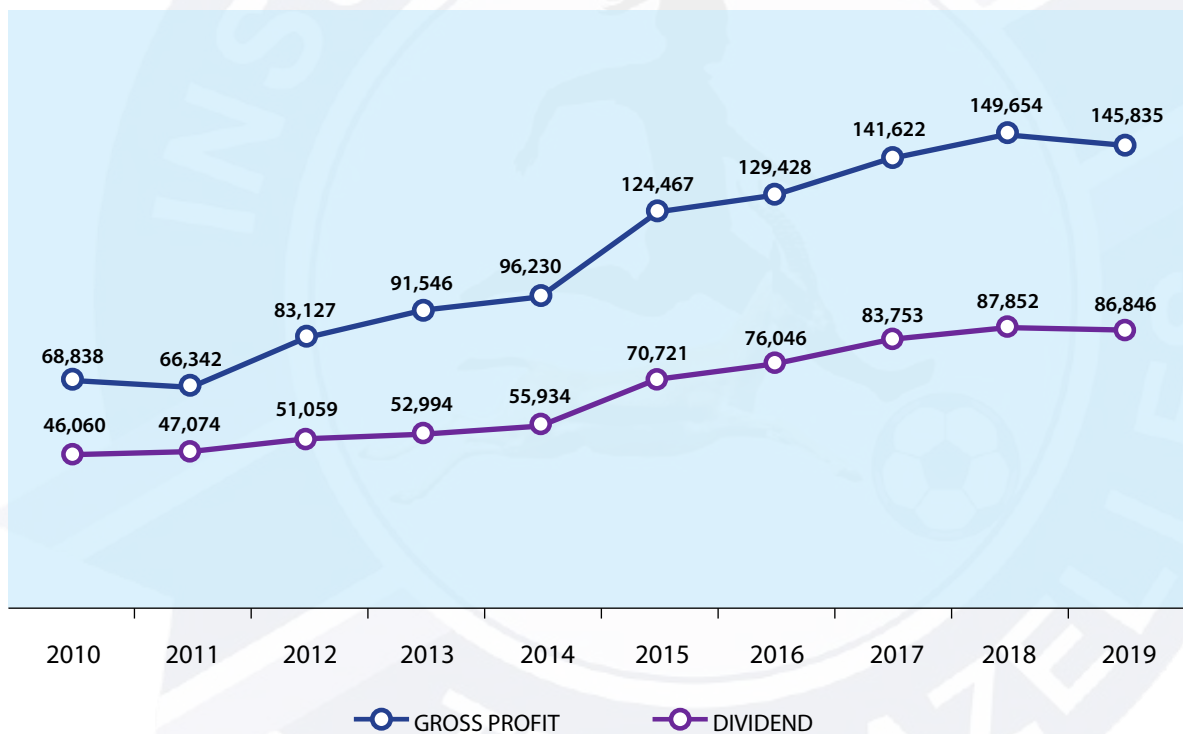
During the financial year ending 31st December 2019, the total operating and management expenses was Nakfa 23.8 million (in 2018 was Nakfa 26.8 million). The management expenses charged to revenue account amounting to Nakfa 14.3 million (in 2018 was 15.5 million). The remaining Nakfa 9.5 million was charged to Statement of Profit or Loss.

The ratio of management expenses to gross premium was 6.1% (in 2018 was 6.3%) which is favorably accepted within similar direct insurance companies in the African insurance industry. Management will closely monitor that the management expenses are kept within a reasonably low level to effectively optimize resource allocations.

PROFIT

The profit before tax in the year under review was Nakfa 145.8 million (in 2018 was 149.7 million) resulting in a net profit of Nakfa 95.5 million (in 2018 was Nakfa 96.7million). Accordingly the Board of Directors have recommended a dividend of Nakfa 86.8million (in 2018 was Nakfa 87.9million) for distribution to shareholders.

DEVELOPMENT OF PROFITS AND DIVIDENDS (IN '000 NAKFA)



STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



The 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 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

17 April 2020



INDEPENDENT AUDITOR'S REPORT TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



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Audit Services Corporation (Asmara - Eritrea)

P.O.Box 912
E-mail asc@tse.com.er

Tel: 120814
202030
Fax: 125756

17 April 2020

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

Opinion

We have audited the financial statements of the National Insurance Corporation of Eritrea Share Company (the Company) which comprise the statement of financial position as at 31 December 2019, statement of profit or loss, statements of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the 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.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our



INDEPENDENT AUDITOR'S REPORT TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)



opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Audit Services Corporation



THE GAZELLES





FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019



		Currency: Eritrean Nakfa	
	Notes	2019	2018
ASSETS			
Current assets			
Cash and bank balances		320,721,522	317,942,763
Trade and other receivables	4	61,084,526	45,918,798
Related party receivables	5	7,538,375	12,010,710
Due from reinsurers		817,324	905,835
		390,161,747	376,778,106
Non-current assets			
Investments	6	346,076,213	355,233,668
Property and equipment	7	219,147,942	225,060,073
Intangible assets	8	7,720,083	8,601,039
		572,944,238	588,894,780
Total assets		963,105,985	965,672,886
LIABILITIES, CAPITAL AND RESERVES			
Current liabilities			
Trade and other payables	9	19,134,723	21,725,589
Provision for taxation	10	49,995,094	52,631,403
Dividend payable	11	11,761,850	8,701,063
Due to reinsurers	12	38,581,500	30,553,199
Insurance fund	13	129,420,025	140,554,914
		248,893,192	254,166,168
Non-current liabilities			
Employee benefits and obligations	14	12,322,538	11,395,403
Capital and reserves			
Share capital	15	104,676,540	104,676,540
Legal reserve	16	20,935,308	20,935,308
Revaluation reserve		214,255,146	219,935,963
Technical reserve	17	71,214,111	61,665,272
Investment reserve		132,453,599	142,223,054
Special reserve	18	32,571,832	27,797,412
Retained earnings		2,839,125	2,330,813
Unappropriated profit		86,845,951	87,851,646
		665,791,612	667,416,008
Life insurance fund	19	36,098,643	32,695,307
Total liabilities, capital and reserves		963,105,985	965,672,886

The statement of financial position is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.

The financial statements, set out on pages 19 to 38, were approved by the Board of Directors on 17 April 2020 and were signed on its behalf by:


Chairman




Chief Executive Officer



STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019



	Notes	Currency: Eritrean Nakfa	
		2019	2018
Revenue			
Surplus from underwriting		140,649,414	151,676,597
Other income	20	6,871,478	3,912,770
		147,520,892	155,589,367
Expenses			
Depreciation and Amortization	7(b) & 8	8,783,554	10,461,476
General assembly and Board of Directors meetings		591,525	597,757
Audit fee		168,000	177,000
		9,543,079	11,236,233
Profit from operations		137,977,813	144,353,134
Office rent income		696,057	782,576
Interest income		-	749,258
Investment income		7,052,244	3,900,570
Management fee		120,000	120,000
Exchange rate differences	3(b)	(47,969)	(82,194)
Cost of finance		(158,719)	(213,808)
Gain on disposal of equipment		195,261	-
Doubtful receivables recovery		-	44,606
		7,856,874	5,301,008
Profit before taxation		145,834,687	149,654,142
Provision for taxation	10	50,346,295	52,982,579
Net profit after taxation		95,488,392	96,671,563

The statement of profit or loss is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



UNDERWRITING REVENUE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019



		Currency: Eritrean Nakfa	
	Notes	2019	2018
INCOME			
Gross premiums		235,511,770	247,276,971
Premiums ceded		69,675,037	70,217,647
Net premiums		165,836,733	177,059,324
Changes in unearned premiums		(6,491,555)	(3,726,958)
Premiums earned		172,328,288	180,786,282
Reinsurance commissions			
Ceding commission		15,678,645	13,691,235
Profit commission		358,193	761,976
		16,036,838	14,453,211
Total income		188,365,126	195,239,493
OUTGO			
Gross claims paid		62,990,707	99,872,786
Claims ceded		25,361,590	52,864,697
Net claims paid		37,629,117	47,008,089
Changes in outstanding claims		(3,894,449)	(19,184,268)
Net claims incurred		33,734,668	27,823,821
Changes in technical provision		(1,122,260)	(587,584)
Commission		754,749	794,770
Total outgo		33,367,157	28,031,007
Management expenses	21	14,348,555	15,531,889
		47,715,712	43,562,896
Underwriting surplus		140,649,414	151,676,597

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019



	Share Capital	Legal Reserve	Technical Reserve	Revaluation Reserve	Retained Earnings	Investment Reserve	Special Reserve	Unappropriated Profit	Total
At 01 January 2018	104,676,540	20,935,308	51,998,116	225,616,780	2,048,560	116,527,526	22,963,835	83,752,685	628,519,350
Net profit after tax	-	-	-	-	-	-	-	96,671,563	96,671,563
Transfer to technical reserve	-	-	9,667,156	-	-	-	-	(9,667,156)	-
Transfer to special reserve	-	-	-	-	-	-	4,833,578	(4,833,578)	-
Transfer to investment reserve	-	-	-	-	-	25,695,528	-	-	25,695,528
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Dividend paid from Retained earnings	-	-	-	-	(147,348)	-	-	-	(147,348)
Transfer from dividend payable	-	-	-	-	429,600	-	-	-	429,600
Transfer to dividend payable	-	-	-	-	-	-	-	(83,752,685)	(83,752,685)
At 01 January 2019	104,676,540	20,935,308	61,665,272	219,935,963	2,330,812	142,223,054	27,797,413	87,851,646	667,416,008
Net profit after tax	-	-	-	-	-	-	-	95,488,392	95,488,392
Transfer to technical reserve	-	-	9,548,839	-	-	-	-	(9,548,839)	-
Transfer to special reserve	-	-	-	-	-	-	4,774,419	(4,774,419)	-
Adjustment to investment reserve	-	-	-	-	-	(9,769,455)	-	-	(9,769,455)
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Dividend paid from Retained earnings	-	-	-	-	(110,065)	-	-	-	(110,065)
Transfer from Dividend payable	-	-	-	-	618,378	-	-	-	618,378
Transfer to dividend payable	-	-	-	-	-	-	-	(87,851,646)	(87,851,646)
At 31 December 2019	104,676,540	20,935,308	71,214,111	214,255,146	2,839,125	132,453,599	32,571,832	86,845,951	665,791,612

The statement of changes in equity is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019



	Notes	Currency: Eritrean Nakfa	
		2019	2018
Cash flows from operating activities			
Net profit before taxation		145,834,687	149,654,142
Adjustments for:			
Depreciation	7(b)	6,579,232	8,257,729
Amortization	8	2,204,322	2,207,890
Gain on disposal of equipment		(195,261)	-
Investment income		(7,052,244)	(3,900,570)
Operating profit before changes on working capital		147,370,736	156,219,191
(Increase) /Decrease in trade and other receivables		(15,165,728)	22,217,486
Decrease /(Increase) in related party receivables		4,472,335	(150,543)
Decrease in amounts due from reinsurers		88,511	3,450
(Decrease) /Increase in trade and other payables		(2,590,866)	2,598,670
(Decrease) in related party payables		-	(14,283,000)
(Decrease) in deferred income		-	(151,578)
Increase/(Decrease) in amounts due to reinsurers		8,028,301	(200,274)
(Decrease) in insurance funds		(11,134,889)	(23,303,797)
Cash generated from operations		131,068,400	142,949,605
Profit tax paid	10	(52,982,604)	(49,986,337)
Dividend paid	11	(84,282,547)	(83,297,422)
Net cash (used)/flows from operating activities		(6,196,751)	9,665,846
Cash flows from investing / financing activities			
Purchase of property and equipment	7(b)	(667,100)	(1,085,453)
Proceeds from disposal of equipment	7(b)	195,261	-
Purchase of intangible assets	8	(1,323,366)	(1,164,942)
Increase in life insurance fund	19	3,403,336	618,828
Investment income		7,052,244	3,900,570
Decrease/(Increase) in investments	5	9,157,455	(37,138,206)
(Decrease)/Increase in investment reserve		(9,769,455)	25,695,528
Increase in employee benefits and obligation`s		927,135	848,847
Redemption of treasury bills		-	30,000,000
Net cash flow from investing / financing activities		8,975,510	21,675,172
Net increase in cash and bank balances		2,778,759	31,341,018
Cash and bank balances at the beginning of the year		317,942,763	286,601,745
Cash and bank balances at the end of the year		320,721,522	317,942,763

The statement of cash flows is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



STATEMENT OF FINANCIAL POSITION-NON-LIFE

AT 31 DECEMBER 2019



		Currency: Eritrean Nakfa	
	Notes	2019	2018
ASSETS			
Current assets			
Cash and bank balances		289,021,918	293,746,935
Trade and other receivables	4	60,448,674	45,266,742
Related party receivables	5	7,538,375	12,010,710
Due from reinsurers		817,324	905,835
		357,826,291	351,930,222
Non – current assets			
Investment	6	336,638,730	343,288,605
Property and equipment	7	219,147,941	225,060,072
Intangible assets	8	7,720,083	8,601,039
		563,506,754	576,949,716
Total assets		921,333,045	928,879,938
LIABILITIES, CAPITAL AND RESERVES			
Current liabilities			
Trade and other payables	9	16,114,703	18,704,335
Provision for taxation	10	49,995,094	52,631,403
Dividend payable	11	11,761,850	8,701,063
Due to reinsurers	12	37,427,042	30,553,199
Insurance funds	13	128,615,659	140,123,923
		243,914,348	250,713,923
Non – current liabilities			
Employee benefits and obligations	14	11,627,085	10,750,007
Capital and reserves			
Share capital	15	104,676,540	104,676,540
Legal reserve	16	20,935,308	20,935,308
Revaluation reserve		214,255,146	219,935,963
Technical reserve	17	71,214,111	61,665,272
Investment reserve		132,453,599	142,223,054
Special reserve	18	32,571,832	27,797,412
Retained earnings		2,839,125	2,330,813
Unappropriated profit		86,845,951	87,851,646
		665,791,612	667,416,008
Total liabilities, capital and reserves		921,333,045	928,879,938

The statement of financial position is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



STATEMENT OF FINANCIAL POSITION-LIFE

AT 31 DECEMBER 2019



	Notes	Currency: Eritrean Nakfa	
		2019	2018
ASSETS			
Current assets			
Cash and bank balances		31,699,604	24,195,828
Trade and other receivables	4	635,852	652,056
		32,335,456	24,847,884
Non-current assets			
Investment	6	9,437,483	11,945,063
Furniture and equipment	7	1	1
		9,347,484	11,945,064
Total assets		41,772,940	36,792,948
Current liabilities			
Trade and other payables	9	3,020,020	3,021,254
Outstanding claims (Net)	13	804,366	430,991
Due to reinsurers		1,154,458	-
		4,978,844	3,452,245
Non-current liabilities			
Employee benefits and obligations	14	695,453	645,396
Life Insurance Fund	19	36,098,643	32,695,307
		36,794,096	33,340,703
Total liabilities and funds		41,772,940	36,792,948

The statement of financial position is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



UNDERWRITING REVENUE ACCOUNT-LIFE

FOR THE YEAR ENDED 31 DECEMBER 2019



	Notes	Currency: Eritrean Nakfa	
		2019	2018
INCOME			
Gross premiums		8,273,763	3,404,181
Premiums ceded		3,210,671	-
Net premiums collected		5,063,092	3,404,181
Commission		836,606	-
Total income		5,899,698	3,404,181
OUTGO			
Gross claims paid		3,506,181	2,333,154
Claims ceded		1,165,000	-
Net claims paid		2,341,181	2,333,154
Commission		17,611	2,777
Change in outstanding claims		373,375	195,012
Others		9,198	1,478
Total outgo		2,741,365	2,532,421
Management expenses	21	322,590	288,639
		3,063,955	2,821,060
Underwriting surplus		2,835,743	583,121
Interest income		570,112	50,588
Other income		68	(4)
		3,405,923	633,705
Expenses			
Depreciation		-	4,143
Cost of finance		1,287	734
Audit fee		1,300	10,000
		2,587	14,877
Net operating surplus		3,403,336	618,828
Insurance fund at 01 January 2019		32,695,307	32,076,479
Insurance fund at 31 December 2019	19	36,098,643	32,695,307

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.





NOTES TO THE FINANCIAL STATEMENTS



1. GENERAL INFORMATION

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. ACCOUNTING POLICIES

Adaption of new and revised International Financial Reporting Standards (IFRS)

New standards and amendments to published standards effective for the year ended 31 December 2019

New and revised standards in the current year are not expected to have a material impact on amounts reported in the Company's financial statements. Therefore, the Company does not plan to adopt these standards early.

3. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONTINUED)



(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) Intangible assets

Acquired computer software licenses are capitalised on the basis of costs incurred and bring to use the specific software. These costs are amortized on a straight line method over their useful lives, not exceeding a period of five years.

(h) 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.

Provision for unexpired risks

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

(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.

(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 benefit 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.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONTINUED)



4. TRADE AND OTHER RECEIVABLES

Currency: Eritrean Nakfa

	31 December 2019			31 December 2018		
	Non-life	Life	Total	Non-life	Life	Total
Trade receivables	66,082,671	622,499	66,705,170	47,623,707	623,703	48,247,410
Other receivables	298,435	13,353	311,788	3,575,467	28,353	3,603,820
	66,381,106	635,852	67,016,958	51,199,174	652,056	51,851,230
Less: Provision for doubtful receivables	(5,932,432)	-	(5,932,432)	(5,932,432)	-	(5,932,432)
	60,448,674	635,852	61,084,526	45,266,742	652,056	45,918,798

5. 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 2019			31 December 2018		
	Non-life	Life	Total	Non-life	Life	Total
Roof Garden Restaurant	342,508	-	342,508	58,352	-	58,352
Shishay Feed Plant	4,516,401	-	4,516,401	649,737	-	649,737
New Sudan Insurance	1,673,700	-	1,673,700	2,468,510	-	2,468,510
Shemshemiya Commercial Farm	1,005,766	-	1,005,766	8,834,111	-	8,834,111
	7,538,375	-	7,538,375	12,010,710	-	12,010,710

6. INVESTMENTS

(a) These are made up of:

	31 December 2019			31 December 2018		
	Non-life	Life	Total	Non-life	Life	Total
Available for sale						
African Reinsurance Corporation	83,006,055	-	83,006,055	92,775,510	-	92,775,510
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.	133,154,680	-	133,154,680	130,035,100	-	130,035,100
Shemshemya Commercial Farm	88,982,000	-	88,982,000	88,982,000	-	88,982,000
New Sudan Insurance Co.	22,444,995	-	22,444,995	22,444,995	-	22,444,995
	333,938,730	-	333,938,730	340,588,605	-	340,588,605
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	-	1,937,483	1,937,483	-	1,945,063	1,945,063
Loans to financial institutions	-	7,500,000	7,500,000	-	10,000,000	10,000,000
	2,700,000	9,437,483	12,137,483	2,700,000	11,945,063	14,645,063
	336,638,730	9,437,483	346,076,213	343,288,605	11,945,063	355,233,668



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONTINUED)



- (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 2020.
- (d) The loan to a financial institution is a loan granted to Eritrean Development and Investment Bank. The loan is fully repayable before 31 December 2022 and bears average interest of 4.5% per annum.

7. PROPERTY AND EQUIPMENT

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

Currency: Eritrean Nakfa

	31 December 2019			31 December 2018		
	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	10,771,080	55,963	10,827,043	11,089,825	55,963	11,145,788
Computers	6,851,408	31,906	6,883,314	8,150,816	31,906	8,182,722
Motor vehicles and cycles	9,334,999	-	9,334,999	9,180,978	-	9,180,978
Text books	83,360	-	83,360	83,360	-	83,360
	403,828,063	87,869	403,915,932	405,292,195	87,869	405,380,064
DEPRECIATION						
Buildings	160,771,762	-	160,771,762	154,910,506	-	154,910,506
Furniture and equipment	9,161,319	55,963	9,217,282	9,233,137	55,963	9,289,100
Computers	5,862,071	31,905	5,893,976	7,248,067	31,905	7,279,972
Motor vehicles and cycles	8,801,642	-	8,801,642	8,757,085	-	8,757,085
Text books	83,328	-	83,328	83,328	-	83,328
	184,680,122	87,868	184,767,990	180,232,123	87,868	180,319,991
CARRYING AMOUNT						
Buildings	216,015,454	-	216,015,454	221,876,710	-	221,876,710
Furniture and equipment	1,609,761	-	1,609,761	1,856,688	-	1,856,688
Computers	989,337	1	989,338	902,749	1	902,750
Motor vehicles and cycles	533,357	-	533,357	423,893	-	423,893
Text books	32	-	32	32	-	32
	219,147,941	1	219,147,942	225,060,072	1	225,060,073

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

	Cost/Revaluation			Depreciation		
	Additions	Transfers	Disposal	Additions	Transfers	Disposal
Non-Life	667,100	-	2,131,232	6,579,232	-	2,131,231
Life	-	-	-	-	-	-
	667,100	-	2,131,232	6,579,232	-	2,131,231

- (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 2019 (CONTINUED)



8. INTANGIBLE ASSETS

Currency: Eritrean Nakfa

	31 December 2019			31 December 2018		
	Computer software	Computer software in progress	Total	Computer software	Computer software in progress	Total
COST/VALUATION						
At 01 January 2019	15,923,719	-	15,923,719	11,552,171	3,206,606	14,758,777
Additions	1,323,366	-	1,323,366	1,164,942	-	1,164,942
Transfer from software in progress	-	-	-	3,206,606	(3,206,606)	-
At 31 December 2019	17,247,085	-	17,247,085	15,923,719	-	15,923,719
AMORTIZATION						
At 01 January 2019	7,322,680	-	7,322,680	5,114,790	-	5,114,790
Additions	2,204,322	-	2,204,322	2,207,890	-	2,207,890
Transfer from software in progress	-	-	-	-	-	-
At 31 December 2019	9,527,002	-	9,527,002	7,322,680	-	7,322,680
CARRYING AMOUNT	7,720,083	-	7,720,083	8,601,039	-	8,601,039

9. TRADE AND OTHER PAYABLES

	31 December 2019			31 December 2018		
	Non-life	Life	Total	Non-life	Life	Total
Trade payables	13,192,595	2,903,365	16,095,960	14,948,490	2,849,678	17,798,168
Payable to contractors	-	-	-	42,762	-	42,762
Other payables	2,272,091	97,020	2,369,111	3,003,248	142,046	3,145,294
Accruals	650,017	19,635	669,652	709,835	29,530	739,365
	16,114,703	3,020,020	19,134,723	18,704,335	3,021,254	21,725,589

10. PROVISION FOR TAXATION

a) This is made up of:

	Profit Tax	Municipal Tax	Rent income Tax	Total
Balance at 01 January 2019	45,859,005	5,817,780	954,618	52,631,403
Less: Payments made during the year	46,561,311	6,208,173	213,120	52,982,604
	(702,306)	(390,393)	741,498	(351,201)
Add: Current year's provision	44,256,465	5,900,862	188,968	50,346,295
Balance at 31 December 2019	43,554,159	5,510,469	930,466	49,995,094

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



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONTINUED)



11. DIVIDEND PAYABLE

a) *The balance comprises:*

Currency: Eritrean Nakfa

	31 December 2019	31 December 2018
Balance at 01 January 2019	8,701,063	8,528,052
Dividend declared	87,851,647	83,752,685
	96,552,710	92,280,737
Less: Payment made during the year	(84,282,547)	(83,297,422)
	12,270,163	8,983,315
Less: Transferred to retained earnings	(618,378)	(429,600)
Add: Dividend paid from retained earnings	110,065	147,348
Balance at 31 December 2019	11,761,850	8,701,063

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.*

12. 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.

13. INSURANCE FUNDS

Currency: Eritrean Nakfa

	31 December 2019			31 December 2018		
	Non-life	Life	Total	Non-life	Life	Total
Outstanding claims (Net)	77,495,477	804,366	78,299,843	81,389,926	430,991	81,820,917
Provision for unexpired risks	34,536,509	-	34,536,509	41,028,064	-	41,028,064
Technical provisions	16,583,673	-	16,583,673	17,705,933	-	17,705,933
	128,615,659	804,366	129,420,025	140,123,923	430,991	140,554,914

14. EMPLOYEE BENEFITS AND OBLIGATIONS

Currency: Eritrean Nakfa

	31 December 2019			31 December 2018		
	Non-life	Life	Total	Non-life	Life	Total
Provident fund	8,075,014	461,560	8,536,574	7,421,614	420,210	7,841,824
Provision for compensation for service	3,552,071	233,893	3,785,964	3,328,393	225,186	3,553,579
	11,627,085	695,453	12,322,538	10,750,007	645,396	11,395,403

- *The average number of employees engaged during the year was 104(2018: 76).*



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONTINUED)



15. SHARE CAPITAL

The share capital of the Company is Nfa104,676,540 sub-divided into 10,467,654 ordinary registered shares, the par value of each share being 10 Eritrean Nakfa.

16. 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.

17. 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.

18. 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 to cater for any investment risk factor.

19. LIFE INSURANCE FUND

Currency: Eritrean Nakfa

(a) The balance comprises:

	31 December 2019	31 December 2018
Balance at 01 January 2019	32,695,307	32,076,479
Add: Current year's transfer	3,403,336	618,828
Balance at 31 December 2019	36,098,643	32,695,307

(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.

20. OTHER INCOME

	31 December 2019		31 December 2018	
	Non-life	Life	Non-life	Life
Survey fees	4,162	-	4,850	-
Crane rental	-	-	14,208	-
Cost recovery	6,271,311	-	3,878,437	-
Others	596,005	-	15,275	-
	6,871,478	-	3,912,770	-



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONTINUED)



21. MANAGEMENT EXPENSES

Currency: Eritrean Nakfa

	31 December 2019		31 December 2018	
	Non-life	Life	Non-life	Life
Salaries and related benefits	4,746,269	214,949	5,725,016	245,882
Car running and maintenance	580,238	-	716,951	-
Advertisement and promotion	2,207,982	69,932	985,003	-
Printing and stationery	1,536,638	15,250	1,658,041	-
Light and water	164,107	-	424,913	-
Insurance	1,344,101	21,763	2,327,140	40,954
Travel and per-diem	659,354	-	553,827	-
Maintenance and supplies	471,343	-	442,071	-
Postage, telephone and fax	503,360	696	504,679	1,803
Representation	148,132	-	186,569	-
Entertainment	361,240	-	423,029	-
Legal, membership and consultation fees	516,664	-	189,579	-
Uniforms	28,590	-	46,730	-
Cleaning and sanitation	802,626	-	704,835	-
Medical	40,991	-	42,790	-
Tuition and training	173,916	-	541,106	-
Land and building taxes	56,315	-	56,315	-
Others	6,689	-	3,295	-
	14,348,555	322,590	15,531,889	288,639



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONTINUED)



22. COMMITMENTS

The Company has no capital expenditure commitments at 31 December 2019.

23. COMPARATIVES

In order to facilitate comparison certain figures of the year 2018 have been re-arranged in these financial statements.

24. 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 2019 (CONTINUED)



25. 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 organized 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	87,107,029	132,586,165	15,818,576	235,511,770
Premiums ceded	54,899,982	697,289	14,077,766	69,675,037
Net written premiums	32,207,047	131,888,876	1,740,810	165,836,733
Changes in unearned premiums	(3,125,527)	(1,681,753)	(1,684,275)	(6,491,555)
Net earned premiums	35,332,574	133,570,629	3,425,085	172,328,288
Ceding commission	12,413,434	-	3,265,211	15,678,645
Profit commission	358,193	-	-	358,193
Technical income	48,104,201	133,570,629	6,690,296	188,365,126
OUTGO				
Gross claims paid	13,652,815	32,811,794	16,526,098	62,990,707
Claims ceded	8,892,190	-	16,469,400	25,361,590
Net claims paid	4,760,625	32,811,794	56,698	37,629,117
Changes in o/s claims	1,512,195	(5,382,201)	(24,443)	(3,894,449)
Net claims incurred	6,272,820	27,429,593	32,255	33,734,668
Changes in technical provision	(131,083)	(829,275)	(161,901)	(1,122,259)
Sales commission	176,601	578,147	-	754,748
Total technical outgo	6,318,338	27,178,465	(129,646)	33,367,157
Result before management expenses	41,785,863	106,392,164	6,819,942	154,997,969
Management expenses	5,306,996	8,077,812	963,747	14,348,555
Underwriting surplus	36,478,867	98,314,352	5,856,195	140,649,414
Percentage on underwriting surplus	26%	70%	4%	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 21 to the financial statements are prorated among the Fire and Accident, Motor and Marine and Aviation insurances in proportion to their respective gross written premium of each segment.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONTINUED)



26. SHAREHOLDINGS

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

	2019
	Holdings
	%
Ministry of Finance	58.77
Martyrs' Trust Fund	30.02
Mahber Wenenti Mekayin White	4.33
Others	6.88
	100.00







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