



National Insurance Corporation  
Of Eritrea Share Company

# 2021 | ANNUAL REPORT | & FINANCIAL STATEMENTS



**NICE:**  
**CREATING A PLATFORM TO EMPOWER WOMEN**





## 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



**NICE RECENTLY OPENED AND INAUGURATED A CLUB TO INSPIRE AND FACILITATE THE GAZELLES: A WOMAN'S FOOTBALL & ATHLETICS TEAMS SPONSORED BY NICE TO EMPOWER THE ERITREAN FEMALE TO FIGHT FOR GENDER EQUALITY**

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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



Board meeting in progress



## THE BOARD OF DIRECTORS



**Ghebrebrhan Mihreteab**  
*Chairman*



**Almaz Lijam**  
*Director*



**Woldeyesus Elisa**  
*Director*



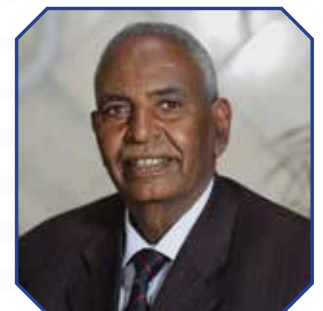
**Sielu Abraha**  
*Director*



**Kidane Tsegay**  
*Director*



**Ghebrenigus Zere**  
*Director*



**Abraha Tuccu**  
*Director*

# SENIOR MANAGEMENT TEAM



**Zeru Woldemichael**  
*General Manager/ CEO*



**Paulos Tecleab**  
*Finance & Investment Manager*



**Mesghina Nemariam**  
*Technical Advisor*



**Tuquabo Moba**  
*Administration Manager*



**Samuel Teklemariam**  
*Technical Manager*

22.345

88.456

99.221

19.234

31.532

66.232

89.111

67.632

98.232

41.332

1.323

112

18

682

87.322

69.321

59.113

79.322

12.321

99.223

87.124

89.332

97.234

11.435

3.129

9.345

223

234



132.334  
224.542  
623.652  
425.764  
511.445  
732.243  
947.234  
981.321  
335.234  
111.439  
266.423  
882.118  
909.123  
777.543  
412.345  
54.321  
741.234  
554.345  
874.326  
452.113  
974.423  
893.465  
862.123  
974.456  
988.335  
582.936  
352.398  
223.564  
338.541  
991.334  
221.987  
334.567  
191.234

“

In the future, there will be no female leaders. There will be just leaders.

HERYL SANDBERG



**Representing NICE at  
AIO Conference  
Kigali, Rwanda 2021**

# CHAIRMAN'S STATEMENT



## CHAIRMAN'S STATEMENT



### Dear Shareholders,

On behalf of the Board of Directors of National Insurance Corporation of Eritrea, I am pleased to present the 2021 Annual Report & Audited Financial Statements of the Company. 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.

It can be recalled that the previous year was identified with the pandemic phenomenon and the resultant negative effect on the lives of people and the economy. However, in the year under review, as the trend of daily new COVID-19 pandemic infections declined and as restriction measures for the COVID-19 pandemic were progressively relaxed, it was expected for the Financial Year 2021 to record an increase in economic activities despite the pandemic's aftermath. The following brief report will highlight the overall performance, statement on corporate governance, outlook for the year 2022 and other related topics.

### PERFORMANCE

The gross premium has shown a growth of 12.3% compared with 2020. But the bottom-line figures of Net Profit and Dividend have only shown a slight decrease of around 1.7% and 1.5% respectively, and this is mainly due to the staggering 250% increase of the Net Claims incurred. The significant increase in Net Claims incurred recorded in this year is due to the obvious increase of accidents

resulting from the lifting up of the restrictions in the movement of vehicles that was in force to tackle the pandemic.

The management has reinvigorated its focus on writing more life business starting from 2019 and as a result it has shown a significant increase of 97% in the current year when compared with 2020.

The New Sudan Insurance Company, our affiliated company in South Sudan, has recorded an encouraging result in 2021 where its gross premium and net profit increased by around 47% and 70% from the previous year respectively, and this was largely due to exchange rate effect. The three-storey parking lot has been completed to attract tenants to the six-storey modern office complex even though there are no developments as of yet. Our investment in Africa Reinsurance Corporation (Africa Re) and Zep Re (PTA Reinsurance Company) are expected to generate a reasonable dividend yields from their 2021 financial results. Unfortunately, our investment in the commercial farm at Gash Barka has extensively deteriorated with a negative result since 2013. Similarly, our animal feed plant in Asmara has also been showing a declining trend in the last three years despite a slight improvement in performance.

### 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.



## CHAIRMAN'S STATEMENT (continued)

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

### Board of Directors

The Board currently consists of seven non-executive directors. The sudden and unfortunate passing of our former Chairman Mr. Ghirmai Ghebremeskel in this year made it necessary to replace him with other Board Member in consultation with the respective shareholder in the last AGM pursuant to the Memorandum and Articles of Association of the Company. Therefore, Mr. Sielu Abraha and Mr. Kidane Tsegai have joined the Board and added more qualifications to the mix. It can be said that the Board is composed of directors with a good mix of skills, experience and competences in the relevant fields with high integrity in accordance with Article 11 (c) of the Memorandum of Association of the Company. Pursuant to Article 11 (d) of the Memorandum of Association three members of the Board whose term terminated in 2020 were supposed to be replaced by new Board members through conducting an election at the previous AGM. However, as the AGM was conducted by inviting the representatives of the Shareholders only due to COVID-19 restrictions, the AGM decided to postpone the election. Because of this force majeure it was decided that the same board members will continue to hold their positions until the situation permits for an appropriate election process.

#### The Directors are:

- |                              |            |
|------------------------------|------------|
| 1. Mr. Ghebreberhan Mehretab | - Chairman |
| 2. Mr. Woldeyesus Elisa      | - Member   |
| 3. Mrs. Almaz Lijam          | - Member   |
| 4. Mr. Ghebregus Zere        | - Member   |
| 5. Mr. Abraha Tuccu          | - Member   |
| 6. Mr. Sielu Abraha          | - Member   |
| 7. Mr. Kidane Tsegai         | - Member   |

### Board Charter and Work Plan

The Board Charter contains provisions that ensure that the Board observes best practice in corporate governance among which are details related to 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 its performance in its quarterly meetings.

The Board's highest priority during the year under review was to ensure that the Company endures through availing itself with young qualified employees succeeding the current aging senior management team and that the Company is mostly transformed into a computerized environment by the end of 2020. This endeavor seems to be succeeding.

### 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 committee around five days prior to the meetings.

### 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 fundamental, strategic, policy and formal matters reserved for its decision, the Board delegates some of its responsibilities to standing committees which operate within defined terms of reference laid down by the Board in the Board Charter. Accordingly, 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. It reviews and monitors overall risk tolerance and risk appetite. The Committee is made up of three members of the Board. The Chief Executive Officer, the Finance and Investment Manager, the Technical Manager, the Risk and Compliance Officer, the Internal Auditor, the External Auditor and when necessary, the Legal Advisor attend all meetings of the Committee.

The current members of the Committee are: Mr. Abraham Tuccu (Chairperson), Mrs. Almaz Lijam and Mr. Sielu Abraha.

## CHAIRMAN'S STATEMENT (continued)

### • Strategy and Investment Committee

The Committee meets twice a year or as necessary. Its responsibility includes reviewing issues pertaining to strategy and investment. It sets investment benchmark, monitors and reviews performance and recommends on any strategic equity investments.

Currently members of the Committee are Mr. Woldeyesus Elisa (Chairperson), Mr. Ghebregus Zere and Mr Kidane Tsegay.

### APPROVAL OF THE FINANCIAL STATEMENTS AND APPROPRIATION OF RESULTS

The Board of Directors approved the audited financial statements as at 31st December 2021 in its meeting held on 30th April 2022. Now the Board proposes to the Annual General Meeting of the Shareholders of the Company scheduled to be held on 4th June 2022 to approve the unappropriated profit as follows:

- Nakfa 4,590,364 to Special Reserve
- Nakfa 9,180,728 to Technical Reserve
- Nakfa 83,717,007 to be paid as dividend at the rate of Nakfa 7.997686 (Nakfa 8.123185 in 2020) for a fully paid-up share capital (inclusive of bonus shares).

### OUTLOOK FOR 2022

Taking the normalization of the restrictions and accelerating economic recovery in to consideration, and despite lingering concerns about COVID-19 variants, it can be said that our outlook of the year 2022 seems positive. Yet in context of the COVID-19 incident as a recent experience it should not be a conclusive forecast making an allowance for unforeseen circumstances and the aftermath of the Pandemic.

Consequently, projections for 2022 are more or less skeptical as researches are also identifying multiple challenges for insurance leaders to tackle next year beyond ongoing efforts to adapt to the pandemic's aftermath. They range from economic hurdles such as inflation, climate risk and economic slowdown among others. Likewise, once again, our stakeholder's expectation should be based on the financial and economic realities of the long-term effects of the pandemic and other concerns in the coming years.

### APPRECIATION

On behalf of the Board, it is a privilege for me to express my sincere gratitude to our clients, reinsurers, brokers, business partners and the underwriting agents for the business, support, patience and understanding during the uncertain and testing

times. Greater responsibilities require increased commitments of time and energy; I, therefore, acknowledge and appreciate the management and staff of the Company for their loyalty, sacrifice and hard work without which these results would not have been possible. It is well known that the unprecedented challenges faced demanded practical leadership qualities which are not lacking in our NICE.

I would also like to acknowledge with appreciation my colleagues in the Board for their constructive input, guidance and support in a broader range of matters.

Finally, allow me to seize this opportunity to thank our regulator (The Bank of Eritrea) for its guidance and continued cooperation and support.

**Ghebreberhan Mehretab**  
Chairman



“

Men of quality respect women’s equality.

JEREMIAH SAY



## BRIEF MANAGEMENT REPORT

## BRIEF MANAGEMENT REPORT

The 2021 management report reviews the key operational activities of the Company for the financial year. It contains performance in relation to gross premium income, claims, underwriting results, reinsurance cost, management expense and the profits during the financial year under review.

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

### FINANCIAL & TECHNICAL HIGHLIGHTS (NON-LIFE) 2012 – 2021 (IN '000 NAKFA)

DESCRIPTION	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross Premium	221,093	217,015	222,288	271,918	265,389	253,417	247,277	235,512	221,782	248,953
Net Written Premium	136,692	147,044	159,605	190,587	196,986	182,935	177,059	165,837	146,591	160,965
Net Premium Earned	135,612	146,359	156,992	183,864	193,034	186,545	180,786	172,328	148,574	159,554
Net Claims Incurred	47,073	55,790	64,734	53,175	57,685	43,445	27,824	33,735	7,577	18,943
Operating Expenses	23,243	24,034	23,995	27,081	25,834	25,392	26,768	23,892	24,218	24,085
Management expenses	13,470	14,275	13,672	16,968	15,751	14,219	15,532	14,349	14,724	14,312
Mgt expenses to Gross premium ratio	6.1%	6.6%	6.2%	6.2%	5.9%	5.6%	6.3%	6.1%	6.6%	5.7%
Profit before tax	83,127	91,546	96,230	124,467	129,914	141,622	149,654	145,835	143,347	142,219
Net Profit	53,386	59,142	62,816	78,519	82,783	91,849	96,672	95,488	93,352	91,807
Property & Equipment	272,070	268,292	261,982	253,710	247,806	241,872	233,661	226,868	218,174	209,872
Investments	92,454	164,359	168,036	174,352	288,227	314,090	343,288	336,639	359,635	366,438
Proposed Dividend	51,059	52,994	55,934	70,721	76,046	83,753	87,852	86,846	85,029	83,717
Share holders Fund	441,589	449,672	459,493	483,295	612,476	628,519	667,416	665,792	694,180	707,295



## BRIEF MANAGEMENT REPORT (continued)

### GROSS WRITTEN PREMIUM

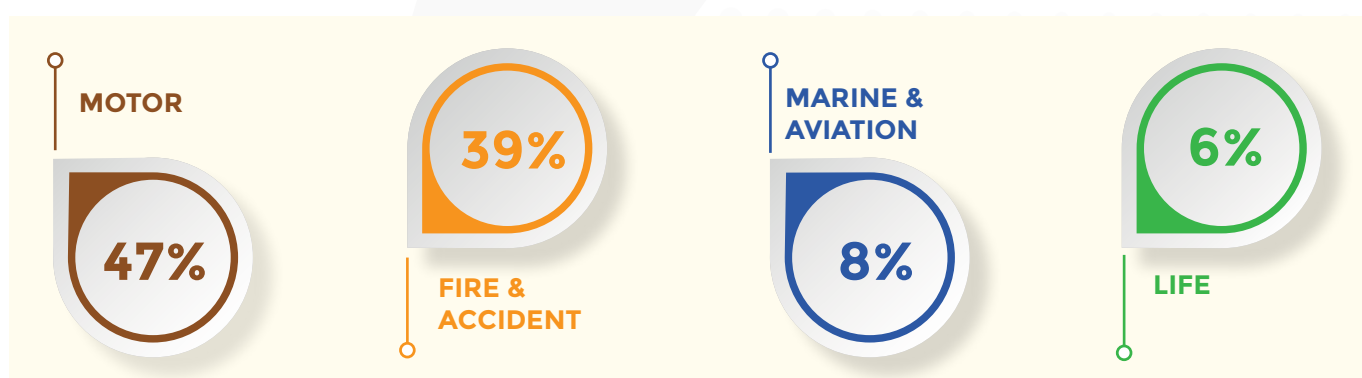
During the year under review the gross premium income produced from non-life business was Nakfa 249 million which is higher by 12.3% when compared to that of 2020. As can be noted from the table below premium from our motor class of business, as usual, has remained to be the dominant business with a share of 47%. Due to the introduction of group life term assurance the contribution of gross premium from life business has reached Nakfa 14.9 million showing an increase of 97% when compared with that of 2020.

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)

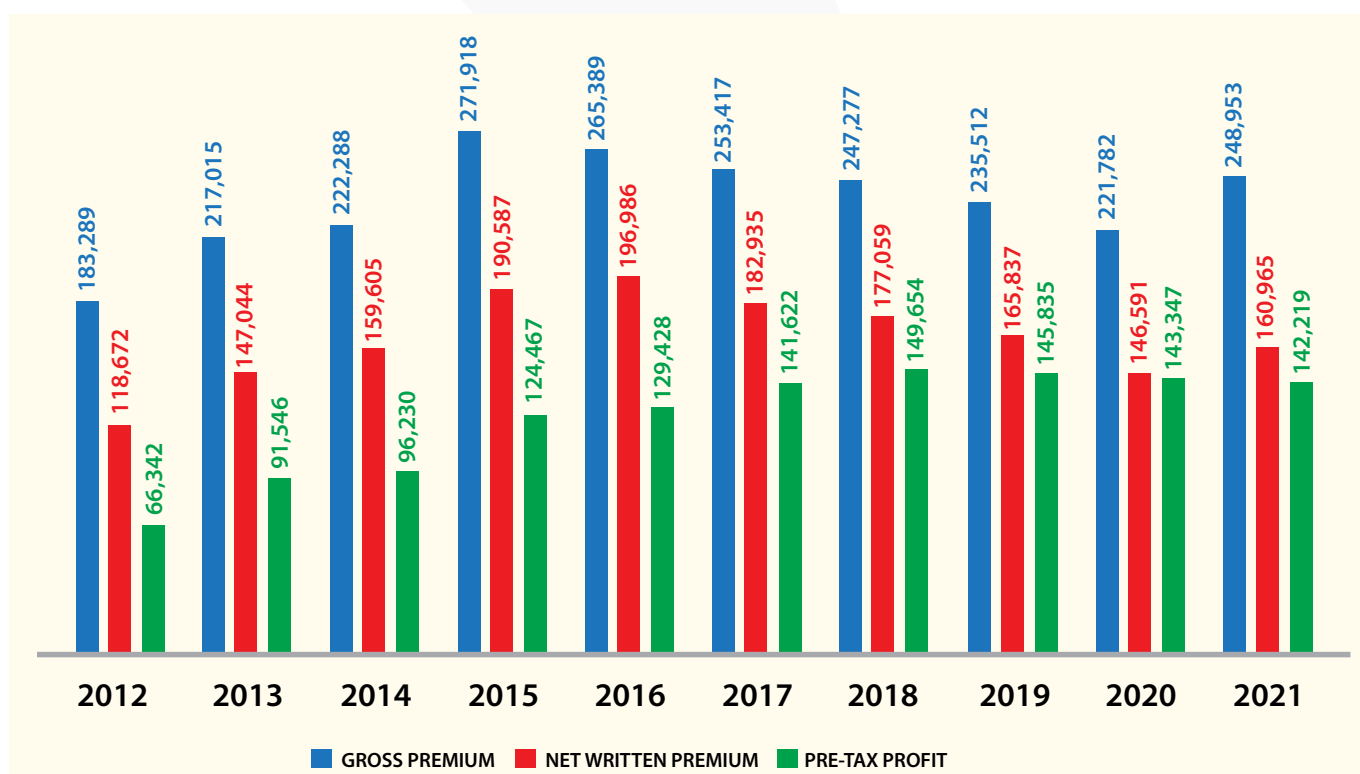
BUSINESS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
MOTOR	103,412	113,022	124,493	154,624	161,834	147,909	141,052	132,586	112,198	123,439
FIRE & ACCIDENT	86,253	77,626	80,416	88,327	86,410	81,585	81,998	87,107	91,531	103,762
MARINE & AVIATION	31,428	26,367	17,379	28,966	17,145	23,923	24,226	15,819	18,053	21,752
<b>TOTAL NON-LIFE</b>	<b>221,093</b>	<b>217,015</b>	<b>222,288</b>	<b>271,917</b>	<b>265,389</b>	<b>253,417</b>	<b>247,276</b>	<b>235,512</b>	<b>221,782</b>	<b>248,953</b>
LIFE	2,298	2,725	2,450	2,857	4,261	3,429	3,404	8,274	7,580	14,939
<b>GRAND TOTAL</b>	<b>223,391</b>	<b>219,740</b>	<b>224,738</b>	<b>274,774</b>	<b>269,650</b>	<b>256,846</b>	<b>250,680</b>	<b>243,786</b>	<b>229,362</b>	<b>263,892</b>

### PREMIUM DISTRIBUTION 2021



## BRIEF MANAGEMENT REPORT (continued)

### DEVELOPMENT OF PREMIUMS AND PROFITS (IN '000' NAKFA)



### CLAIMS

The total claims incurred during the year under review amounted to Nakfa 18.9 million showing an increase of 250% when compared with 2020 which was Nakfa 7.6 million. Consequently, the overall claims ratio has increased from 5% in 2020 to 12% in 2021. The significant change in the total claims incurred was due to the increase of accidents as a result of lifting the restriction of movement of vehicles and business activities which was locked down due to COVID 19.

Comparison of the loss ratios of the company for the years 2020 and 2021 is as stated below.

### LOSS RATIO 2020 AND 2021 (NET FOR THE COMPANY) (IN '000' NAKFA)

BUSINESS	2020			2021		
	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO
MOTOR	114,916	8,873	8%	121,512	13,752	11%
MARINE	1,730	45	3%	2,877	30	1%
FIRE	6,441	-1,546	-	6,925	-77	-
WORKMEN	8,545	-618	-	7,103	1,731	24%
ACCIDENT	16,942	823	5%	21,137	3,507	17%
<b>TOTAL</b>	<b>148,574</b>	<b>7,577</b>	<b>5%</b>	<b>159,554</b>	<b>18,943</b>	<b>12%</b>



## BRIEF MANAGEMENT REPORT (continued)

### UNDERWRITING RESULTS

In the year under review the net underwriting result was Nakfa 143.4 million which showed an increase of 1% when compared to Nakfa 141.8 million in 2020. As can be shown from the table below, the increase in underwriting result mainly came from accident and marine class of business compared to the previous year's results.

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

#### UNDERWRITING RESULTS 2012 - 2021 (IN '000' NAKFA)

BUSINESS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
MOTOR	55,030	55,442	51,251	86,997	95,428	105,366	117,985	98,314	100,052	98,875
MARINE & AVAITION	7,888	5,647	9,171	5,626	6,878	6,534	4,384	4,049	3,431	6,963
FIRE	6,786	7,349	9,760	10,733	7,430	11,463	9,610	7,957	10,087	10,437
WORKMEN	4,120	6,163	5,910	7,662	6,908	7,002	7,022	8,708	8,803	5,154
ACCIDENT	10,995	11,683	12,421	13,610	14,498	13,077	12,676	21,621	19,404	21,955
<b>TOTAL</b>	<b>84,819</b>	<b>86,284</b>	<b>88,513</b>	<b>124,628</b>	<b>131,142</b>	<b>143,442</b>	<b>151,677</b>	<b>140,649</b>	<b>141,777</b>	<b>143,384</b>

### REINSURANCE COST

As would be observed from the table below, the Company retained 64.7% of its gross premium income in the year under review. The reduction when compared to last year was mainly due to risks, such as mining projects, aviation and bulk marine shipments which necessitates higher involvement of reinsurers. 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 2012- 2021 (IN '000' NAKFA)

YEAR	GROSS PREMIUM	PREMIUM CEDED	PREMIUM RETAINED	RATE OF RETENTION
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	74.2%
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%
2020	221,782	75,191	146,591	66.1%
<b>2021</b>	<b>248,953</b>	<b>87,987</b>	<b>160,965</b>	<b>64.7%</b>

## BRIEF MANAGEMENT REPORT *(continued)*

### MANAGEMENT EXPENSES

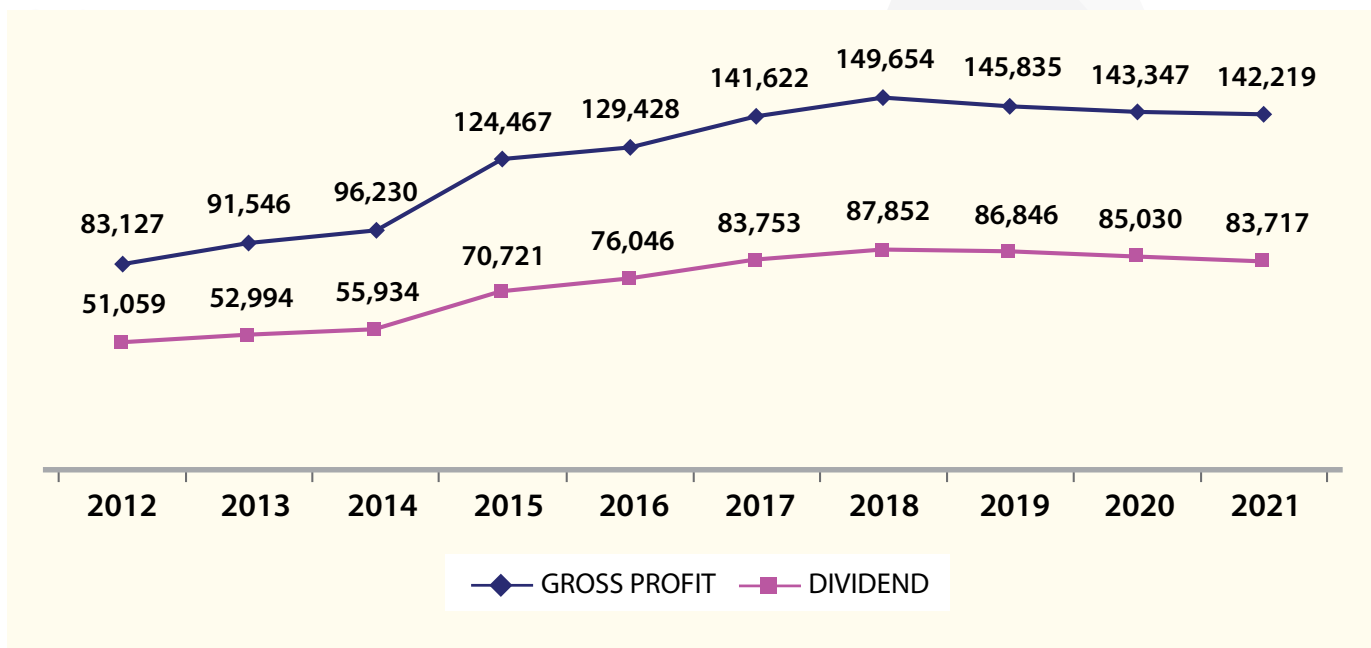
During the financial year ending 31st December 2021, the total operating and management expenses was Nakfa 24.1 million (Nakfa 24.2 million in 2020). The management expenses charged to revenue account was Nakfa 14.3 million (Nakfa 14.7 million in 2020). The remaining Nakfa 9.8 million was charged to statement of profit or loss.

The ratio of management expenses to gross premium was 5.7% (6.6% in 2020) which is favorably accepted within similar insurance companies in the African Insurance Industry. Management will closely monitor the management expenses are kept within acceptable and reasonable scale to effectively optimize resource allocation.

### PROFIT

The profit before tax in the year under review was Nakfa 142.2 million (Nakfa 143.3 million in 2020) resulting in a net profit of Nakfa 91.7 million (Nakfa 93.4 million in 2020). This year's profit is the result of the gain secured from operational activities and dividends. Accordingly, the Board of Directors have recommended a dividend of Nakfa 83.7 million (Nakfa 85 million in 2020) 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 2021

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

14 April 2022

# INDEPENDENT AUDITOR'S REPORT TO THE FINANCIAL STATEMENTS

## For The Year Ended 31 December 2021

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አስመራ-ኤርትራ

### Audit Services Corporation (Asmara - Eritrea)

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

Tel: 120814  
202030  
Fax: 125756

14 April 2022

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

#### Opinion

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 2021, statement of profit or loss, statements of changes in equity and statement of cash flows for the year then ended and significant accounting policies and other explanatory notes.

In our opinion, the financial statements, set out on pages 19 to 38 present fairly, in all material respects, the financial position of the National Insurance Corporation of Eritrea Share Company at 31 December 2021 and the results of its financial performance and its cash flows for the year then ended in conformity 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 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 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 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.



## INDEPENDENT AUDITOR'S REPORT TO THE FINANCIAL STATEMENTS

### For The Year Ended 31 December 2021 (continued)

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 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*



“

Achieving gender equality requires the engagement of women and men, girls and boys. It is everyone's responsibility.



## FINANCIAL STATEMENTS



# STATEMENT OF FINANCIAL POSITION

At 31 December 2021

Currency: Eritrean Nakfa

ASSETS	Notes	2021	2020
<b>Current assets</b>			
Cash and bank balances		327,368,308	317,255,686
Trade and other receivables	4	63,350,491	53,199,531
Related party receivables	5	6,096,261	7,049,271
Due from reinsurers		2,880,376	6,589,581
		<b>399,695,436</b>	<b>384,094,069</b>
<b>Non-current assets</b>			
Investments	6	370,817,826	366,566,110
Property and equipment	7	207,556,440	213,156,048
Intangible assets	8	2,316,115	5,018,099
		<b>580,690,381</b>	<b>584,740,257</b>
<b>Total assets</b>		<b>980,385,817</b>	<b>968,834,326</b>
<b>LIABILITIES, CAPITAL AND RESERVES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	15,941,762	34,589,367
Provision for taxation	10	50,060,525	49,628,134
Dividend payable	11	15,275,893	10,524,552
Due to reinsurers	12	31,116,445	21,251,927
Insurance fund	13	109,749,396	109,572,126
		<b>222,144,021</b>	<b>225,566,106</b>
<b>Non-current liabilities</b>			
Employee benefits and obligations	14	12,733,260	12,526,557
<b>Capital and reserves</b>			
Share capital	15	104,676,540	104,676,540
Legal reserve	16	20,935,308	20,935,308
Revaluation reserve		202,893,512	208,574,329
Technical reserve	17	89,730,010	80,549,282
Investment reserve		159,386,625	153,545,726
Special reserve	18	41,829,781	37,239,417
Retained earnings		4,126,521	3,629,372
Unappropriated profit		83,717,007	85,029,767
Life insurance fund	19	707,295,304	694,179,741
		<b>38,213,232</b>	<b>36,561,922</b>
<b>Total liabilities, capital and reserves</b>		<b>980,385,817</b>	<b>968,834,326</b>

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 30<sup>th</sup> April 2022 and were signed on its behalf by:

  
Chairman



  
Chief Executive Officer

# STATEMENT OF PROFIT OR LOSS

For The Year Ended 31 December 2021

		Currency: Eritrean Nakfa	
	Notes	2021	2020
<b>Revenue</b>			
Surplus from underwriting		143,384,451	141,777,463
Other income	20	4,059,118	3,483,365
		<b>147,443,569</b>	<b>145,260,828</b>
<b>Expenses</b>			
Depreciation and Amortization	7(b) & 8	9,406,226	9,180,159
General assembly and Board of Directors meetings		191,392	146,229
Audit fee		175,800	168,000
		<b>9,773,418</b>	<b>9,494,388</b>
<b>Profit from operations</b>		<b>137,670,151</b>	<b>135,766,440</b>
Office rent income		558,567	646,308
Investment income		4,340,040	6,690,246
Management fee		60,000	120,000
Exchange rate differences	3(b)	(235,314)	347,969
Cost of finance		(184,634)	(223,975)
Doubtful receivables recovery		10,234	-
		<b>4,548,893</b>	<b>7,580,548</b>
<b>Profit before taxation</b>		<b>142,219,044</b>	<b>143,346,988</b>
Provision for taxation	10	50,411,762	49,995,282
<b>Net profit after taxation</b>		<b>91,807,282</b>	<b>93,351,706</b>

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 2021

Currency: Eritrean Nakfa

INCOME	Notes	2021	2020
<b>Gross premiums</b>		248,952,900	221,782,134
Premiums ceded		87,987,469	75,191,065
Net premiums		160,965,431	146,591,069
Changes in unearned premiums		1,411,692	(1,983,223)
Premiums earned		<b>159,553,739</b>	<b>148,574,292</b>
<b>Reinsurance commissions</b>			
Ceding commission		16,868,292	12,988,258
Profit commission		2,361,409	1,148,501
		19,229,701	14,136,759
<b>Total income</b>		<b>178,783,440</b>	<b>162,711,051</b>
<b>OUTGO</b>			
Gross claims paid		23,120,199	51,352,580
Claims ceded		1,383,659	27,293,550
Net claims paid		21,736,540	24,059,030
Changes in outstanding claims		(2,793,922)	(16,482,110)
Net claims incurred		18,942,618	7,576,920
Changes in technical provision		1,437,436	(1,924,566)
Commission		706,803	557,062
<b>Total outgo</b>		<b>21,086,857</b>	<b>6,209,416</b>
Management expenses	21	14,312,132	14,724,172
		35,398,989	20,933,588
<b>Underwriting surplus</b>		<b>143,384,451</b>	<b>141,777,463</b>

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 2021

	Share Capital	Legal Reserve	Technical Reserve	Revaluation Reserve	Retained Earnings	Investment Reserve	Special Reserve	Unappropriated Profit	Total
<b>At 01 January 2020</b>	<b>104,676,540</b>	<b>20,935,308</b>	<b>71,214,111</b>	<b>214,255,146</b>	<b>2,839,125</b>	<b>132,453,599</b>	<b>32,571,832</b>	<b>86,845,951</b>	<b>665,791,612</b>
Net profit after tax	-	-	-	-	-	-	-	93,351,706	93,351,706
Transfer to technical reserve	-	-	9,335,171	-	-	-	-	(9,335,171)	-
Transfer to special reserve	-	-	-	-	-	-	4,667,585	(4,667,585)	-
Transfer to investment reserve	-	-	-	-	-	21,092,127	-	-	21,092,127
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Dividend paid from Retained earnings	-	-	-	-	(94,150)	-	-	-	(94,150)
Transfer from dividend payable	-	-	-	-	884,397	-	-	-	884,397
Transfer to dividend payable	-	-	-	-	-	-	-	(86,845,951)	(86,845,951)
<b>At 01 January 2021</b>	<b>104,676,540</b>	<b>20,935,308</b>	<b>80,549,282</b>	<b>208,574,329</b>	<b>3,629,372</b>	<b>153,545,726</b>	<b>37,239,417</b>	<b>85,029,767</b>	<b>694,179,741</b>
Net profit after tax	-	-	-	-	-	-	-	91,807,282	91,807,282
Transfer to technical reserve	-	-	9,180,728	-	-	-	-	(9,180,728)	-
Transfer to special reserve	-	-	-	-	-	-	4,590,364	(4,590,364)	-
Adjustment to investment reserve	-	-	-	-	-	5,840,899	-	-	5,840,899
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Dividend paid from Retained earnings	-	-	-	-	(4,320)	-	-	-	(4,320)
Transfer from Dividend payable	-	-	-	-	501,469	-	-	-	501,469
Transfer to dividend payable	-	-	-	-	-	-	-	(85,029,767)	(85,029,767)
<b>At 31 December 2021</b>	<b>104,676,540</b>	<b>20,935,308</b>	<b>89,730,010</b>	<b>202,893,512</b>	<b>4,126,521</b>	<b>159,386,625</b>	<b>41,829,781</b>	<b>83,717,007</b>	<b>707,295,304</b>

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 2021

Currency: Eritrean Nakfa		
Notes	2021	2020
<b>Cash flows from operating activities</b>		
Net profit before taxation	142,219,044	143,346,988
Adjustments for:		
Depreciation	7(b) 6,704,242	6,478,175
Amortization	8 2,701,984	2,701,984
Gain on disposal of equipment	-	-
Investment income	<b>(4,340,040)</b>	<b>(6,690,246)</b>
<b>Operating profit before changes on working capital</b>	147,285,230	145,836,901
(Increase) /Decrease in trade and other receivables	(10,150,960)	7,884,995
Decrease in related party receivables	953,010	489,104
Decrease /(Increase) in amounts due from reinsurers	3,709,205	(5,772,257)
(Decrease)/Increase in trade and other payables	(18,647,605)	15,454,644
Increase/(Decrease) in amounts due to reinsurers	9,864,518	(17,329,573)
Increase/(Decrease) in insurance funds	177,270	(19,847,899)
<b>Cash generated from operations</b>	133,190,668	126,715,915
Profit tax paid	10 (49,979,371)	(50,362,242)
Dividend paid	11 (79,781,277)	(87,293,002)
<b>Net cash flow from/ (used in) operating activities</b>	3,430,020	(10,939,329)
<b>Cash flows from investing / financing activities</b>		
Purchase of property and equipment	7(b) (1,104,634)	(486,281)
Increase in life insurance fund	19 1,651,310	463,279
Investment income	4,340,040	6,690,246
(Increase) in investments	5 (4,251,716)	(20,489,897)
Increase in investment reserve	5,840,899	21,092,127
Increase in employee benefits and obligation`s	206,703	204,019
<b>Net cash flow from investing / financing activities</b>	6,682,602	7,473,493
<b>Net Increase/ (Decrease) in cash and bank balances</b>	10,112,622	(3,465,836)
Cash and bank balances at the beginning of the year	317,255,686	320,721,522
Cash and bank balances at the end of the year	<b>327,368,308</b>	<b>317,255,686</b>

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 2021

Currency: Eritrean Nakfa

	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		289,415,443	282,914,559
Trade and other receivables	4	61,132,003	52,085,884
Related party receivables	5	6,096,261	7,049,271
Due from reinsurers		1,085,590	6,155,723
		<b>357,729,297</b>	<b>348,205,437</b>
<b>Non – current assets</b>			
Investment	6	366,438,331	359,635,512
Property and equipment	7	207,556,439	213,156,047
Intangible assets	8	2,316,115	5,018,099
		<b>576,310,885</b>	<b>577,809,658</b>
<b>Total assets</b>		<b>934,040,182</b>	<b>926,015,095</b>
<b>LIABILITIES, CAPITAL AND RESERVES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	13,530,292	32,478,487
Provision for taxation	10	50,060,525	49,628,134
Dividend payable	11	15,275,893	10,524,552
Due to reinsurers	12	27,510,885	19,229,850
Insurance funds	13	108,280,966	108,225,760
		<b>214,658,561</b>	<b>220,086,783</b>
<b>Non – current liabilities</b>			
Employee benefits and obligations	14	12,086,317	11,748,571
<b>Capital and reserves</b>			
Share capital	15	104,676,540	104,676,540
Legal reserve	16	20,935,308	20,935,308
Revaluation reserve		202,893,512	208,574,329
Technical reserve	17	89,730,010	80,549,282
Investment reserve		159,386,625	153,545,726
Special reserve	18	41,829,781	37,239,417
Retained earnings		4,126,521	3,629,372
Unappropriated profit		83,717,007	85,029,767
		<b>707,295,304</b>	<b>694,179,741</b>
<b>Total liabilities, capital and reserves</b>		<b>934,040,182</b>	<b>926,015,095</b>

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 2021

		Currency: Eritrean Nakfa	
	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		37,952,865	34,341,127
Trade and other receivables	4	2,218,488	1,113,647
Due from reinsurers		1,794,786	433,858
		<b>41,966,139</b>	<b>35,888,632</b>
<b>Non-current assets</b>			
Investment	6	4,379,495	6,930,598
Furniture and equipment	7	1.	1.
		4,379,496	6,930,599
		<b>46,345,635</b>	<b>42,819,231</b>
<b>Total assets</b>			
<b>Current liabilities</b>			
Trade and other payables	9	2,411,470	2,110,880
Outstanding claims (Net)	13	1,468,430	1,346,366
Due to reinsurers		3,605,560	2,022,077
		7,485,460	5,479,323
<b>Non-current liabilities</b>			
Employee benefits and obligations	14	646,943	777,986
Life Insurance Fund	19	38,213,232	36,561,922
		38,860,175	37,339,908
		<b>46,345,635</b>	<b>42,819,231</b>
<b>Total liabilities and funds</b>			

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 2021

		Currency: Eritrean Nakfa	
	Notes	2021	2020
<b>INCOME</b>			
Gross premiums		14,938,679	7,580,083
Premiums ceded		11,019,064	5,125,419
Net premiums collected		3,919,615	2,454,664
Commission		3,022,407	1,400,966
<b>Total income</b>		<b>6,942,022</b>	<b>3,855,630</b>
<b>OUTGO</b>			
Gross claims paid		10,631,670	4,861,605
Claims ceded		6,480,000	3,060,000
Net claims paid		4,151,670	1,801,605
Commission		8,509	14,398
Change in outstanding claims		122,064	542,000
Others		2,355	1,913
<b>Total outgo</b>		<b>4,284,598</b>	<b>2,359,916</b>
Management expenses	21	1,191,766	1,332,261
		<b>5,476,364</b>	<b>3,692,177</b>
<b>Underwriting surplus</b>		<b>1,465,658</b>	<b>163,453</b>
Interest income		197,123	309,144
Other income		-	17
		<b>1,662,781</b>	<b>472,614</b>
<b>Expenses</b>			
Cost of finance		4,671	1,335
Audit fee		6,800	8,000
		<b>11,471</b>	<b>9,335</b>
<b>Net operating surplus</b>		<b>1,651,310</b>	<b>463,279</b>
Insurance fund at 01 January 2021		36,561,922	36,098,643
Insurance fund at 31 December 2021	19	<b>38,213,232</b>	<b>36,561,922</b>

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.



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When women do better,  
economies do better.

—  
CHRISTINE LAGARDE



## NOTES TO THE FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 1. GENERAL INFORMATION

National Insurance Corporation of Eritrea Share Company was formed as Share Company to take over the activities of 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 2021*

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 7(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 at a fair value at each 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 2021 (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 and approved.

(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

(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.

(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 2021 (Continued)

## 4. TRADE AND OTHER RECEIVABLES

Currency: Eritrean Nakfa

	31 December 2021			31 December 2020		
	Non-life	Life	Total	Non-life	Life	Total
Trade receivables	64,036,178	870,060	64,906,238	53,652,833	1,100,235	54,753,068
Other receivables	3,018,023	1,348,428	4,366,451	4,365,483	13,412	4,378,895
	67,054,201	2,218,488	69,272,689	58,018,316	1,113,647	59,131,963
Less: Provision for doubtful receivables	(5,922,198)	-	(5,922,198)	(5,932,432)	-	(5,932,432)
	61,132,003	2,218,488	63,350,491	52,085,884	1,113,647	53,199,531

## 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 2021			31 December 2020		
	Non-life	Life	Total	Non-life	Life	Total
Roof Garden Restaurant	360,014	-	360,014	409,616	-	409,616
Shishay Feed Plant	208,962	-	208,962	2,993,729	-	2,993,729
New Sudan Insurance	2,425,725	-	2,425,725	2,425,725	-	2,425,725
Shemshemiya Commercial Farm	3,101,560	-	3,101,560	1,220,201	-	1,220,201
	6,096,261	-	6,096,261	7,049,271	-	7,049,271

## 6. INVESTMENTS

(a) These are made up of:

	31 December 2021			31 December 2020		
	Non-life	Life	Total	Non-life	Life	Total
<b>Available for sale</b>						
African Reinsurance Corporation	85,800,465	-	85,800,465	85,800,465	-	85,800,465
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.	160,159,871	-	160,159,871	153,357,052	-	153,357,052
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
	363,738,331	-	363,738,331	356,935,512	-	356,935,512
<b>Held to maturity</b>						
Loan to New Sudan Insurance Co.	2,700,000	-	2,700,000	2,700,000	-	2,700,000
Loans to life policyholders	-	1,879,495	1,879,495	-	1,930,598	1,930,598
Loans to financial institutions	-	2,500,000	2,500,000	-	5,000,000	5,000,000
	2,700,000	4,379,495	7,079,495	2,700,000	6,930,598	9,630,598
	366,438,331	4,379,495	370,817,826	359,635,512	6,930,598	366,566,110



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (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 2022.
- (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:

	31 December 2021			31 December 2020		
	Non-life	Life	Total	Non-life	Life	Total
<b>Currency: Eritrean Nakfa</b>						
<b>COST/VALUATION</b>						
Buildings	376,787,216	-	376,787,216	376,787,216	-	376,787,216
Furniture and equipment	10,841,547	55,963	10,897,510	10,833,995	55,963	10,889,958
Computers	7,000,672	31,906	7,032,578	6,980,569	31,906	7,012,475
Motor vehicles and cycles	10,411,978	-	10,411,978	9,334,999	-	9,334,999
Text books	83,360	-	83,360	83,360	-	83,360
	405,124,773	87,869	405,212,642	404,020,139	87,869	404,108,008
<b>DEPRECIATION</b>						
Buildings	172,213,277	-	172,213,277	166,492,520	-	166,492,520
Furniture and equipment	9,860,504	55,963	9,916,467	9,549,383	55,963	9,605,346
Computers	6,306,180	31,905	6,338,085	5,925,916	31,905	5,957,821
Motor vehicles and cycles	9,105,045	-	9,105,045	8,812,945	-	8,812,945
Text books	83,328	-	83,328	83,328	-	83,328
	197,568,334	87,868	197,656,202	190,864,092	87,868	190,951,960
<b>CARRYING AMOUNT</b>						
Buildings	204,573,939	-	204,573,939	210,294,696	-	210,294,696
Furniture and equipment	981,043	-	981,043	1,284,612	-	1,284,612
Computers	694,492	1	694,493	1,054,653	1	1,054,654
Motor vehicles and cycles	1,306,933	-	1,306,933	522,054	-	522,054
Text books	32	-	32	32	-	32
	207,556,439	1	207,556,440	213,156,047	1	213,156,048

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

	Cost/Revaluation			Depreciation		
	Additions	Transfers	Disposal	Additions	Transfers	Disposal
Non-Life	1,104,634	-	-	6,704,242	-	-
Life	-	-	-	-	-	-
	1,104,634	-	-	6,704,242	-	-

- (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 2021 (Continued)

## 8. INTANGIBLE ASSETS

Currency: Eritrean Nakfa

	31 December 2021			31 December 2020		
	Computer software	Computer software in progress	Total	Computer software	Computer software in progress	Total
<b>COST/VALUATION</b>						
At 01 January 2021	17,247,085	-	17,247,085	17,247,085	-	17,247,085
Additions	-	-	-	-	-	-
Transfer from software in progress	-	-	-	-	-	-
At 31 December 2021	17,247,085	-	17,247,085	17,247,085	-	17,247,085
<b>AMORTIZATION</b>						
At 01 January 2021	12,228,986	-	12,228,986	9,527,002	-	9,527,002
Additions	2,701,984	-	2,701,984	2,701,984	-	2,701,984
Transfer from software in progress	-	-	-	-	-	-
At 31 December 2021	14,930,970	-	14,930,970	12,228,986	-	12,228,986
<b>CARRYING AMOUNT</b>	<b>2,316,115</b>	<b>-</b>	<b>2,316,115</b>	<b>5,018,099</b>	<b>-</b>	<b>5,018,099</b>

## 9. TRADE AND OTHER PAYABLES

	31 December 2021			31 December 2020		
	Non-life	Life	Total	Non-life	Life	Total
Trade payables	11,374,284	2,105,930	13,480,214	28,835,465	1,932,769	30,768,234
Other payables	1,659,239	263,445	1,922,684	2,981,156	132,349	3,113,505
Accruals	496,769	42,095	538,864	661,866	45,762	707,628
	<b>13,530,292</b>	<b>2,411,470</b>	<b>15,941,762</b>	<b>32,478,487</b>	<b>2,110,880</b>	<b>34,589,367</b>

## 10. PROVISION FOR TAXATION

a) This is made up of:

	Profit Tax	Municipal Tax	Rent income Tax	Total
Balance at 01 January 2021	43,256,688	5,470,806	900,640	49,628,134
Less: Payments made during the year	43,954,951	5,861,200	163,220	49,979,371
	(698,263)	(390,394)	737,420	(351,237)
Add: Current year's provision	44,348,076	5,913,077	150,609	50,411,762
Balance at 31 December 2021	<b>43,649,814</b>	<b>5,522,683</b>	<b>888,026</b>	<b>50,060,525</b>

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 2021 (Continued)

## 11. DIVIDEND PAYABLE

a) The balance comprises:

	Currency: Eritrean Nakfa	
	31 December 2021	31 December 2020
Balance at 01 January 2021	10,524,552	11,761,850
Dividend declared	85,029,768	86,845,951
	95,554,320	98,607,801
Less: Payment made during the year	(79,781,277)	(87,293,002)
	15,773,043	11,314,799
Less: Transferred to retained earnings	(501,470)	(884,397)
Add: Dividend paid from retained earnings	4,320	94,150
Balance at 31 December 2021	<b>15,275,893</b>	<b>10,524,552</b>

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 2021			31 December 2020		
	Non-life	Life	Total	Non-life	Life	Total
Outstanding claims (Net)	58,219,445	1,468,430	59,687,875	61,013,367	1,346,366	62,359,733
Provision for unexpired risks	33,964,978	-	33,964,978	32,553,286	-	32,553,286
Technical provisions	16,096,543	-	16,096,543	14,659,107	-	14,659,107
	<b>108,280,966</b>	<b>1,468,430</b>	<b>109,749,396</b>	<b>108,225,760</b>	<b>1,346,366</b>	<b>109,572,126</b>

## 14. EMPLOYEE BENEFITS AND OBLIGATIONS

	Currency: Eritrean Nakfa					
	31 December 2021			31 December 2020		
	Non-life	Life	Total	Non-life	Life	Total
Provident fund	8,389,795	344,710	8,734,505	8,202,707	506,265	8,708,972
Provision for compensation for service	3,696,522	302,233	3,998,755	3,545,864	271,721	3,817,585
	<b>12,086,317</b>	<b>646,943</b>	<b>12,733,260</b>	<b>11,748,571</b>	<b>777,986</b>	<b>12,526,557</b>

- The average number of employees engaged during the year was 98 (2020: 103).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (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:

Balance at 01 January 2021  
Add: Current year's transfer  
**Balance at 31 December 2021**

31 December 2021	31 December 2020
36,561,922	36,098,643
1,651,310	463,279
<b>38,213,232</b>	<b>36,561,922</b>

(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

Survey fees  
Crane rental  
Cost recovery  
Others

	31 December 2021		31 December 2020	
	Non-life	Life	Non-life	Life
Survey fees	19,610	-	10,269	-
Crane rental	30,416	-	99,375	-
Cost recovery	3,997,285	-	3,353,855	-
Others	11,807	-	19,866	-
	<b>4,059,118</b>	<b>-</b>	<b>3,483,365</b>	<b>-</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (Continued)

## 21. MANAGEMENT EXPENSES

Currency: Eritrean Nakfa

	31 December 2021		31 December 2020	
	Non-life	Life	Non-life	Life
Salaries and related benefits	5,248,310	399,477	6,069,143	379,890
Car running and maintenance	944,910	-	658,000	-
Advertisement and promotion	2,780,926	790,000	2,891,075	947,275
Printing and stationery	1,196,236	-	879,817	4,400
Light and water	218,365	-	253,215	-
Insurance	1,590,356	-	1,454,694	-
Travel and per-diem	87,011	1,530	97,747	-
Maintenance and supplies	258,886	-	324,832	-
Postage, telephone and fax	567,797	759	500,633	696
Representation	42,118	-	24,971	-
Entertainment	81,554	-	95,678	-
Legal, membership and consultation fees	422,292	-	396,506	-
Cleaning and sanitation	738,749	-	716,618	-
Medical	20,733	-	34,339	-
Tuition and training	50,605	-	268,490	-
Land and building taxes	56,316	-	56,315	-
Others	6,968	-	2,099	-
	<b>14,312,132</b>	<b>1,191,766</b>	<b>14,724,172</b>	<b>1,332,261</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (Continued)

## 22. COMMITMENTS

The Company has no capital expenditure commitments at 31 December 2021.

## 23. 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 2021 (Continued)

## 24. 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
<b>INCOME</b>				
<b>Gross written premiums</b>	103,761,512	123,438,989	21,752,399	248,952,900
Premiums ceded	69,318,623	692,857	17,975,989	87,987,469
<b>Net written premiums</b>	34,442,889	122,746,132	3,776,410	160,965,431
Changes in unearned premiums	(721,206)	1,233,834	899,064	1,411,692
<b>Net earned premiums</b>	35,164,095	121,512,298	2,877,346	159,553,739
Ceding commission	12,995,831	-	3,872,461	16,868,292
Profit commission	820,425	-	1,540,984	2,361,409
<b>Technical income</b>	48,980,351	121,512,298	8,290,791	178,783,440
<b>OUTGO</b>				
<b>Gross claims paid</b>	5,984,513	16,902,891	232,795	23,120,199
Claims ceded	1,196,159	-	187,500	1,383,659
<b>Net claims paid</b>	4,788,354	16,902,891	45,295	21,736,540
Changes in o/s claims	371,606	(3,150,596)	(14,932)	(2,793,922)
<b>Net claims incurred</b>	5,159,960	13,752,295	30,363	18,942,618
Changes in technical provision	200,746	1,145,658	91,032	1,437,436
Sales commission	180,441	526,362	-	706,803
<b>Total technical outgo</b>	5,541,147	15,424,315	121,395	21,086,857
Result before management expenses	43,439,204	106,087,983	8,169,396	157,696,583
Management expenses	5,892,570	7,213,495	1,206,067	14,312,132
<b>Underwriting surplus</b>	37,546,634	98,874,488	6,963,329	143,384,451
Percentage	26%	69%	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 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 and their related branches.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (Continued)

## 25. SHAREHOLDINGS

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

	2021
	Holdings
	%
Ministry of Finance	58.77
Martyrs' Trust Fund	30.02
Mahber Wenenti Mekayin White	4.33
Others	6.88
	<b>100.00</b>





“

Feminism isn't about making women stronger. Women are already strong, it's about changing the way the world perceives that strength.

—  
G.D. ANDERSON



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**Eritrean female freedom fighters  
in a football tournament in 1987**

