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THE UNITED INSURANCE COMPANY SC

ANNUAL REPORT 2017/18

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THE UNITED INSURANCE COMPANY SC

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BOARD OF DIRECTORS

Ato Girma Wake
Chairman

Wro. Akiko Seyoum

Ato Wondwossen Teshome

Eng. Samrawit Getamessay

Ato Abera Tasew

Wrt Teguest Yilma

Ato Yemane Bisrat
Vice Chairman

Ato Mulualem Birhane

Dr. Abonesh Hailemariam

EXECUTIVE MANAGEMENT

Wro Meseret Bezabih
General Manager

Wro Azalech Yirgu
DGM-Life & Medexin

Ato Tesfaye Desta
DGM, Operations

Ato Dawit G.Amanuel
DGM, Finance & Administration

Ato Gizie Alemu
Director, HR & Administration

Ato Engida Kassaye
Director, Finance & Investment

W/t Bethelhem Mekbib
Director Underwriting and Technical Services

Ato Abiyu Nigussie
Controller-CRMS

Ato Yinebeb Derseh
Manager, Legal Services

Ato Girum-Fekede
Director, Claims and Engineering

Ato Mesfin Eyasu
Manager, Marketing

Ato Aliye Mohammed
Manager, IT Services

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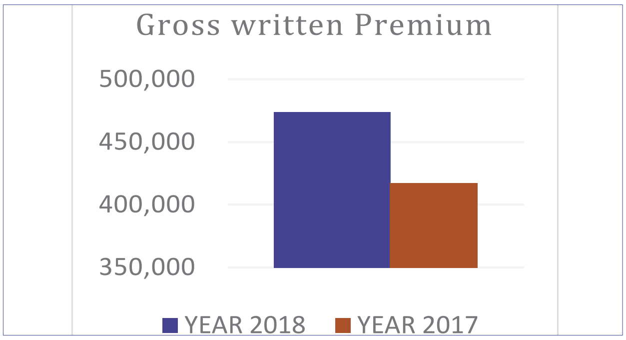
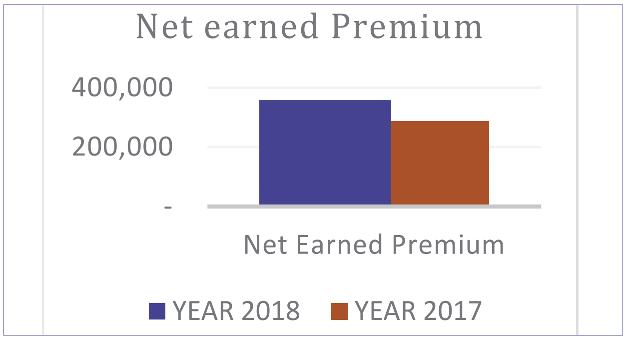
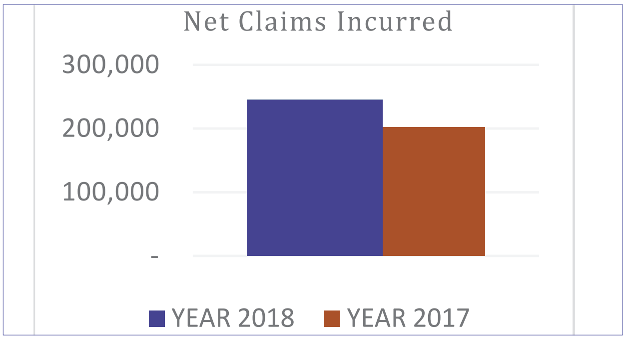
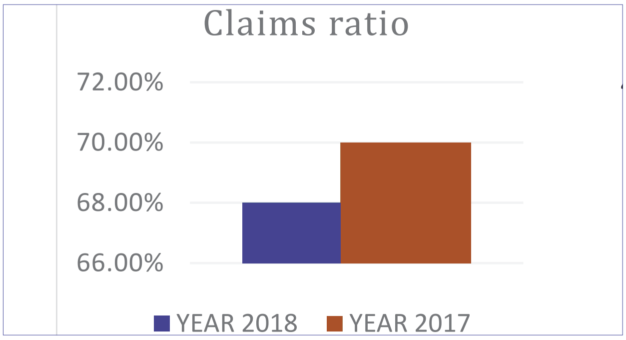
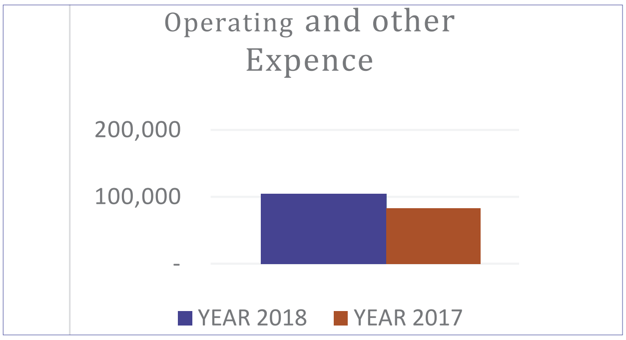
OPERATIONAL AND FINANCIAL PERFORMANCE COMPARISON HIGHLIGHTS

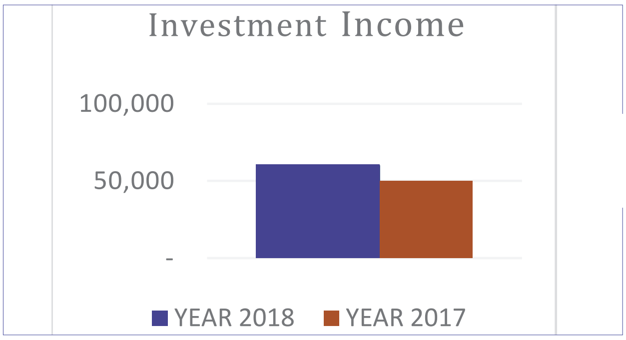


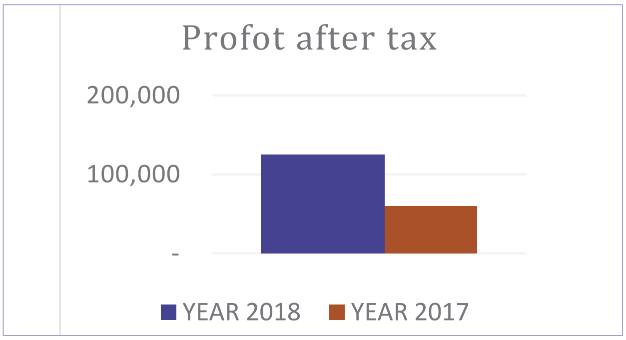


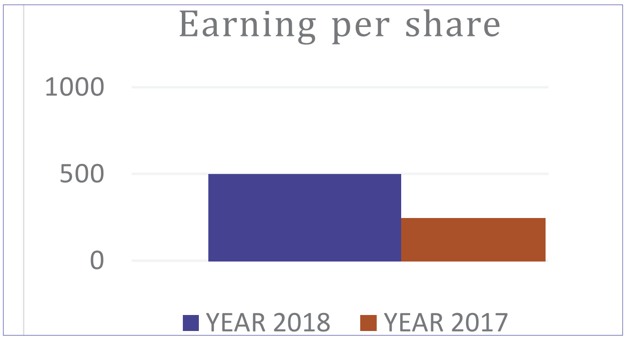


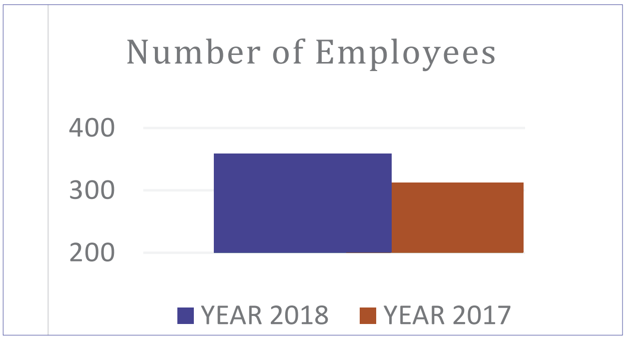


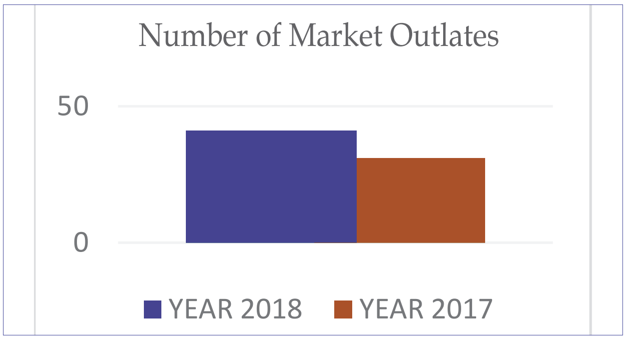












Facts and figures as at June 30 2018

473,784
Mill.
GWP

13%
Premium
Growth

67..9%
Claims
Ratio

95%
Profit
Growth

359
Number of
Employees

46
Number of
Market
Outlets

504.5
Earnings per
share

MISSION, VISION & CORE VALUES

VISION

<UNIC-ETHIOPIA> aims to be ***The Best Insurance Company in the country: Most Professional, Most Commercial and Most Responsible.***

MISSION

To provide Complete Insurance Cover at economic rates, Honest, Prompt and Courteous Claims Services through the aid of-state-pf the art technology to Fully Satisfy all its constituencies: ***Customers, Shareholders, Employees, Society and the Environment.***

CORE VALUES

i. Customer Supremacy

ii. Honest and Integrity

iii. Teamwork

iv. Dynamism

v. Fairness

Vi. Social Responsibility

NOTICE OF THE TWENTY FOURTH ANNUAL GENERAL MEETING AND ELEVENTH EXTRA ORDINARY MEETING OF SHAREHOLDERS

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 418 & 419 OF THE COMMERCIAL CODE OF ETHIOPIA 1960 AND ARTICLE 3(4) OF THE COMPANY'S ARTICLES OF ASSOCIATION, NOTICE IS HEREBY GIVEN TO ALL SHAREHOLDERS THAT THE TWENTY FOURTH ANNUAL GENERAL MEETING AND ELEVENTH EXTRA ORDINARY MEETING OF SHAREHOLDERS OF THE UNITED INSURANCE COMPANY SC <UNIC-ETHIOPIA> WILL BE HELD AT THE SHERATON ADDIS ON 27TH NOVEMBER 2018 FROM 9:00 AM TO TRANSACT THE FOLLOWING BUSINESS:

1. Agenda of the 24th Ordinary Annual General Meeting of Share Holders

1.1 To consider and approve the agenda items of the meeting;

1.2 To approve sale and/or transfer of the Company's shares up to and including 30th June 2018;

1.3 To consider and approve the Report of the Board of Directors;

1.4 To consider and approve the Accounts for the year ended 30th June 2018 and receive the Auditors' Report thereon;

1.5 To decide on the appropriation of net results of the Company's operations;

1.6 To discuss and approve Board of Directors' fees;

1.7 To appoint External Auditors and approve their fees;

1.8 To receive the report of the Nomination Committee;

1.9 To consider and approve the fees of the Members of the Nomination Committee; and,

1.10 To elect Board of Directors.

2. Agenda of the 11th Extra Ordinary Meeting of Shareholders

2.1 To consider and approve the agenda items of the meeting;

2.2 To consider and approve the proposed capital increase of the Company; and

2.3 To consider and approve the proposed amendment of the Articles of Association of the Company.

BY ORDER OF THE BOARD

Yinebeb Derseh
Secretary to the Board

Dated at Addis Ababa this 12th day of November 2018.

NOTE: A Shareholder entitled to attend and vote at the General Meeting may appoint a PROXY in his/her stead. A PROXY need not be a shareholder of the Company. The PROXY FORM must be completed at the Head Office second floor Finance and Investment Division three days before the date of the Meeting.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Once again, it gives me a great sense of honour and pleasure to stand before you and welcome you all, on behalf of the Board of Directors and on my own, to the TWENTY FOURTH ANNUAL GENERAL MEETING of Shareholders of The United Insurance Company SC, <UNIC-ETHIOPIA>.

In accordance with the Company's past practice, the Board of Directors had decided to have the Annual Report printed and presented to the Annual General Meeting on the strict understanding that it will not be distributed to third parties until after its approval by the Annual General Meeting of Shareholders.

From the outset, I would like to express the fact that your Board of Directors feels privileged to have served your Company and be proud of closing the 2017/18 Financial Year with another round of success. One of today's agenda items is to elect the full members of the Board of Directors in order to comply with relevant Directive on the subject. Following the 23RD Annual General Meeting (AGM), we were strongly advised by National Bank of Ethiopia to abandon the staggering form of election where three new directors were being elected every year to office in place of directors whose term would have expired at the time of holding AGMs. As a team, we are very much delighted to leave office and leave success behind as we go, may be all, pursuant to today's election which, in effect, will dissolve the current Board of Directors.

As you all know, the year just ended on June 30, 2018 had offered us all more challenges than opportunities in light of the myriad of difficulties our country had experienced. It had not been easy to navigate through such a tough operating environment and obtain the desired results at the end of the day.

Despite the daunting challenges faced, the Company kept up with its growth trajectory during the year under report. Accordingly, the Company grossed a total premium of Birr 473,622,068 from Life and Non-Life Businesses, up by 13.5% when compared to the previous year. While Life Business registered a robust growth of 20% to generate an annual premium to the tune of Birr 35,837,592 in the reporting year, the 13% growth, slightly above industry's average of 11%, from Non-Life produced a Gross Written Premium of Birr 437,784,476.

As pertained to claims, the corporate loss ratio for Non-Life Business had shown marked improvement during the year under report. As the result, the loss ratio of the reporting year declined to 67.9% when compared to 70.5% the previous year.

The Company continued to make positive operational results technically known as 'underwriting surplus' ('underwriting profit' as per IFRS), one of the vital performance indicators for insurance companies. Accordingly, the Company's combined underwriting profit from Life and Non-Life Businesses grew by about 26% from Birr95,889,024 in 2016/17 to Birr120,828,114 in the reporting financial year.

The corporate Net Profit Before Tax for the year from Life and Non-Life operations amounted to Birr132,271,489 as compared to Birr67,748,049 for the previous year, showing a remarkable increase of 95%. Even though operational profit had recorded a commendable increase of some 26% as compared to the previous year's Birr95,889,024, it was the gain from the sale of the Company's equity shares in Raya Brewery SC amounting to Birr53,970,000 (life & non-life combined) that dramatically raised the profit recorded for the year under report. Your Directors would also like to acknowledge the valuable contribution the Company's Life Business made to the exceptional result achieved. Following based on an actuarial valuation of the Company's Life Business, the Company's Consulting Actuaries had recommended that a combined surplus of Birr40,587,500 (surplus from Life Business as well as Life's portion of the gain from the disposal of its shares in Raya Brewery SC) be distributed to Shareholders, which recommendation had been fully implemented forthwith.

I would also like to bring to your kind attention that the National Bank of Ethiopia issued a new Directive allowing dividend to be distributed "on the date and methods of payment as decided by the ordinary general meeting of shareholders", without having to wait for the approval of the minutes of the AGM by relevant government bodies.

The Board of Directors held twelve regular meetings between 01 July 2017 and 30 June 2018 and passed important and notable strategic decisions. Corporate policy-related manuals were prepared, developed, endorsed and put to use in 2017/18 including Information Technology Policy, Liquidity Management and Investment Policy, Outsourcing Policy, Management Members Administration Policy, Revised Employees Administration Policy Manual and many more.

The Board strongly believes that the Company has continued to move on the right track and direction. The vibrant team spirit, the ability to execute strategic decisions and the financial strength it enjoys are just a few of the many qualities of our Company that would help it continue to drive its growth and profitability in the years ahead.

I would like to underline here that, in addition to relevant laws and international accounting standards as applicable to the Company's business, the financial statements presented for your consideration today were prepared in line with International Financial Reporting Standards (IFRS) the implementation of which had been made obligatory with effect from 01 July 2018. The conversion of past financial data to conform with the requirements of IFRS as well as the harmonization of the financial statements had been challenging when viewed in terms of the demand for experts and experience. We had no better choice than to face the reality we were confronted with by deploying one of the five internationally recognized expatriate consultants (Price Water-House Coopers, or "PWC" for short), that had to relentlessly work around the clock to overcome the challenges and ultimately produce the current books of accounts in conformity with IFRS requirements.

The challenges notwithstanding, the advantages of adopting IFRS would not only transform how business entities would keep their books of accounts, it would also considerably enhance transparency, accountability, comparability of financial statements of like-businesses, meticulous disclosure of vital facts to help investors, existing and potential alike, make informed decisions. It should also be noted that as a consequence of prior years' data being converted to IFRS, there could arise variations in the figures reported for the preceding year, 2016/17. Consequently, any comparison made between the periods had taken the adjusted amounts into consideration and not exactly last year's figures as they were.

In accordance with Article 3(4) of the Company's Articles of Association as amended by the First Annual General Meeting of Shareholders which held on 12 October 1995, as well as in compliance with Directives issued by the Supervisory Authority, the National Bank of Ethiopia (NBE), and Financial Reporting Proclamation Number 847/2014, this Report of the Directors and Accounts cover the financial year ended 30 June 2018.

In accordance with Articles 418 and 419 of the Commercial Code of Ethiopia 1960 and Article 3(4) of the Company's Articles of Association, I present, for your consideration and approval, as appropriate, the Report of the Directors, the Audited Financial Statements together with the Report of the External Auditors for the Financial Year ended 30 June 2018.

GIRMA WAKE
Chairman, Board of Directors &
of the Annual General Meeting

REPORT OF THE BOARD OF DIRECTORS

In line with the Company's long established tradition, the Twenty Fourth Annual Report of Directors attempts to give a brief review of the trading landscape with specific mention of the main events and elements with major significant effects on the performance of the industry and the Company's operations and results for the period under report. As usual, prospects for the future were also stated quite briefly at the end of the report.

TRADING ENVIRONMENT

Despite the uncertainty that clouded the trading environment owing to the prevalence of civil unrest almost all through the reporting year, it was reported by both internal and external bodies that the country had continued to sustain its growth trajectory/path for it had registered, once again, a reasonably high economic growth rate of 7.7% in 2017/18. This growth had primarily been stimulated by a relatively higher growth of the industrial sector, which in turn was driven by higher investments in infrastructure and manufacturing.

Obviously, the level of growth rate recorded was far less than the ambitious 11% to 15% anticipated by the Second Growth and Transformation Plan (GTPII). Indeed, poor export performance despite currency devaluation, rising inflation which bounced back to double digit and weak domestic resource mobilization were, among others, the most critical challenges businesses were compelled to confront during the reporting year under report.

With regard to the insurance industry, as at 30 June 2018, seventeen insurance companies - sixteen private and one public - continued to operate actively in the market. Towards the closing date of the reporting year, a new entrant, Zemen Insurance Company SC, was reported to have completed the regulatory formalities to join the highly competitive insurance market.

The foregoing notwithstanding, existing companies had continued to expand their market outreach by opening new branches in the year 2017/18 as well. This endeavour helped the insurers increase their branch outlets by 8% from 492 in 2016/17 to 532 in 2017/18. During the same period, the number of our Company's market outlets rose by a respectable 32%, to reach 46 branches and contact offices combined.

During the financial year under report, our Company was a beneficiary of a rare industry occurrence, that of a noticeable improvement in the loss ratio of the markets' Non-Life business portfolio. Our Company's Non-Life loss ratio witnessed a fall from 70,5% in the previous year to 67.9% as at 30 June 2018. As a result, the Company's Underwriting Surplus recorded a commendable increase of 26% to reach Birr120,828,114 as at 30 June 2018 as compared to Birr95,889,024 as at 30 June 2017.

In the face of more challenges that marred the operating environment during the year, the Company emerged successful by attaining most of the plans it had set for the reporting year. Remaining innovative as it was, the Company, early in the year, developed and introduced a new product named "Political Violence and Terrorism Insurance (PVT)". The Company had taken that step in response to the high demand driven by the then escalating public unrest and political violence which spread fast all over the country, inflicting untold losses and suffering to persons, physical damages and financial losses to hard-earned establishments and investments. Although the risks of PVT could be catastrophic in nature, the Company had put in place strong reinsurance backing from renowned and rated regional and international reinsurers by retaining portions of the risks commensurate with its capital base. The cover was given and continued to be extended to customers, existing and potential alike, on strict professional and prudent manner. PVT was launched in the reporting year as an addition to the array of innovative products introduced to the market in previous years like Family Funeral Cover, Online Sales of Selected Insurance Products, ShebaMiles and Emergency Medical Evacuation cover.

Such innovative products along with some others already in the pipeline, backed by an equally innovative marketing strategy, could be expected to pay back handsomely in the years ahead. Some of the added advantages of such endeavours and initiatives by our Company could enhance its professionalism, endear it to more and more of today's increasingly selective customers and thereby increase its overall competitive edges in the long-run.

Status Report on Miscellaneous Matters Raised in Previous Reports

It is our long-held tradition to indicate pertinent and significant issues impacting the insurance industry in one form or the other. Every year, our Company's Annual Report of Directors attempts to shade light on such important matters. Unless the right kinds of measures are taken by concerned bodies, we continue to state them in our reports even though it may sound redundant or repetitive.

Directive No.: SIB/42/2015 Insurance Corporate Governance

This Directive came into full force effective October 1, 2015. Our Company has the conviction that the Directive would greatly help the reign of good corporate governance to prevail and sustain in the financial sector in general and insurance industry in particular. Yet, one can hardly deny the fact that the Directive, as would be the case for any rule like that, is bound to have loopholes that could be reviewed and revised from time to time to make the material more complete, relevant and applicable. Rational consideration for and appropriate attention to feedbacks forwarded by stakeholders will play significant role in that perspective.

It was in light of the foregoing that the NBE, on 22 October 2018, issued an amendment to Directive number SIB/42/2018. This amendment allowed the payment of dividends to shareholders to take effect "on the date and in the manner to be decided by Annual General Meeting of shareholders". The amendment read: "Resolution of shareholders meeting shall not come into force before completing registration of the minutes of the meeting at the relevant Government agency. However, dividend payment shall be effected on the date and methods of payment as decided by the ordinary general meeting of shareholders". As a welcoming development, our Company would like to put on record and express its sincere appreciation to the regulatory body for responding to public grievances rightly and timely. Still, we sense that certain provisions of the Directive stand out and need revisiting with the view to amend them likewise. To cite an obvious example, those provisions relating to "Nomination Committee" apparently appear to be unduly cumbersome and costly for the insurers to apply. We sincerely hope that the Directive will be amended, as appropriate, taking into account feedbacks to be gathered from all concerned.

Directive No.: SIB/44/2016 Manner and Criteria of Transacting Reinsurance by Insurers

Obviously, the Directive was meant to regulate facultative exchange of reinsurance businesses among and between direct domestic insurers with the aim to raise local retention capacity as well as to drive down foreign exchange outflow of reinsurance premiums. Understandably, the imposition on local insurers of compulsory treaty and policy cessions by the directive could certainly strengthen the infant local reinsurer in the short-run but could be injurious in the long-run for the fact that it stands the chance to introduce dependency and inefficiencies to the young reinsurance Company.

Our Company continues to believe that there are better alternative options that would greatly help enhance the national reinsurer's capacity, the alternative which we recommended to the NBE years back for its kind and serious consideration and adoption as the case may be. Considering that proposal to have been discounted, we hold the opinion that the compulsory cession should be phased out on or before the expiry of the deadline set out in the directive for the same reasons we had earlier advanced against such cession.

Besides, it is our Company's strong position that local insurers must be allowed to accept risks through a business exchange scheme to the extent of their respective treaty capacity as opposed to the provision of the Directive that limits such acceptance to a Company's retention only. An amendment to the above effect has been long overdue. We would like to call upon the regulatory body to take measures soonest to correct this apparently 'anomaly' once and for all.

The Dangers of Uneconomic Premiums

As in the preceding years, unfortunately, the year under report came to an end with not much change taking place in the price-driven industry's competitive market place. We all as insurers continued to engage in premium undercutting to attract or retain businesses with the view not to lose customers or keep hold of existing market position for better or else to grow market share at best. For all practical reason, as regards to the financial year just ended, no insurer could lay a claim to be immune from this undesirable practice including ourselves. Our Company was being gradually drawn to join the "cut-throat" like competition on the ground to recapture the market share it had lost. That would not be without a pain to the Company despite its long-held policy to maintain prudence and quality of business in underwriting and yet, with flexible strategies.

The adverse outcome of the said competition would be the ultimate cost insurers would be forced to pay by way of exorbitant claims that could be expected to grow to levels that could threaten their very existence overtime. Needless to say, the lasting remedy still rests with the industry players, particularly with insurers who are supposed to come together to find a common ground that would decisively lessen the burden each of us carried for so long now.

The encouraging steps taken by the Association of Ethiopian Insurers (AEI) in close collaboration with the regulatory organ, NBE, to undertake an actuarial study with the primary aim of setting up mutually beneficial minimum premium rates was a welcome development in the right direction. In that respect, it is hoped that the study carried out by the foreign actuarial firm contracted by the industry's Association (Association of Ethiopian Insurers or "AEI" for short) could start to be implemented during the current budget year (2018/2019).

While earnestly calling upon all concerned stakeholders to sincerely support the project to rescue the industry by speeding up its completion and implementation, our Company would like to confirm once again that it is fully committed to do everything within its means to bring this project to fruition. <UNIC-ETHIOPIA> also wishes to seize this opportunity to extend its most sincere appreciation to the NBE for the unreserved support including close follow up on the development of the project. A big 'Thank You!' is also due to the AEI for shouldering the responsibility to get the task done as owner of the project.

Lack of Level Playing Field and Its Harmful Effects on the Industry

Hitherto, the Directors repeatedly pointed out the uneven nature of the industry's playing field and its role in perpetuating the industry's market distortion. They had openly expressed their views and continued to do so bitterly complaining at times that some entities still receive treatments considered no less than 'favouritism' thereby continuing to deprive the country's insurance market of the single most important benefit of a market-oriented economic regime - that of "fair" competition.

In light of the momentous changes taking place in our country now, we strongly hope that the government will take, sooner rather than later, appropriate measures that would help dispel the scepticism against and instead nurture the positive values of a system of fair competition; i.e. "level playing field and same rules of the game for all players".

The Need for Establishing a Capital Market

The Company's Board of Directors took out the statement signalling its position on the subject from the Annual Report of last year in the belief that the government would take appropriate actions as it then declared through a the media to set up such a market. One year went by since then without any visible signs of steps taken to that effect.

In light of the foregoing, we considered it appropriate to reinstate our engagement with the subject at this juncture. As repeatedly indicated in previous Annual Reports, save that of 2016/17, we strongly hold to the view that the establishment and operation of a well regulated equity market could enhance initiatives to establish new and expand/ diversify existing businesses by providing venture capital as well as the flexibility to exit from or simply change investment portfolios and attract a credible volume of foreign direct investment. Directors continue to hold the view that such a market, driven by the private sector remains a viable complement to the government-driven Commodities Exchange Market already established.

GENERAL

At the close of business on 30 June 2018, the Company's paid up capital had reached Birr250 million thus fulfilling the decision of the 10th Extra Ordinary General Meeting of Shareholders which held at the Addis Ababa Hilton Hotel on 22nd October 2015 to raise its paid up capital from Br175 million to Br250 million.
The Board of Directors held 12 Regular meetings between 01 July 2017 and 30 June 2018. As in the past, matters requiring special attention were referred to the four Board Committees, namely, (a) Audit Committee; (b) HR & Administration Committee (c) Risk Management Committee and (d) Business Development Committee.

As stated earlier, the Company continued to pursue its strategies to open more cost-effective contact offices on the one hand and develop innovative products on the other, both intended to widen the choices for its customers.

At <UNIC-ETHIOPIA>, we deeply believe that the Company's strength and sustained growth continue to hinge on the quality, commitment and dedication of its entire workforce who have kept and continued to keep the Company on repeated and lasting success paths. In the year under report, <UNIC-ETHIOPIA> had continued to take measures that would enhance its ability to retain as well as attract the best professionals in the industry. In line with that, a new salary scale and benefits scheme studied by external consultants, was adopted by the Board and implemented by Management starting from 01 July 2018. Revised human resource policies and manuals were also put to use during the year under report.

The Company had 359 employees on its payroll as at June 30, 2018 as compared to 312 employees the preceding year. The gender balance had slightly changed this year even though it continued to lean in favour of women, as usual, at the ratio of 51% of the total staff strength (53% the previous year). Of the total, 323 or 90% were regular while the rest comprised of casual workers. Gender wise, 159 or about 49% of the regular staff were female and 164 or 51% were male while casual workers consisted of 24 women and 12 men.

Company records as at 30 June 2018 showed that the total workforce of 359 had qualifications of one sort or the other required for the Company's jobs. As at that date, 222 staff were degree holders (18 held MA Degrees), 68 had Diplomas while 69 were known to have Certificates or pre-college papers.

In its endeavour to attract and retain personnel with the best talent and skills, as a matter of policy, the Company had continued to invest in the development of its human resources. During the year under report, it expended Br2,135,253.06 for staff training. Accordingly, 123 or 34% of the Company's employees took technical and/or managerial training courses at various institutions: 25 in-house, 80 local external and 18 overseas.

It should be noted that the Company continued to maintain a conducive working environment for all staff which in turn could be said to have positively contributed to the smooth interpersonal relations at all levels. Such friendly relationships had long been the foundation for an equally strong esprit de corps reflected throughout the Company, thus providing the right chemistry for continued success.

As reported last year, the construction of the Company's Multi-Purpose Building at Akaki-Kality was fully completed in the previous year and made ready for renting. Due to lack of demand in the area on the one hand and massive public road construction underway there on the other, the facility was rented out only partially and the substantial portion of the building was still unoccupied. With the completion of the construction of both the unusually wide Addis-Akaki-Tulu Dimtu road project as well as the new 40,000 to 45,000-seat football stadium right across the street from the Company's ultra modern building, the demand for the property is expected to improve significantly.

The construction of the Company's Head Office building at Tewodros Square had progressed well during the year. However, the finishing work had been rather slow. The process had been exacerbated by the need to connect to the existing public sewerage pipeline across the double carriage way "Churchill Road". As at the time of going to the press, it was clear that the intended move of the Company's Head Office to the new premises before the end of 2018 had not been successful. However, Management remains determined and optimistic that the transfer would occur within the second quarter of 2019.

It is to be recalled that the Company had taken bank loan to finance the substantial capital expenditure necessitated by the construction projects referred to above. Those investments in landed properties, while improving the Company's asset quality, had placed some pressure on its financial performance indicators, particularly depicting a seemingly exaggerated liquidity risk especially when viewed against the requirements of the existing regulatory framework.

The Company had not made any new equity investment in the year under report except ploughing back the 2016/17 dividend earned from its existing investment in United Bank SC. However, the Company disinvested Birr 12,000,000 it had with Raya Brewery SC by selling its shares (all other shareholders did the same) at a very attractive price which yielded a substantial gain amounting to Birr53,970,000.

Despite the divestment referred to above, the Company's investment portfolio grew by 2% (from Birr109,193,740 in 2016/17 to Birr111,424,261 in 2017/18) due to its additional investment in United Bank SC. No other dividend accrued to the Company during the year except from its investment in the said Bank. Investments in Ethiopian Reinsurance SC (Br12,500,000) and Habesha Cement SC (Br5,000,000) were yet to yield any dividends so far. Expectations are that the former may declare some dividends next year
.

As mentioned earlier, by scrapping the staggered form of election to office of three Directors every year whose term would have expired at the holding of each AGM, we are today set to elect the full Board of Directors so as to comply with NBE Directive SIB/42/2015. You all will recall that the Nomination Committee charged with today's elections was formed by the 23rd Annual General Meeting of Shareholders held at the Addis Ababa Sheraton Hotel on 2nd November 2017. The Committee shall deliver its report and conduct the election of all nine (9) Directors of the Board in conformity with the relevant provisions of the Directive issued by the National Bank of Ethiopia for that purpose.

OPERATIONAL PERFORMANCE

In order to avoid redundancy, sections related to Financial Performance and Results for Life and Non-Life and the Consolidated Performance Development report, which used to appear customarily in previous reports, were not included in this document. Instead and in compliance with the requirements of the IFRS reporting system which contains much detailed explanations on all areas of financial transactions, those details are presented under Annual IFRS Financial Statements For the Year Ended June 30, 2018 (Notes to the Financial Statements).

FUTURE PROSPECTS

The challenges being faced by the country will hardly fade away in the coming year as many argue. However, continuity assured, many sources including the government has continued to indicate and maintain that Ethiopia had grown decently by about 7.7% in 2017/18. The double-digit inflation that reappeared after having declined steadily over the years may not persist for long. The general expectation is that since it appears to be mainly driven by higher food prices, it was likely to revert to a single digit figure once the country starts its major harvest season. The severe foreign exchange shortage the country has been faced with during the last couple of years may have started to ease and could improve even further in the near future in light of the vigorous efforts of the new government.

The bold decision taken by the government to privatize some large public enterprises and the general attitude that goes with it may probably open the door of opportunity for private insurers to be treated fairly and equally to secure business from such public sources. The mega bid our Company won recently to provide life insurance policy to Ethiopian citizens securing employment abroad, as stated early on, could be a good indicator in that respect. This 'project' will become a landmark achievement for the Company provided it materializes as expected. Marketing of the new product, Emergency Medical Evacuation Cover, which remained in limbo for well over a year, is expected, with closer and more rigorous follow up, to fare better in the future. Innovative as it is, the Company will continue to develop new products and make them available to the market to give more choice to our existing and potential customers. It will also exert all efforts to entrench the existing insurance products and services some of which have got less awareness from the potential clients.

In view of anticipated government economic reforms, the financial sector, which had hitherto been restricted to Ethiopian nationals, may not continue to be so for long. Should there be some measure of liberalization in that regard, our Company will do its level best to adopt a strategy that would help it take full advantage of such a development.

VOTE OF THANKS

The Board of Directors, Management and Staff of <UNIC-ETHIOPIA> wish to express their deep gratitude to all the wonderful Customers of the Company for their continued support and patronage.

The Board and Management also wish to record their appreciation for the association the Company enjoys with its reinsurers and the mutually advantageous business relations it has developed with both domestic and international brokers.

The National Bank of Ethiopia (NBE) deserves our sincere gratitude for its good understanding, cooperation and all-rounded support.

A special thank you is due to all its field officers who have played and continue to play a pivotal role in the Company's growth. They help it identify the needs of the insuring public on the one hand and they serve as its ambassadors on the other hand.

Last but not least, both on behalf of the Board and on my own behalf, I wish to confirm once again that the Company's Management and Staff demonstrated their commitment to the Company's continued strive for EXCELLENCE: in their professionalism, commercialism and strong team spirit without which the commendable results achieved would have not been possible.

Girma Wake
Chairman, Board of Directors &
of the Annual General Meeting

Meseret Bezabih
General Manager/CEO

The United Insurance Company S.C.
Annual IFRS Financial statements
For the year ended 30 June 2018
Report of the directors

The Directors submit their report together with the Financial Statements for the period ended 30 June 2018, to the shareholders of The United Insurance Company S.C. This report discloses the financial performance and state of affairs of the Company .

Incorporation and address

The United Insurance Company SC was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Birr 25 million and an initial paid up capital of Birr 8.073 million. Following the merger with the Lion Insurance Company SC in 2002, the Company is currently owned by more than 431 shareholders. As a result of the merger and the decision of the Seventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Birr 250 million. The paid up Capital is now Birr245 million.

Principal activities

The principal activities of the Company is the transaction of general insurance business (non - life) and life insurance business.

Results and dividends

The Company's results for the year ended 30 June 2018 are set out on page 18. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2018 Birr'000	30 June 2017 Birr'000
Net underwriting income	391,306	319,666
Profit before income tax	132,272	67,748
Income tax expense	(7,550)	(8,170)
Profit for the year	124,722	59,578
Other comprehensive income net of taxes	(330)	349
Total comprehensive income for the year	124,392	59,927

Directors

The Directors who held office during the year and to the date of this report are set out on page 15

Meseret

Meseret Bezabih
Chief Executive Officer

The United Insurance Company S.C.
Annual IFRS Financial statements
For the year ended 30 June 2018
Statement of Directors' Responsibilities

In accordance with the Insurance Business Proclamation No. 592/2008, the National Bank of Ethiopia may direct the Company to prepare financial statements in accordance with International Financial Reporting standards, (IFRS) whether their designation changes or they are replaced, from time to time.

The Company's Board of Directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia , and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company is required to keep such records as are necessary to:

a) exhibit clearly and correctly the state of its affairs;

b) explain its transactions and financial position; and

c) enable the Accounting and Audit Board of Ethiopia to determine whether the insurance company had complied with the provisions of the Insurance Business Proclamation and Regulations and Directives issued for the implementation of the aforementioned Proclamation.

The Company's Board of Directors accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, Insurance Business Proclamation, Commercial code of 1960 Ethiopia and the relevant Directives issued by the National Bank of Ethiopia.

The Board of Directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

The Board further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of 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 twelve months from the date of this statement.

Signed on behalf of the Directors by:

Girma Wake	Meseret Bezabih
Chairman, Board of Directors	Chief Executive Officer
November 17 , 2018	November 17 , 2018

The United Insurance Company S.C.
Annual IFRS Financial statements
For the year ended 30 June 2018
Directors, professional advisers and registered office

Company registration number
KK/AA/3/0006590/2006 E.C (Ethiopian Calendar)

License number
LBB/019/12 G.C (Gregorian Calendar)

Directors *(as of 30 June, 2018)*

Ato Girma Wake	Chairman	11/4/2016
Ato Yemane Bisrat	Vice Chairman	12/10/2012
Wrt Tiguet Yilema	Member	2/11/2017
Ato Abera Tasew	Member	28/07/2015
Wro Akiko Seyoum	Member	11/3/2016
Ato Mulualem Birhane	Member	11/3/2016
Eng. Samrawit Getamessay	Member	28/07/2015
Enat Bank reprsented By Ato Wondesson Teshome	Member	2/11/2017
Dr. Abonesh Hailemariam	Member	2/11/2017

Executive management *(as of June 30, 2018)*

Wro Meseret Bezabih	General Manager/CEO	25/10/2011
Ato Tesfaye Desta	DGM Operations-Non-Life	1/9/2016
Wro Azalech Yirgu	DGM Life & Medexin	1/7/2010
Ato Dawit G/Ammanuel	DGM Finance & Admin	1/4/2015
Ato Gizie Alemu	Director, HR & Admin.	1/6/2018
Wrt Bethlehem Mekbib	Director, U/W & Tech. Service	1/3/2015
Ato Girum Fekade	Director, Claims and Engineering	1/9/2016
Ato Engida Kassaye	Director, Fin. & Investment	1/3/2015
Ato Yinebeb Derseh	Manager, Legal services	16/01/2017
Ato Aliye Mohammed	Manager, IT	1/1/2016
Ato Mesfin Eyasu	Manager, Marketing	1/7/2014

Independent auditor

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

Corporate office

The United Insurance Company S.C.
Corporate Head Office: Alpaulo Building, Debrezeit Road
Addis Ababa, Ethiopia

Principal bankers

United Bank SC
Commercial Bank of Ethiopia
Bank of Abyssinia

Principal reinsurers

Africa Reinsurance Company
Ethiopian Reinsurance Share company
Hannover Re
ZEP Re

Consulting Actuaries

General Business
Actuarial Services East Africa Limited
26th Floor UAP -Old Mutual Towers
Upper Hill Road, Upper Hill
Nairobi, Kenya

Long Term Business
Zamara Actuaries, Administration and Consultant Limited
Lane Mark Plaza , 10th Floor Argwings Kodek Road
Po Box 524339
Nairobi, Kenya

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE UNITED INSURANCE COMPANY SC

Report on the Audit of the Financial Statements

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **THE UNITED INSURANCE COMPANY (S.C.)** as at June 30, 2018, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the financial statements of the Company, which comprise the Statement of Financial Position as at June 30, 2018, and statement of Profit or Loss and Other Comprehensive Income, Statement 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.

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 within the meaning of Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Bank's Management but are not intended to represent all matters that were discussed with them. In addition to the matter described in the *Basis for Opinion* section of our report, we have determined the matters described below to be the key audit matters.

The Financial Reporting Proclamation 847/ 2014 requires all financial institution to follow the International Financial Reporting Standards when preparing their financial statements. The Insurance Business Proclamation No. 746/2012 also demands that insurance companies to observe Directives issued by the National Bank of Ethiopia. When there are contradiction between the IFRS and NBE Directives, it is not clear which one to follow.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described above, and we do not express an opinion on these individual matters.

Responsibilities of and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards and the Banking Business Proclamation No. 592/2008 and directives and circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Chartered Certified Accountants (UK)
Kokeb Melkamu Audit Work Partnership

In preparing the financial statements, management is responsible of assessing the Company's ability to continue as a going concern, disclosing as applicable matters related going concern and using the going concern basis of accounting.

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, whether the financial statements are properly prepared in accordance with IFRS, the relevant provisions of the Commercial Code of Ethiopia 1960 and the Insurance Business Proclamation No. 746/2012, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, and not a guarantee that and audit conducted in accordance with ISA(s) will always detect a material statement when it exits. Misstatement 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.

Report on other Legal and Regulatory Requirement

We draw attention to Note 4.4 to the financial statements which describe the need for maintaining the required minimum admitted assets in most liquid assets such as bank deposits and treasury bills to mitigate liquidity risk, which the Company has not observed.

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

Kokeb & Melkamu

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

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Chartered Certified Accountants (UK)
Kokeb Melkamu Audit Work Partnership

Addis Ababa
November 23, 2018

Kokeb & Melkamu Audit Partnership- Chartered Certified Accountants (UK)
Bole Road, Amhara Development Association Building 2nd Floor
Tel +251-11--515-07-52, Mobile Tel.251-91-120-37-78/51-61-46
Fax 251-11-552-26-88
e-mail: kokmelk@ethionet.et
P.O Box 33645

The United Insurance Company S.C.
Annual IFRS Financial statements
For the year ended 30 June 2018
Company statement of profit or loss and other comprehensive income

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Gross written premiums	6	473,622	417,033
Change in unearned premium reserve	6	(24,085)	(32,172)
Gross earned premiums		**449,537**	**384,861**
Less: Premiums ceded to reinsurers	6	(91,883)	(97,561)
Net earned premiums		**357,654**	**287,300**
Commission income	7	33,652	32,366
Net underwriting income		**391,306**	**319,666**
Claims and policy holder benefits payable		247,329	216,091
Change in Life fund		12,493	6,098
Less : claims recoveries from reinsurers		(15,192)	(20,313)
Net claims and benefits		**244,630**	**201,876**
Underwriting expenses	13	25,848	21,901
Total underwriting expenses		**270,478**	**223,777**
Underwriting profit		**120,828**	**95,889**
Investment income	8	60,187	49,352
Other income	9	55,700	4,889
Net income		**236,715**	**150,130**
Operating and other expense	12	104,309	82,269
Total benefits , claims and other expense		**132,406**	**67,861**
Finance (income) / costs	14	134	113
Profit before income tax		**132,272**	**67,748**
Income tax expense	32	(7,550)	(8,170)
Profit for the year		**124,722**	**59,578**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits oblig		(472)	499
Deferred tax (liability)/asset on remeasurement gain or loss		142	(150)
Total comprehensive income for the year		**124,392**	**59,927**
Basic earnings per shares (in Birr)		**504.5**	**249.2**

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Chartered Certified Accountants (UK)
Kokeb Melkamu Audit Work Partnership

Girma Wake
Chairman, Board of Directors

Meseret Bezabih
Chief Executive Officer

The United Insurance Company S.C.

Annual IFRS Financial statements

For the year ended 30 June 2018

Company statement of financial position

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
ASSETS				
Leasehold land	15	4,340	4,435	4,530
Property, plant and equipment	15	376,811	287,355	230,245
Investment properties	16	178,768	182,302	186,000
Intangible assets	17	1,096	1,589	1,938
Investment securities :				
Available for sale	18a	111,184	109,188	96,141
Loans and receivables	18b	238	5	45
Statutory deposits	19	38,606	37,809	36,023
Receivables arising out of reinsurance arrangements	20	-	734	1,612
Receivables arising out of direct insurance arrangements	21	1,049	1,482	648
Reinsurers' share of technical provisions and res	22	154,879	163,529	138,318
Policy holder loans	23	678	698	628
Deferred acquisition costs	24	11,792	11,689	9,797
Deferred income tax	0	-	-	-
Other receivables	25	85,919	78,934	29,629
Deposits with financial institutions	26	330,010	291,346	269,428
Cash and cash equivalents	26	41,467	21,700	24,988
Total assets		**1,336,838**	**1,192,795**	**1,029,971**
LIABILITIES				
Insurance contract liabilities	27	312,961	287,146	256,242
Provision for unearned premium	28	228,113	209,509	161,204
Deferred reinsurance commission	29	10,225	12,787	8,875
Payables arising from reinsurance arrangements	11	44,284	32,203	37,386
Other liabilities	31	57,180	43,239	44,857
Current income tax liabilities	32	4,118	4,709	8,353
Long term borrowing	33	66,750	73,873	-
Finance lease liability	34	1,508	1,703	1,898
Defined benefit obligations	35	2,162	2,197	1,905
Deferred income tax	32d	2,059	3,183	3,195
Total liabilities		**729,360**	**670,550**	**523,915**
EQUITY				
Share capital	36	250,000	245,071	234,133
Share premium	36	-	1,637	6,835
Retained earnings	36 a	205,579	148,281	149,686
Legal reserve	37	57,820	45,346	39,242
Life fund reserve	38	94,750	82,258	76,161
Other reserves	39	(670)	(349)	-
Total equity		**607,478**	**522,244**	**506,057**
Total equity and liabilities		**1,336,838**	**1,192,795**	**1,029,971**

The financial statements and notes to the financial statement sown on pages 21 to 112 were approved and authorized for issue by the board of directors on 17/11/2018 and were signed on its behalf by:

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Chartered Certified Accountants (UK)
Kokeb Melkamu Audit Work Partnership

Girma Wake
Chairman, Board of Directors

Meseret Bezabih
Chief Executive Officer

The United Insurance Company S.C.
Annual IFRS Financial statements
For the year ended 30 June 2018
Company statement of changes in equity

	Note	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Life fund Birr'000	Other reserves Birr'000	Total Birr'000
As at 1 July 2016		234,133	6,835	149,686	39,242	76,161	-	506,057
Profit for the year				66,701	-	-	-	66,701
Transfer to legal reserve				(6,254)	6,254			-
Transfer to capital		6,651		(6,651)				-
Transfer to life fund				-		6,097	-	6,097
Premium availed for distribution			(6,835)					(6,835)
								-
Transaction with owners in their capacity as owners								-
Contribution of equity net of transaction costs		4,287	1,637					5,924
Dividends declared and paid				(55,201)				(55,201)
								-
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							(349)	-
Total comprehensive income for the year		10,938	(5,198)	(1,405)	6,254	6,097	(349)	16,686
As at 30 June 2017		**245,071**	**1,637**	**148,281**	**45,496**	**82,258**	**(349)**	**522,394**
As at 1 July 2017		245,071	1,637	148,281	45,346	82,258	(349)	522,244
								-
Profit for the year				124,392				124,392
								-
Transfer to legal reserve				(12,474)	12,474			-
Transfer to capital		4,929		(3,132)				1,797
Transfer to life fund				-		12,492		12,492
Premium availed for distribution			(1,637)	1,637				-
								-
Transaction with owners in their capacity as owners								-
Contribution of equity net of transaction costs								-
Dividends declared and paid				(53,126)				(53,126)
								-
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							(321)	(321)
Total comprehensive income for the year		**4,929**	**(1,637)**	**57,297**	**12,474**	**12,492**	**(321)**	**85,234**
As at 30 June 2018		**250,000**		**205,578**	**57,820**	**94,750**	**(670)**	**607,478**

Chartered Certified Accountants (UK)
Kokeb Melkamu Audit Work Partnership

Girma Wake
Chairman, Board of Directors

Meseret Bezabih
Chief Executive Officer

The United Insurance Company S.C.

Annual IFRS Financial statements

For the year ended 30 June 2018

Company statement of cash flows

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Cash flows from operating activities			
Cash generated from operations	40	179,234	86,240
Interest income		(35,419)	(28,056)
Dividend income		(14,596)	(13,048)
Income tax paid		(9,266)	(11,824)
Rent income		(10,174)	(8,247)
Net cash inflow from operating activities		**109,779**	**25,065**
Cash flows from investing activities			
Purchase of investment securities		(13,996)	(13,047)
Investment in Fixed time deposit		(38,664)	(21,918)
Purchase of investment property			3,246
Proceeds from maturity of government securities		(233)	40
Purchase of intangible assets		-	349
Purchase of property, plant and equipment		(94,142)	(65,364)
Proceeds from sale of Equity invesment		65,970	-
Dividends received			-
Policy loans advanced			(70)
Proceeds from policy loans		20	-
Investment income received		49,798	49,351
Increase in statutory deposit		(797)	(1,786)
Net cash outflow from investing activities		**(32,044)**	**(49,199)**
Cash flows from financing activities			
Dividends paid		(52,219)	(57,119)
Proceeds from issues of shares		1,569	4,287
Payment of leasehold land liability		(195)	(195)
Proceeds from borrowings		-	73,873
Repayment of borrowings		(7,123)	-
Net cash (outflow)/inflow from financing activities		(57,968)	20,846
Net increase/(decrease) in cash and cash equivalents		**19,767**	**(3,288)**
Cash and cash equivalents at the beginning of the year	26	21,700	24,988
Cash and cash equivalents at the end of the year	26	**41,467**	**21,700**

Chartered Certified Accountants (UK)
Kokeb Melkamu Audit Work Partnership

Girma Wake
Chairman, Board of Directors

Meseret Bezabih
Chief Executive Officer

The United Insurance Company S.C.
Annual IFRS Financial statements
For the year ended 30 June 2018
Notes to the financial statements

1 General information

The United Insurance Company SC, was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Br 25 million and an initial paid up capital of Br 8.073 million. Following the merger with Lion Insurance Company SC in 2002, the Company is currently owned by more than 439 shareholders. As a result of the merger and the decision of the Seventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Br 250 million. The paid up Capital is now Br 250 million. The registered office is at:

The United Insurance Company S.C.
Corporate Head Office: AL Paulo Building, Debrezeit Road
Addis Ababa, Ethiopia

The Company is principally engaged in the provision of non life and life insurance services and other ancillary business activities to a wholesale, retail and SME clients base in Ethiopian Market.

2 Summary of significant accounting policies
Introduction to summary of significant accounting policies

2.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the year ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to

The financial statements for the year ended 30 June 2018 are the first the Company has prepared in accordance with IFRS. Refer to note 42 for information on how the Company adopted IFRS.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Chartered Certified Accountants (UK)
Kokeb Melkamu Audit Work Partnership

The United Insurance Company S.C.

Annual IFRS Financial statements
For the year ended 30 June 2018
Notes to the financial statements

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that the Company would remain in existence after 12 months.

2.2.2 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued but not yet effective.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

2.2.3 IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Early adoption of the standard is permitted. The Company is yet to assess IFRS 9's full impact.

2.2.4 IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

Chartered Certified Accountants (UK)
Kokeb Melkamu Audit Work Partnership

The United Insurance Company S.C.
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2.2.5 IFRS 16 - Leases

This standard was issued in January 2016 (Effective 1 January 2019) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. it also substantially carries forward the lessor accounting requirements in IAS 17. The Company is yet to assess the expected impact of this standard.

2.2.6 IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

IFRIC 22 Foreign Currency Transactions and Advance Consideration was issued in December 2016 (Effective 1 January 2018). The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation or;
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

the Company's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate . Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

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After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share of profit of an associate and a joint venture' in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant

2.2.7 IFRS 17 - Insurance contracts

IFRS 17 was issued in May 2017 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

This standard requires a company that issues insurance contracts to report insurance obligations and risks on the balance sheet as the total of:
(a) the fulfilment cash flows—the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and
(b) the contractual service margin—the expected profit for providing future insurance coverage (i.e. unearned profit).

The measurement of the fulfilment cash flows reflects the current value of any interest-rate guarantees and financial options included in the insurance contracts.

The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

2.3 Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency and presentation currency of the Company is the Ethiopian Birr (Birr).

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b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate (years)	Residual value (%)
Buildings	50	5%
Lifts	15	
Office and other equipment	7	1%
Furniture and fittings	10	1%
Computer equipment	7	1%
Motor vehicle	10	5%
Fence and recovery improvements	10	1%

The Company commences depreciation when the asset is available for use.

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Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.5 Investment property

Property that is held for held by the Company to earn rental income or for capital appreciation, or both, and is not occupied by the Company, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. the Company has opted to subsequently carry investment property at cost and disclose fair value. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Company's investment property is determined by the Company's staff who have recent experience in the location and category of the investment property being valued. Professional valuers were not involved.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Earned rental income is recorded in profit or loss for the year within (other operating income). Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

Investment properties are derecognized when they have been disposed.

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2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred .

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follow:

Intangible assets class	Useful lives (years)	Residual value (%)
Computer software	8	0%

2.7 Deferred acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an intangible asset (DAC). All other costs are recognized as expenses when incurred. The

DAC is subsequently amortized over the life of the contracts as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortized over the terms of the policies as premium is earned;
- For long-term insurance contracts with fixed and guaranteed terms, DAC is amortized in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and
- For long-term insurance contracts without fixed terms and investment contracts with DPF, DAC is amortized over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts. The pattern of expected profit margins is based on historical and anticipated future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is charged to revenue.

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2.8 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.8.1 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.8.2 Financial assets

2.8.2.1 Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date

2.8.2.2 Subsequent measurement

For purposes of subsequent measurement of the Company's financial assets are classified into two categories:

- Loans and receivables
- Available for sale

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a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and similar income in income statement. The losses arising from impairment are recognized in income statement in loan impairment charge.

The Company's loans and receivables comprise of trade receivables, investment securities and other financial assets. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

b) *Available-for-sale (AFS) financial assets*

AFS investments include equity investments. Equity investments classified as AFS are those which are neither classified as held–for–trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Interest earned whilst holding AFS financial investments is reported as interest and similar income using the EIR method. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss. Refer to the information below under reclassification.

c) **'Day 1' profit or loss**

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.

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d) Reclassification of financial assets

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

For a financial asset reclassified out of the 'Available–for–sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to income statement over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to income statement.

e) Reclassification of financial assets

The Company may reclassify a non–derivative trading asset out of the 'held–for–trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from date of change in estimate.

f) Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either

(a) the Company has transferred substantially all the risks and rewards of the asset, or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred
control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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g) Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

h) Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as loans and receivables), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'loan impairment charge'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

i) Available-for-sale (AFS) financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognized in profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

2.8.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include customer's deposits, margin held on letter of credits, and other liabilities. Interest expenditure is recognized in interest and similar expense.

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b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

c) Financial liabilities at amortized cost

Financial instruments issued by the Company, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

All financial liabilities of the Company are carried at amortized cost.

d) Derecognition of financial liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

2.8.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Company has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money or other benefits. The other assets in the Company's financial statements include the following:

(a) Prepayments

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.

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(b) *Other receivables*

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received.

The Company's other receivables are rent receivables and other receivables from debtors.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash and restricted balances with National Bank of Ethiopia.

2.11 Insurance and investment contracts- classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:
a) That are likely to be a significant portion of the total contractual benefits;
b) Whose amount or timing is contractually at the discretion of the Company; and
c) That are contractually based on:
– the performance of a specified pool of contracts or a specified type of contract;
– realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
– the profit or loss of the Company, fund or other entity that issues the contract.

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2.12 Insurance contracts and investment contracts with DPF

a) Recognition and Measurement

IFRS4p37(a) Insurance contracts and investment contracts with DPF are classified into four main categories, depending on the
duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts
These contracts are casualty, property and short-duration life insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for
the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income.
Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the

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(ii) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognized as income in line with the decrease of unexpired insurance risk of the
contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

(iii) Long-term insurance contracts without fixed terms and with DPF – unit-linked and universal life

These contracts insure human life events (for example, death or survival) over a long duration. However, insurance premiums are recognized directly as liabilities. These liabilities are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

The liability for these contracts includes any amounts necessary to compensate the Company for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

(b) Liability adequacy test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

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(c) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.15 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortized over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the
reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement. the Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.10.

(d) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables.

The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.10.

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(e) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). the Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).
Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Accordingly Birr 5,058,261 is included in the current year being estimated salvage property kept at recovery yard.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.13 Revenue recognition

a) Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognized on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium; others are recognized as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

b) Reinsurance premiums

Gross outward reinsurance premiums on life and investment contracts are recognized as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

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c Fees and commission income

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

d Investment income

Interest income is recognized in the statement of profit or loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognized as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established.

e) Dividend income

This is recognized when the Company's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

f) Foreign exchange revaluation gains or losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the income statement and it is further broken down into realized and unrealized portion.

The monetary assets and liabilities include financial assets within the foreign currencies deposits received and held on behalf of third parties.

2.14 Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

2.15 Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

2.16 Finance cost

Interest paid is recognized in the statement of profit or loss as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest bearing financial liability.

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2.17 Employee benefits
a) *Wages, salaries and annual leave*

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.

b) *Defined contribution plan*

The Company operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively; with additional 3% Provident fund funding for employees under pension scheme

ii) provident fund contribution, funding under this scheme is 6% and 14% by employees and the Company respectively based on the employees' salary

2.18 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 4.7.1 and Notes 3
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
- Financial instruments (including those carried at amortized cost) Note 4.7.3

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.19 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

2.20 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

2.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

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2.22 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

a) *Company as a lessee*

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they it is incurred.

b) *Company as a lessor*

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income.

Income taxation

2.23 *Current income tax*

(a) The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred tax*

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied b the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liabi simultaneously.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estima and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about th assumptions and estimates could result in outcomes that require a material adjustment to the carrying amo of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management Note 4.6
- Financial risk management and policies Note 4
- Sensitivity analyses disclosures Note 4.5.2

3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgeme which have the most significant effect on the amounts recognized in the financial statements:

3.1.1 Estimates and assumptions

a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year, are described below.

The Company based its assumptions and estimates on parameters available when the financial statements w prepared. Existing circumstances and assumptions about future developments, however, may change du market changes or circumstances beyond the control of the Company. Such changes are reflected in assumptions when they occur.

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3.1.2 Valuation of insurance contract liabilities and investment contract liabilities with DPF

Life insurance contract liabilities and investment contract liabilities with DPF

The liability for life insurance contracts and investment contracts with DPF is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time together with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortized to the consolidated statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs to the consolidated statement of profit or loss.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry Euroland and American mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, these could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts.
These estimates are based on current market returns, as well as expectations about future economic and financial developments.
Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate.
Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount

3.1.3 *Impairment losses on loans and receivables*

The Company reviews its loan portfolios for impairment on an on-going basis. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cashflow from collateral obtained would arise within 24 months where the financial asset is collagenized.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Company's impairment charge on financial assets are set out in the Financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

3.1.4 *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial

3.1.5 *Income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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4 Insurance and Financial Risk Management

Introduction

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to insurance and financial (credit, liquidity and market) risk. It is also subject to country risk and various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

4.1.1 Risk Management Structure

4.1.2 The Board of Directors (The Board) is responsible for the overall risk encountered by the Company. The Board is responsible to develop comprehensives risk management program and policies of the Company. The Board has an oversight role on the proper implementation of the Company's risk management program or policies. The Board monitors proper implementation policies through various reports.

The Senior Management has the overall responsibility for the proper execution and interpretation of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and deliberate on reports to the Board regarding risk management issues and give timely directions.

The Risk Management and compliance work unit is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the work Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company's overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board's Risk and Compliance Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management to ensure that procedures are compliant with the overall framework. The risk management has also reporting relationship with internal audit function. Internal audit function among others ensures the effectiveness of the risk management function periodically. Internal Audit Function discusses the results of its assessments with management, and reports its findings and recommendations to the Board Audit Committee.

The Company's Finance and Investment work units is responsible for managing the financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company as per the Company's approved investment and liquidity policy .

4.1.3 Risk Measurement and Reporting Systems

The Company uses various risk mitigating techniques to reduce it's risk to the level acceptable. Risk controls and mitigates, identified and approved for the Company, are documented for existing and new processes and systems.

Risk management reports are presented by the risk management work unit based on the National bank of Ethiopia risk parameters and company's identified risks. The reports are discussed in the quarterly report of the Risk management and Compliance committee meetings.

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4.1.4 Insurance Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting policy and procedures as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is surplus treaty reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits are determined based on the company's reinsurance policy and vary by product line .

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. the Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Life Insurance Contracts

The main risks that the Company is exposed to are as follows:
- ▶ Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- ▶ Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- ▶ Longevity risk – risk of loss arising due to the annuitant living longer than expected
- ▶ Investment return risk – risk of loss arising from actual returns being different than expected
- ▶ Expense risk – risk of loss arising from expense experience being different than expected
- ▶ Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

► Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

► Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

► Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

►Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Sensitivities

	Change in assumptions	Change in liability		
		30 June Birr'000	30 June Birr'000	1 July Birr'001
Mortality/morbidity rate	10%	223,529	92,735	72,952
Longevity	10%			
Investment return	1%	(3,435,144)	(4,478,158)	(3,955,585)
Expenses	10%	3,703,745		
Lapse and surrenders rate	10%	(492,901)		
Discount rate	1%			

	Change in assumptions	Change in liability in 000 of Birr		
		30 June 18	30 June 17	30 June 16
Mortality/morbidity rate	-10%	(222,355)	(93,061)	(73,236)
Longevity	-10%			
Investment return	-1%	3,754,379	5,018,029	4,290,822
Expenses	-10%	(3,693,996)		
Lapse and surrenders rate	-10%	513,456		
Discount rate	-1%			

Non- Life Insurance Contracts

The Company principally issues the following types of general insurance contracts: Property ,Personal and Liability insurance coverage to policyholders and are not guaranteed as renewable. Most of Risks under non–life insurance policies usually cover twelve months duration.

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For general insurance contracts, the most significant risks arise from Natural and Man-made claymates. For longer tail claims that take some years to settle, there is also inflation risk.

The table below sets out the concentration of non–life insurance contract liabilities by type of contract:

30 June 2018	Outstanding Claims Birr 000			Incurred but not record Birr 000		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Accident	300	15	285	601	22	579
Medical expense	151	23	129	305	11	294
W/c	1,627	173	1,454	443	7	437
Motor	153,675	8,261	145,414	20,950	900	20,050
Marine	929	148	781	891	227	664
Goods in transit	405	20	385	184	47	137
Fire	436	129	307	1,864	966	898
Engineering	4,506	3,555	951	2,162	814	1,348
Liability	6,031	302	5,729	1,039	19	1,020
Pecuniary	107,362	99,766	7,595	2,549	712	1,838
Total	275,421	112,392	163,029	30,988	3,724	27,264

30 June 2017	Outstanding Claims Birr 000			Incurred but not record Birr 000		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Accident	8	0	7	984	18	966
Medical expense	581	115	466	-	-	-
W/c	463	8	455	812	1	811
Motor	135,334	8,906	126,428	15,714	1,176	14,538
Marine	1,018	207	811	844	212	632
Goods in transit	10	1	10	-	-	-
Fire	702	311	391	1,774	1,283	491
Engineering	14,313	12,833	1,480	3,133	1,170	1,963
Liability	3,664	164	3,500	2,322	36	2,287
Pecuniary	98,083	93,357	4,726	2,146	-	2,146
Total	254,175	115,902	138,273	27,730	3,897	23,833

30 June 2016	Outstanding Claims Birr 000			Incurred but not record Birr 000		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Accident	138	-	138	749	10	739
Medical expense	313	92	220	-	-	-
W/c	1,544	-	1,544	592	-	592
Motor	109,203	6,833	102,370	14,050	1,696	12,354
Marine	851	163	687	661	192	468
Goods in transit	77	-	77	-	-	-
Fire	5,136	148	4,989	1,399	920	479
Engineering	9,013	5,324	3,689	2,204	1,095	1,110
Liability	3,274	193	3,081	2,233	79	2,154
Pecuniary	98,146	93,556	4,590	2,499	-	2,499
Total	227,696	106,310	121,386	24,386	3,992	20,394

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear.

	Change in assumptions	Change in liability in 000 of Birr		
		30 June 2018	30 June 2017	1 July 2016
Average claim cost	+10%	79,292	54,996	50,445
Average claim settlement period	Reduce from 30 months to 24 months			

	Change in assumptions	Change in liability in 000 of Birr		
		30 June 2018	30 June 2017	1 July 2016
Average claim cost	-10%	(70,538)	(73,447)	(50,445)
Average claim settlement period	Reduce from 30 months to 24 months			

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

Gross non–life insurance contract outstanding claims provision for 2018:

Accident year	2013 Birr'000	2014 Birr'000	2015 Birr'000	2016 Birr'000	2017 Birr'000	2018 Birr'000
2016	255,947	143,973	166,662	192,529		
2017		139,573	161,690	200,590	230,126	
2018			169,360	192,761	248,199	251,301

4.2 Financial Risk

Financial instruments by category

The Company's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortized cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

The Company's classification of its financial assets is summarized in the table below:

Financial Assets Non Life Business

30 June 2018	Notes	Available-For-Sale	in 000 of Birr Loans and receivables	Total
Government securities-Held to maturity			34,994	34,994
Unquoted investment		84,647		84,647
Loans and receivables to staff			3,477	3,477
Other receivables			167,131	167,131
Statutory deposit			1,049	1,049
Deposit with financial institutions			217,521	217,521
Cash and Bank balances			39,381	39,381
Total financial assets		84,647	463,553	548,200

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30-Jun-17	Notes	Available-For-Sale	Loans and receivables	Total
Government securities-Held to maturity			34,764	34,764
Unquoted investment		84,646		84,646
Loans and receivables to staff			73	73
Other receivables			175,505	175,505
Statutory deposit			1,482	1,482
Deposit with financial institutions			225,623	225,623
Cash and Bank balances			20,616	20,616
Total financial assets		84,646	458,063	542,709

30-Jun-16	Notes	Available-For-Sale	Loans and receivables	Total
Government securities-Held to maturity			33,752	33,752
Unquoted investment		71,128		71,128
Loans and receivables to staff			101	101
Other receivables			148,191	148,191
Statutory deposit			647	647
Deposit with financial institutions			202,283	202,283
Cash and Bank balances			20,835	20,835
Total financial assets		71,128	405,809	476,937

Financial Liabilities Non Life Business

30 June 2018	Other financial	Total
Creditors arising from reinsurance arrangements	42,745	42,745
Creditors arising from insurance arrangements	310,826	310,826
Long tern loan	66,750	66,750
Other payables	95,452	95,452
Total financial Liabilities	515,773	515,773

30 June 2017	Other financial liabilities	Total
Creditors arising from reinsurance arrangements	31,606	31,606
Creditors arising from insurance arrangements	285,924	285,924
Long tern loan	73,000	73,000
Other payables	90,093	90,093
Total financial Liabilities	480,623	480,623

30 June 2016	Other financial liabilities	Total
Creditors arising from reinsurance arrangements	35,385	35,385
Creditors arising from insurance arrangements	255,369	255,369
Other payables	88,986	88,986
Total financial Liabilities	379,740	379,740

4.3 Credit Risk

Credit risk is the risk of loss from a counterparty failing to meet their financial obligations in accordance with the agreed terms. The Company's credit risk arises predominantly from Financing activities, investment activities and reinsurance activities. Key areas where the company is exposed to credit risk are:

*Receivables arising out of direct insurance arrangements;

*Receivables arising out of Re insurance arrangements ;and

* Receivables arising out of short term investments

4.3.1 Management of Credit Risk

In measuring credit risk of loans and receivables to various counterparties, the Company considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out.

The risk associated with direct insurance arrangements is insignificant due to National Bank regulation which is "No Premium No Cover Credit" Insurance polices are sold on cash basis to all policyholders except governmental organizations which is not relevant to our case; As a result the risk of default is non existence.

Reinsurance arrangements mitigate insurance risk but expose the Company to credit risk. Reinsurance is placed with companies based on an evaluation of the financial strength of the reinsurers, rating , terms of coverage and price. It is Company policy to only deal with reinsurers with credit ratings of at least B from known credit rating agency other than Ethiopian Reinsurance share Company which is not yet rated for mandatory policy and treaty cession as per local regulatory requirements.
The credit risk in the Reinsurance area arises:
• When the Company's reinsurers fails to make a claim reimbursement as and when it is claimed.
• The Company transfers a part of their portfolio to a reinsurer in exchange for a premium. A default on the part of the reinsurer can lead to adverse impacts, on the profitability solvency, underwriting abilities of the Company.

The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset counterparties are both debtors and creditors to the company. Provisions for impairment receivables and subsequent write-offs are presented to the top management and the board as appropriate as per the write off policy of the company. Internal audit makes regular reviews to assess the degree of compliance based on the company internal audit manual.

4.3.2 Concentration of Credit Risk

The credit risk of the company has been concentrated in the following key areas of activities;

(a) Investing/Lending activities

Credit risks associated with Investments, risk happens when a firm invests' on debentures or loans to individuals having poor history in repayments or putting money into an asset with the expectation of capital appreciation, dividends and/or interest earnings. Such area is a major source of credit risk.
In our scenario neither debenture nor lending activities exists except policy loan where the long term business section of the company advances loan to life policy holders and the risk of default is totally non existence as the collateral is the accumulated cash value. Other loan with small portfolio is given to staff based on property security and personal guarantee with low default risk
The current Company's equity investment is in banks and in local reinsurance company with low risk.

(b) Credit Concentration of a single counter party

There is a potential credit risk arising from the fact that banks may not settle time deposits on timely basis.

4.3.3 Credit Quality Analysis

The credit quality of cash and bank balances and short term investments that were neither past due nor impaired at as 30 June 2018 ,30 June,2017 and 30th June,2016 and are held in Ethiopian Banks have been classified as non rated as there are no credit rating agencies in Ethiopia.

(a) Credit Quality of Cash and Cash Equivalents

30th June2018	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
Insurance receivables			21,134	21,134
Other Loans and receivables				
Other receivables (construction advance)	90,426			90,426
Staff Debtors	139			139
Gross amount				
Less: Specific impairment allowance			20,085	20,085
	90,565		1,049	91,614

30th June 2017	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
Insurance receivables			21,567	21,567
Other Loans and				
Other receivables (construction advance)	83,352			83,352
Staff Debtors	73			73
Gross amount				
Less: Specific impairment allowance			20,085	20,085
	83,425		1,482	84,907

1-Jul-16	Neither Past due nor impaired	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
Insurance receivables			21,233	21,233
Staff Debtors				
Staff Debtors	24,543			24,543
Staff Debtors	101			101
Gross amount				
Less: Specific impairment allowance			20,585	20,585
	24,644		648	25,292

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4.3.4 Credit Concentrations

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at 30th June,2018,30th June,2017 and 30th June,2016. The Company concentrates all its financial assets in Ethiopia.

	Public enterprise Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
30th June,2018				
Cash and bank balances	-	41,239	-	41,239
Deposit with Financial Institutions (interest bearing)	-	321,236	-	321,236
Investment securities	-		-	
Available for sale	-	111,184	-	111,184
Loans and receivables	-	238	-	238
Trade and other receivables	-	1,049	-	1,049
Reinsurance assets		164,211		164,211
	-	639,157	-	639,157

	Public enterprise Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
30th June,2017				
Cash and bank balances	-	27,431	-	27,431
Deposit with Financial Institutions (interest bearing)	-	291,346	-	291,346
Investment securities	-		-	0
Available for sale	-	109,188	-	109,188
Loans and receivables	-	277	-	277
Trade and other receivables	-	1,482	-	1,482
Reinsurance assets		166,294		166,294
		596,018		596,018

30th June,2016	Public enterprise Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
Cash and bank balances	-	24,566	-	24,566
Deposit with Financial Institutions (interest bearing)	-	269,919	-	269,919
Available for sale	-	96,141	-	96,141
Loans and receivables	-	45	-	45
Trade and other receivables	-	648	-	648
Reinsurance assets		139,930		139,930
	-	531,249	-	531,249

4.4 Liquidity Risk

Liquidity risks refers to the Company's insufficient cash resources to meet financial obligations as and it is a measure of the ability of a debtor to pay his debts when they fall due (without affecting either the daily operations or the financial condition of the Company). . It is also the risk that a financial institution will incur losses because it finds difficult to secure the necessary funds or forced to obtain funds at far higher interest rates than under normal conditions due to mismatch between the maturities of assets and liabilities or unexpected outflow of funds. In addition, liquidity risk is expressed as a financial institution that incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like. It is usually expressed as the ratio or a percentage of current liabilities to liquid assets.

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4.4.1 Management of Liquidity Risk

Finance and Investment work unit is responsible to review and reports the liquidity position/status of the Company on regular and as needed basis.
The department manages the Company's liquidity to ensure sufficient liquidity to meet all liabilities when due, under both normal and stressed conditions, without facing unacceptable losses or risking damage to the Company's reputation. And the report include, among other items, the following;

* Factors that may seriously affect liquidity risks.
* External environment conditions such as the economic and market conditions.
* Urgency of funds need.
* Level of trend of liquidity risk.
* Status of compliance with limits and use thereof.
* Ensures that the liquidity policy is properly co-ordinate with other related assets/liability policies of the Company.
* Cash flow needs for the immediate future (one year);
* Previous years liquidity fluctuations (at least two years);
* Income requirements for the year;
* Volume of claims and other operational expenses;
* Any other known factors which may have an effect on available liquidity.

4.4.2 Measurement of Liquidity Risk

The Company has a process for measuring and monitoring its existing liquidity position as well as its net funding requirements. This involves forecasting cash inflows and outflows over various time horizons to identify potential cash imbalances. Liquidity risk is primarily measured as the ratio of current liability to liquid assets. It is expected that the ratio should at all times be less than to 1.5(105%). i.e. the maximum tolerance liquidity rate the company should keep on hand one birr for every one birr and five cents obligation or liability.

In addition, the company should maintain at least 65% and 50% of its admitted asset bank in deposits and treasury bills, for General and Long term Insurance business ,respectively A minimum operating liquidity level should be established to maintain a comfortable cushion beyond the minimum statutory requirement, in order to meet cash needs. A desired target maximum for operating liquidity also needs to be established to reflect the fact that too much liquidity has a negative effect on earnings, There is some gapes in liquidity ration as compared with the market ratio where the company has devised various mitigation strategy including capital raising and generating income from rent and other investment sources.

4.4.3 Maturity Analysis of Financial Liabilities

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

30-Jun-18	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
Insurance contract liabilities (outstanding claims)	312,961	-	-	-	312,961
Insurance liabilities	294,960	-	-	-	294,960
Other liabilities	79,501	43,364	4,949	-	127,814
Total financial liabilities	687,422	43,364	4,949	-	735,735

30-Jun-17	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
Insurance contract liabilities	287,146	-	-	-	287,146
Insurance liabilities	256,531	-	-	-	256,531
Other liabilities	87,889	36,970	28,363		153,222
Total financial liabilities	631,566	36,970	28,363	-	696,899

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30-Jun-16	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
Insurance contract liabilities	256,242	-	-	-	256,242
Insurance liabilities	216,655	-	-	-	216,655
Other liabilities	78,858	-	-	-	78,858
Total financial liabilities	551,755	-	-	-	551,755

4.5 Market Risk

Market risk is the risk of adverse financial impact due to changes in the value or future cash flows of financial instruments from fluctuations in , interest rates and equity prices. Changes in price may occur to a specific investment or in general to the portfolio of investment. Market risk encompasses the risk of financial loss resulting from movements in market prices which refers to the standard deviation of the change in value of a financial instrument with a specific time horizon.

4.5.1 Management of Market Risk

To effectively control and manage market risk the need for establishing capital market is un questionable. The establishment and operation of a well regulated equity market could enhance initiatives to establish new and expand/diversify existing business by providing venture capital and the flexibility to exist from or simply change investment portfolio.

Market risk is managed by Finance and investment . It is responsible to prepare a quarterly investment report that will provide analysis of the status of the current investment portfolio and transactions made over the reporting period. Besides, investment committee has been established and it is responsible for assessing investment options and recommending the viable options to senior management.

4.5.2 Measurement of Market Risk

The principle adopted in the management of investments is to closely match assets to the nature and term of insurance liabilities where possible. Total capital held in each entity reflects the results of internal models of economic capital, and takes in to account business growth plans ,as well as the likelihood of not being able to demonstrate an appropriate level of solvency.

Market risk is measured on the basis of investment capital or need of the company .Investment is made on evaluating the investee companies and the type of investment. Investment risk is measured on the basis of security of the investees, liquidity consideration, and interest rate offer, and investment period ,rate of return and feasibility study documents.

4.5.3 Monitoring of Market Risk

Market risk is monitored by performing regular asset liability matching exercises, monitoring market volatility ,comparing actual performance with benchmark performance, and tracking errors and distributions of fixed interest assets. Market risk is further monitored by measuring and comparing the actual risk exposure in terms of economic capital to an approved limit, based on a value at risk calculation.

(I)**Interest rate risk** is the risk that the value of a financial instrument will be affected by changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to it's financial obligations and financial assets with fixed interest rates . The company has taken long term loan to finalize the Head quarter building with interest rate of 18.25% from United bank. As the loan repayment period is three years the interest rate associated with this loan is insignificant as the repayment period is relatively short term which is 3 years
The table below sets out information on the exposures to fixed and variable interest instruments. Other areas which affects the company is the determination of severance pay liability as per IAS 19

30-Jun-18	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	321,236	41,239	362,475
Investment securities	111,184	-	111,184
Reinsurance assets	164,211	-	164,211
Total	596,631	41,239	637,870

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Liabilities			
Insurance contract liabilities	312,961	-	312,961
Insurance payables	53,613	-	53,613
Other payables	57,394	-	57,394
Total	423,968	-	423,968

30-Jun-17

	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	291,346	27,431	318,777
Investment securities	109,188	-	109,188
Reinsurance assets	166,294	-	166,294
Total	566,828	27,431	594,259
Liabilities			
Insurance contract liabilities	287,146	-	287,146
Insurance payables	34,234	-	34,234
Other payables	48,973	-	48,973
Total	370,353	-	370,353

30-Jun-16

	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	269,919	24,566	294,485
Investment securities	96,141	-	96,141
Reinsurance assets	139,930	-	139,930
Total	505,990	24,566	530,556
Liabilities			
Insurance contract liabilities	256,242	-	256,242
Insurance payables	46,576	-	46,576
Other payables	44,937	-	44,937
Total	347,755	-	347,755

(ii) Foreign Exchange Risk

Foreign exchange risk is the risk of loss arising from adverse exchange rate movements in foreign exchange exposures The company primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency. Therefore, the company is not exposed to currency risk.

4.6 Capital Management

Capital management risk is failure to maintain adequate regulatory capital to meet NBE's capital requirements or the Company's internal capital target aiming to safeguard its ability to continue as ageing concern, and maintain strong capital base so as to maintain investors, creditors, and enhance market confidence and sustain future developments of business. Even though the current paid up capital of the company's seems above the regulatory threshold. The company contemplates to double the capital within the coming five years in order to meet the needs of policyholders and other stakeholders

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Margin of Solvency Ratio

		30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
(A)	**Admissible assets**			
	Cash and cash equivalents	256,964	260,526	229,573
	Investment securities			
	Available for sale	83,968	80,280	70,501
	Loans and receivables	238	277	45
	Debtors and prepayments	26,968	3,409	1,556
	Reinsurance asset	160,464	163,199	137,047
	Statutory deposit	34,754	33,677	33,706
	deferred acquisition cost	11,629	11,505	9,565
	deferred income tax	282		
	property plant and equipment	357,402	269,845	227,611
	Investment Property	93267	82272	70959
	Total	1,025,936	904,990	780,563
(B)	**Admissible Liabilities**			
	Insurance contract liabilities	544,244	498,809	419,458
	deferred income tax liabilities		26,476	27,983
	Taxes payable			
	Insurance payables	52,076	33,637	46,334
	Other payables	125,098	125,457	49,605
	Total	721,418	684,379	543,380
	Excess (admitted capital) (A)-(B)	304,518	220,611	237,183
	Margin of solvency			
(C)	Net premium preceding year	298,195	258,682	217,810
	Technical provision	380,043	325,770	275,389
	Limit of net premium i.e. 20% of net premium	59,639	51,736	43,562
(D)	Limit of technical provision i.e. 25% of technical provision	95,011	81,443	68,847
	Admitted Capital	304,518	220,611	237,183
	Admitted Capital/ Technical Reserve	3.2	2.7	3.4

Long Term Business

		30 June 2018	30 June 2017	1 July 2016
(A)	**Admissible assets**			
	Cash and cash equivalents	105,511	58,251	64,912
	Investment securities			
	Available for sale	27,216	28,908	25,640
	Loans and receivables			
	Debtors and prepayments	4,818	1,631	1,779
	Reinsurance asset	3,747	3,095	2,883
	Statutory deposit	3,852	3,083	2,317
	deferred acquisition cost	163	184	242
	deferred income tax			
	property plant and equipment	16,829	15,949	1,065
	Investment property	23,294	23,754	24,214
	Total	185,430	134,855	123,052

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(B) Admissible Liabilities

Insurance contract liabilities	9,900	10,541	6,622
Taxes payable			
Life Fund	94,753	82,258	76,159
Insurance payables	1,537	597	389
Other payables	2,716	1,289	1,271
Total	108,906	94,685	84,441
Excess (admitted capital) (A)-(B)	76,524	40,170	38,611
Margin of solvency			
Technical provision	98,500	85,353	79,042
Ten % of Technical Provision	9850	8535.3	7904.2
Minimum Paid up capital Higher of the	15,000	15,000	15,000
Admitted Capital	76,524	40,170	38,611
Solvency Margin Admitted Capital / Minimum Capital	5.10	2.68	2.57

As per the National Bank regulation, the admitted capital should be above 10% of technical provisions or the minimum paid up capital and the long term business solvency margin is above the minimum requirement as shown in the above table

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5 Segment information

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

Business segments
The Company operates the following main business segments:

Non- life (General) Business- Includes general insurance transactions with individual and corporate customers.

Life Business- Includes life insurance policies with individual and corporate customers.

The segment information for the reporting segments for the year ended 30 June 2018 is as follows:

5.1 Statement of Financial Position - 30 June 2018

	General Business	Life Business	Total
	Birr'000	Birr'000	Birr'000
ASSETS			
Leasehold land	4,340	-	4,340
Property, plant and equipment	359,981	16,830	376,811
Investment properties	155,474	23,294	178,768
Intangible assets	1,096	-	1,096
Investment securities :	-		-
Available for sale	84,646	26,538	111,184
Loans and receivables	238	-	238
Statutory deposits	34,754	3,852	38,606
Receivables arising out of direct insurance arrangements	1,049	-	1,049
Reinsurers' share of technical provisions and reserves	151,132	3,747	154,879
Policy holder loans	-	678	678
Deferred acquisition costs	10,505	1,287	11,792
Deferred income tax	-		-
Other receivables	85,644	275	85,919
Deposits with financial institutions	222,603	107,407	330,010
Cash and cash equivalents	39,381	2,086	41,467
Total assets	**1,150,843**	**185,994**	**1,336,838**
LIABILITIES			
Insurance contract liabilities	310,826	2,135	312,961
Provision for unearned premium	220,348	7,765	228,113
Deferred reinsurance commission	10,062	163	10,225
Payables arising from reinsurance arrangements	42,745	1,539	44,284
Other liabilities	53,317	3,863	57,180
Current income tax liabilities	4,677	(559)	4,118
Long term borrowing	66,750		66,750
Finance lease liability	1,508	-	1,508
Defined benefit obligations	2,122	40	2,162
Deferred income tax	2,059		2,059
Total liabilities	**714,414**	**14,946**	**729,360**
EQUITY			
Share capital	225,000	25,000	250,000
Retained earnings	161,922	43,657	205,579
Legal reserve	50,167	7,653	57,820
Life fund reserve	-	94,750	94,750
Other reserves	(659)	(11)	(670)
Total equity	**436,430**	**171,049**	**607,478**
Total equity and liabilities	**1,150,843**	**185,995**	**1,336,838**

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5.2 Statement of Financial Position - 30 June 2017

	General Business	Life Business	Total
ASSETS	Birr'000	Birr'000	Birr'000
Leasehold land	4,435	-	4,435
Property, plant and equipment	271,406	15,949	287,355
Investment properties	158,548	23,754	182,302
Intangible assets	1,589	-	1,589
Investment securities :			-
Available for sale	80,978	28,210	109,188
Loans and receivables	5	-	5
Statutory deposits	34,726	3,083	37,809
Receivables arising out of reinsurance arrangements	-	734	734
Receivables arising out of direct insurance arrangements	1,482	-	1,482
Reinsurers' share of technical provisions and reserves	160,435	3,094	163,529
Policy holder loans	-	698	698
Deferred acquisition costs	10,628	1,061	11,689
Other receivables	78,538	396	78,934
Deposits with financial institutions	233,026	58,320	291,346
Cash and cash equivalents	20,616	1,084	21,700
Total assets	**1,056,412**	**136,383**	**1,192,795**
LIABILITIES			
Insurance contract liabilities	285,924	1,222	287,146
Provision for unearned premium	200,280	9,229	209,509
Deferred reinsurance commission	12,604	183	12,787
Payables arising from reinsurance arrangements	31,606	597	32,203
Other liabilities	42,265	974	43,239
Current income tax liabilities	4,076	633	4,709
Long term borrowing	73,873	-	73,873
Finance lease liability	1,703	-	1,703
Defined benefit obligations	1,853	344	2,197
Deferred income tax	3,183	-	3,183
Total liabilities	**657,367**	**13,182**	**670,550**
EQUITY			
Share capital	225,071	20,000	245,071
Share premium	1,637	-	1,637
Retained earnings / Surplus fund	131,152	17,129	148,281
Legal reserve	41,527	3,820	45,347
Life fund reserve	-	82,258	82,258
Other reserves	(344)	(5)	(349)
Total equity	**399,043**	**123,202**	**522,245**
Total equity and liabilities	**1,056,411**	**136,384**	**1,192,795**

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5.3 Statement of Financial Position -July 1 2016

	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS			
Leasehold land	4,530	-	4,530
Property, plant and equipment	229,180	1,065	230,245
Investment properties	161,786	24,214	186,000
Intangible assets	1,938	-	1,938
Investment securities :			-
Available for sale	71,129	25,012	96,141
Loans and receivables	45	-	45
Statutory deposits	33,706	2,317	36,023
Receivables arising out of reinsurance arrangements	-	1,612	1,612
Receivables arising out of direct insurance arrangements	648	-	648
Reinsurers' share of technical provisions and reserves	135,435	2,883	138,318
Policy holder loans	-	628	628
Deferred acquisition costs	9,191	606	9,797
Deferred income tax			-
Other receivables	29,552	77	29,629
Deposits with financial institutions	206,955	62,473	269,428
Cash and cash equivalents	21,246	3,742	24,988
			-
Total assets	**905,341**	**124,629**	**1,029,971**
LIABILITIES			
Insurance contract liabilities	255,369	873	256,242
Provision for unearned premium	155,455	5,749	161,204
Deferred reinsurance commission	8,633	242	8,875
Payables arising from reinsurance arrangements	35,385	2,001	37,386
Other liabilities	43,907	950	44,857
Current income tax liabilities	5,896	2,457	8,353
Long term borrowing	-	-	-
Finance lease liability	1,898	-	1,898
Defined benefit obligations	1,616	289	1,905
Deferred income tax	3,195	-	3,195
Total liabilities	**511,353**	**12,561**	**523,914**
EQUITY			
Share capital	219,133	15,000	234,133
Share premium	6,835	-	6,835
Retained earnings	130,184	19,501	149,686
Legal reserve	37,836	1,406	39,242
Life fund reserve	-	76,161	76,161
Other reserves	-	-	-
Total equity	**393,988**	**112,068**	**506,057**
Total equity and liabilities	**905,341**	**124,629**	**1,029,971**

The consolidated financial data for the reporting segments for the year ended 30th June 2018 is as follow:

5.4 **30 June 2018**

	General Business	Life Business	Total
	Birr'000	Birr'000	Birr'000
Gross written premiums	437,784	35,838	473,622
Change in unearned premium reserve	(25,688)	1,603	(24,085)
Gross earned premiums	**412,096**	**37,441**	**449,537**
Less: Premiums ceded to reinsurers	(83,306)	(8,577)	(91,883)
Net earned premiums	**328,790**	**28,864**	**357,654**
Commission income	29,897	3,755	33,652
Net underwriting income	**358,687**	**32,619**	**391,306**
Claims and policy holder benefits payable	232,308	15,021	247,329
Change in life fund	-	12,493	12,493
Less : claims recoveries from reinsurers	(8,085)	(7,107)	(15,192)
Net claims and benefits	**224,223**	**20,407**	**244,630**
Underwriting expenses	24,138	1,710	25,848
Total underwriting expenses	**248,361**	**22,117**	**270,478**
Underwriting profit	**110,326**	**10,502**	**120,828**
Investment income	47,111	13,076	60,187
Other income	33,134	22,566	55,700
Net income	**190,571**	**46,144**	**236,715**
Operating and other expense	98,753	5,556	104,309
Impairment on other assets	-	-	-
Total benefits , claims and other expense	**91,818**	**40,588**	**132,406**
Finance (income) / costs	134	-	134
Profit before tax from reportable segments	**91,684**	**40,588**	**132,272**
Income tax expense	(5,289)	-2261	(7,550)
Profit for the year	86,395	38,327	124,722
Assets and liabilities			
Total assets	905,341	124,629	1,029,971
Total liabilities	511,353	12,561	523,914
Net assets/(liabilities)	393,988	112,068	506,057
External revenue			
Net premium earned	328,790	28,864	357,654
Net underwriting income	358,687	32,619	391,306
Net investment income	47,111	13,076	60,187
Other income	33,134	22,566	55,700
Total segment revenue	**438,932**	**68,261**	**507,193**
Reportable segment profit before tax	**91,684**	**40,588**	**132,272**
Reportable segment assets	**905,341**	**124,629**	**1,029,971**
Reportable segment liabilities	**511,353**	**12,561**	**523,914**

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5.5 30 June 2017

	General Business	Life Business	Total
	Birr'000	Birr'000	Birr'000
Gross written premiums	387,215	29,819	417,034
Change in unearned premium reserve	(29,322)	(2,850)	(32,172)
Gross earned premiums	**357,893**	**26,969**	**384,862**
Less: Premiums ceded to reinsurers	(89,020)	(8,541)	(97,561)
Net earned premiums	**268,873**	**18,428**	**287,301**
Commission income	28,397	3,969	32,366
Net underwriting income	**297,270**	**22,397**	**319,667**
Claims and policy holder benefits payable	196,914	19,177	216,091
Change in life fund	-	6,098	6,098
Less : claims recoveries from reinsurers	(10,198)	(10,115)	(20,313)
Net claims and benefits	**186,716**	**15,160**	**201,876**
Underwriting expenses	20,578	1,323	21,901
Total underwriting expenses	**207,294**	**16,483**	**223,777**
Underwriting profit	**89,976**	**5,913**	**95,889**
Investment income	39,034	10,318	49,352
Other income	4,846	43	4,889
Net income	**133,856**	**16,274**	**150,130**
Operating and other expense	78,373	3,896	82,269
Impairment on other assets	-	-	-
Total benefits , claims and other expense	**55,483**	**12,378**	**67,861**
Finance (income) / costs	113	-	113
Profit before tax from reportable segments	**55,370**	**12,378**	**67,748**
Income tax expense	(8,170)		(8,170)
Profit for the year	47,200	12,378	59,578
Assets and liabilities			
Total assets	1,056,412	136,383	1,192,795
Total liabilities	657,367	13,182	670,550
Net assets/(liabilities)	399,045	123,201	522,245
External revenue			
Net premium earned	268,873	18,428	287,301
Net underwriting income	297,270	22,397	319,667
Net investment income	39,034	10,318	49,352
Other income	4,846	43	4,889
Total segment revenue	**341,150**	**32,758**	**373,908**
Reportable segment profit before tax	**55,370**	**12,378**	**67,748**
Reportable segment assets	**1,056,412**	**136,383**	**1,192,795**
Reportable segment liabilities	**657,367**	**13,182**	**670,550**

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		Birr'000	Birr'000
6	**Net premiums**		
a	**Gross premiums on insurance contracts**		
	General business		
	Motor	287,236	234,097
	Good in transit	2,164	3,017
	Marine	13,701	9,671
	Accident	9,410	8,814
	Liability	21,437	21,895
	Workmen's compensation	9,715	8,618
	Fire	28,864	23,503
	Engineering	24,583	41,603
	Pecuniary	21,419	26,811
	Burglary and house breaking	1,355	1,039
	Miscellaneous	13,326	4,051
	Medical	4,574	4,096
	General business gross premiums	437,784	387,215
	Life business		
	Individual life	14,868	11,483
	Group life	16,458	15,684
	Medical	4,480	2,625
	Funeral	32	27
	Life business gross premiums	35,838	29,819
	Total	473,622	417,034
b	**Change in unearned premium reserve**		
	General business		
	UPR Engineering	(1,004)	(6,293)
	UPR Liability	(310)	(252)
	UPR Pecuniary	(566)	(1,367)
	UPR Fire	(1,172)	(1,443)
	UPR Burglary and house breaking	(60)	36
	UPR Accident	(502)	(332)
	UPR Medical	(90)	(244)
	UPR Workmen's compensation	(398)	(827)
	UPR Motor	(21,581)	(16,256)
	UPR Marine	(154)	(922)
	UPR Goods in transit	478	(676)
	UPR Miscellaneous	(329)	(747)
	Unearned premium reserve	(25,688)	(29,323)

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Life business		
UPR Medical expense		(1,079)
UPR Group life	1,603	(1,770)
Unearned premium reserve	1,603	(2,849)
Total	(24,085)	(32,172)
c Premiums ceded to reinsurers		
General business		
Premium ceded Motor	(17,328)	(14,363)
Premium ceded Marine	(6,394)	(2,882)
Premium ceded Goods in transit	(472)	(670)
Premium ceded Accident	(2,225)	(653)
Premium ceded Medical	-	(1,305)
Premium ceded Workmen's compensation	(9,100)	(470)
Premium ceded Liability	(1,719)	(1,889)
Premium ceded Fire	(17,740)	(14,166)
Premium ceded Burglary and house breaking	(546)	(365)
Premium ceded Engineering	(15,053)	(31,566)
Premium ceded Pecuniary	(12,180)	(17,548)
Premium ceded Miscellaneous	(549)	(3,143)
Premiums ceded to reinsurers	(83,306)	(89,020)
Life business		
Premium ceded Individual life	(2,222)	(2,655)
Premium ceded Group life	(6,130)	(5,753)
Premium ceded Group medical	(223)	(131)
Premium ceded Group funeral	(2)	(1)
	(8,577)	(8,540)
Total premiums ceded to reinsurers	(91,883)	(97,560)
Total net earned premiums		
General business	328,790	268,872
Life business	27,261	21,279
	356,051	290,151

7 Commission income

	30 June 2018 Birr'000	30 June 2017 Birr'000
General business		
Reinsurance ceding commission	24,868	21,631
Profit commission	5,029	6,766
Commission income	29,897	28,397
Life business		
Reinsurance ceding commission	384	476
Profit commission	3,371	3,493
Commission income	3,755	3,969
Total commission income	33,652	32,366

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		30 June 2018 Birr'000	30 June 2017 Birr'000
8	**Investment income**		
	General business		
	Interest on time deposits	24,585	20,061
	Interest on savings	424	32
	Interest on staff loans	239	-
	Dividend income	11,018	9,849
	Interest on government bond	2,085	1,991
	Rent income	8,760	7,101
	Investment income	47,111	39,034
	Life business		
	Interest on time deposits	7,772	5,716
	Interest on savings	70	51
	Interest on policy loans	51	54
	Dividend income	3,578	3,199
	Interest on government bond	192	152
	Rent income	1,415	1,146
	Investment income	13,078	10,318
	Total investment income	60,189	49,352

		30 June 2018	30 June 2017
9	**Other income**		
	General business		
	Service charge	918	1,034
	Provision for bad debts	-	500
	Gain on disposal of fixed assets	28	312
	Gain on disposal of equity	31,483	
	Miscellaneous income	705	3,000
		33,134	4,846
	Life business		
	Gain on disposal of Equity	22,488	-
	Miscellaneous income	78	43
	Other income	22,566	43
	Total other income	55,700	4,889

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9a Birr 1,125 000 as deferred tax income for the periods is included in the retained account

		30 June 2018 Birr'000	30 June 2017 Birr'000
10	**Claims and policy holder benefits payable**		
	General business		
	Benefits and claims paid	202,623	175,514
	Change in claims outstanding	24,756	21,488
	Change in incurred but not reported reserve	4,531	(820)
	Change in unallocated loss adjustment expense	398	732
		232,308	196,914
	Recoverable from reinsurance:		
	Claims recoveries from reinsurers	(8,085)	(10,198)
	Net claims and loss adjustment expense	224,223	186,716
	Life business		
	Benefits and claims paid	14,107	18,410
	Change in Life fund	12,495	6,098
	Change in claims outstanding	750	692
	Change in incurred but not reported reserve	164	75
		27,516	25,275
	Recoverable from reinsurance:		
	Claims recoveries from reinsurers	(7,107)	(10,115)
	Net claims and loss adjustment expense	20,409	15,160

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	30 June 2018 Birr'000	30 June 2017 Birr'000
Finance costs		
Borrowings (no more than 12 months)	19,245	5,706
Borrowings (more than 12 months)	54,628	68,167

	30 June 2018 Birr'000	30 June 2017 Birr'000
Operating and other expense		
General business		
Directors fixed emoluments	306	-
Depreciation	7,654	7,990
Amortization	588	546
Bank charges	1,053	709
Office rent	13,425	12,000
Auditor remuneration	77	78
Other general expense	5,630	1,554
Repair and maintenance	3,706	2,175
Stationeries and office supplies	2,430	2,274
Gifts and donations	50	75
Provision for doubtful debts	-	30
Communication costs	1,359	2,741
Transportation costs	1,987	1,800
Advertising and promotion	3,886	3,100
Insurance costs	600	614
Annual general meeting	274	264
Professional services	510	203
	43,535	36,153
Employee benefits expense		
Salaries and wages	34,577	27,497
Staff insurance	918	1,465
Leave pay	604	684
Staff bonus	5,786	3,273
Defined contribution costs	4,753	3,567
Defined benefit costs	553	536
Other staff expenses	8,027	4,869
	55,218	41,891
	98,753	78,044

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Life business		
Directors fixed emoluments	43	-
Depreciation	594	576
Bank charges	96	41
Office rent	241	271
Auditor remuneration	14	13
Other general expense	1,695	979
Actuarial fee	151	237
Repair and maintenance	17	22
Stationeries and office supplies	232	264
	3,083	2,403
Employee benefits expense		
Salaries and wages	1017	862
Leave pay	70	27
Staff bonus	211	130
Defined contribution costs	142	121
Defined benefit costs		62
Other staff expenses	1034	230
	2,474	1,432
	5,557	3,835
Total Operating and Other Expense	104,310	81,879

		30 June 2018	30 June 2017
		Birr'000	Birr'000
13	**Underwriting expenses**		
	General business		
	Commission expense	24,015	19,141
	Changes in deferred acquisition cost	123	1,437
		24,138	20,578
	Life business		
	Commission expense	1,485	1,323
	Changes in deferred acquisition cost	225	-
		1,710	1,323
	Total underwriting expenses	25,848	21,901

This relates to commissions earned by intermediaries for insiness placed by them and to other insurance companies for facultative inward insurance busin

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		30 June 2018	30 June 2017
14	**Finance (income) / costs**		
	General business		
	Finance costs	134	113
		134	113

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15 Property, plant and equipment

15a General Business

	Buildings under con	Office equip	Computer equi	Furni and fittings	Motor v	Fence and recovery	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2016	198,462	4,467	4,373	4,276	24,405	2,587	238,570
Additions	56,260	167	880	373	4,537	-	62,217
Disposals / Transfer	(15,000)	(137)	(427)	(6)	(913)	-	(16,483)
Reclassification	-	12	(294)	(12)	(623)		(917)
As at 30 June 2017	239,722	4,509	4,532	4,631	27,406	2,587	283,387
As at 1 July 2017	239,722	4,509	4,532	4,631	27,406	2,587	283,387
Additions	74,266	346	995	843	17,719	-	94,169
Disposals / Transfer	-	-	-	-	(623)	-	(623)
As at 30 June 2018	313,988	4,855	5,527	5,474	44,502	2,587	376,933
Accumulated depreciation							
As at 1 July 2016	-	2,037	2,287	2,294	792	1,980	9,390
Charge for the year	-	539	513	276	2,311	114	3,753
Disposals	-	(128)	(403)	(6)	(623)	-	(1,160)
As at 30 June 2017	-	2,448	2,397	2,564	2,480	2,094	11,983
As at 1 July 2017	-	2,448	2,397	2,564	2,480	2,094	11,983
Charge for the year	-	568	590	330	3,620	94	5,202
Disposals	-	-	-	-	(231)	-	(231)
As at 30 June 2018	-	3,016	2,987	2,894	5,869	2,188	16,954
Net book value							
As at 1 July 2016	198,462	2,430	2,086	1,982	23,613	607	229,180
As at 30 June 2017	239,722	2,061	2,135	2,067	24,926	493	271,406
As at 30 June 2018	313,988	1,839	2,540	2,580	38,633	399	359,981

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15b Long term business

	Buildings under construction	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	Fence and recovery improvements	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2016	-	40	106	114	950	-	1,210
Additions	15,000	-	-	-	-	-	15,000
As at 30 June 2017	15,000	40	106	114	950	-	16,210
As at 1 July 2017	15,000	40	106	114	950	-	16,210
Additions	-	-	19	-	995	-	1,014
As at 30 June 2018	15,000	40	125	114	1,945	-	17,224
Accumulated depreciation							
As at 1 July 2016	-	33	61	51	-	-	145
Charge for the year	-	5	13	8	90	-	116
As at 30 June 2017	-	38	74	59	90	-	261
As at 1 July 2017	-	38	74	59	90	-	261
Charge for the year	-	1	10	8	115	-	134
As at 30 June 2018	-	39	84	67	205	-	395
Net book value							
As at 1 July 2016	-	7	45	63	950	-	1,065
As at 30 June 2017	15,000	2	32	55	860	-	15,949
As at 30 June 2018	15,000	1	41	47	1,740	-	16,829

15c Leasehold land

	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
Cost:			
Bahir dar leasehold land	707	707	707
Kality leasehold land	3,265	3,265	3,265
Bole Medhanealem leasehold land	1,449	1,449	1,449
	5,421	5,421	5,421
Accumulated amortization			
Kality land accumulated amortization	(763)	(711)	(656)
Bahir dar land accumulated amortization	(231)	(217)	(206)
Bole Medhanealem accumulated depreciation	(87)	(58)	(29)
	(1,081)	(986)	(891)
Net book value	4,340	4,435	4,530

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The leasehold period fo Bahir dar , Kality and Bole Medhanealem land is 60, 50 and 12 years, respectively.

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16 Investment property

16a General business

	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
Cost:			
Bole Medhanialem Building	113,786	113,786	113,786
Barhidar Building	48,000	48,000	48,000
	161,786	161,786	161,786
Accumulated depreciation:			
Bole Medhanialem Building	4,490	2,328	-
Barhidar Building	1,822	910	-
	6,312	3,238	-
Net book value	155,474	158,548	161,786

16b Long term business

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Cost:			
Bole Medhanialem Building	24,214	24,214	24,214
	24,214	24,214	24,214
Accumulated depreciation:			
Bole Medhanialem Building	920	(459)	-
	920	(459)	-
Net book value	23,294	23,755	24,214

Transfers from property, plant and equipment relates to buildings recognized under property, plant and equipment which are held to earn rental income and fall under the Company's definition of an investment

16 c Amounts recognized in profit or loss for investment properties

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Rental income		8,760	7,101
Direct operating expenses from property that generated rental income		(6,499)	(5,264)
Net income		2,261	1,837

16d Fair value measurement of the Company's investment properties

The Company's investment property is measured at cost. These properties include those held for rental purposes. There are currently no restrictions on the realizability of these properties.

Investment property is initially measured at cost including transaction costs and subsequently measured at depreciated cost (less any accumulated impairment losses). Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 years. The fair value of investment properties has been disclosed as required.

The fair value of the Company's investment property as at the reporting date and has been arrived at by in-house engineers qualified estate surveyors and valuers. These valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the replacement cost concept which approximates the estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing, prudently and without compulsion. This implies a market comparable approach that reflects the recent transaction prices for similar properties). In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: where fair values are based on non-adjusted quoted prices in active markets for identical financial assets.
Level 2: where fair values are based on adjusted quoted prices and observable prices of similar financial assets.
Level 3: where fair values are not based on observable market data.

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16e Fair value hierarchy

Details of the Company's investment properties and information about the fair value hierarchy are as follc

30 June 2018	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	138,000	-	-
Bahidar building	48,000	-	-
	186,000	-	-

30 June 2017	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	138,000		
Bahidar building	48,000		
	186,000	-	-

1 July 2016	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	138,000		
Bahidar building	48,000		
	186,000	-	-

17 Intangible Assets

	General business Comp software Birr'000	Long term business Comp software Birr'000	Cons Total Birr'000
Cost:			
As at 1 July 2016	7,258	-	7,258
Acquisitions	295	-	295
As at 30 June 2017	7,553	-	7,553
As at 1 July 2017	7,553	-	7,553
As at 30 June 2018	7,553	-	7,553
Accumulated amortization and impairment los			
As at 1 July 2016	5,320	-	5,320
Amortization for the year	644	-	644
As at 30 June 2017	5,964	-	5,964
As at 1 July 2017	5,964	-	5,964
Amortization for the year	493	-	493
As at 30 June 2018	6,457	-	6,457
Net book value			
As at 1 July 2016	1,938	-	1,938
As at 30 June 2017	1,589	-	1,589
As at 30 June 2018	1,096	-	1,096

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18 Investment securities :

18 a) Available for sale

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
General business			
Equity Investments	84,646	80,978	71,129
Long term business			
Equity Investments	26,538	28,210	25,012
At end of year	111,184	109,188	96,141

The Company holds equity investments in the following entities;

	30 June 2018		30 June 2017	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
United Bank SC	90,144	5.0%	75,548	5.0%
Raya Brewery SC			12,000	
Raaz Transport SC	1,500	1.5%	1,500	1.5%
Ethiopian Reinsurance S.C	1,250	2.5%	1,250	2.5%
Habesha Cement Factory SC	5,000	0.5%	5,000	0.5%

These investments are unquoted equity securities measured at cost.

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment.

18 (b) Loans and receivables

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
General business			
Government securities held to maturity	238	5	45
At end of year	238	5	45

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19 Statutory deposits

Government security comprise of bonds held by the National Bank of Ethiopia (NBE) . The bonds are held as statutory deposits in compliance with article 20 of the licensing and supervision of insurance as per business proclamation number 746/2012 SG 18. The law requires that in respect of each main class of insurance, the insurer carries an amount equal to 15% of the company's paid up capital in cash or government securities. The bonds bear interest at the rate of 6% per annum and repayable after six years from date of acquisition .

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
General business			
Statutory deposits	34,754	34,726	33,706
Long term business			
Statutory deposits	3,852	3,083	2,317
	38,606	37,809	36,023

20 Receivables arising out of reinsurance arrangements

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Long term business			
Gross receivables	-	734	1,612
Impairment provision	-	-	-
	-	734	1,612

These are receivables that arise from reinsurance policies that provides an insurer with coverage for specific individual risks that are unusual or so large that they are not covered in the Company's reinsurance treaties.

Maturity analysis

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	-	734	1,612
Non- current			-
	-	734	1,612

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21 Receivables arising out of direct insurance arrangements

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Due from policyholders	20,133	20,566	20,400
Due from agents and brokers	1,001	1,001	833
Provision for impairment	(20,085)	(20,085)	(20,585)
	1,049	1,482	648

Movements on the provision for impairment of receivables arising out of direct insurance arrangements are as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
At start of the year	20,585	20,585	20,585
	20,585	20,585	20,585

22 Reinsurers' share of technical provisions and reserves

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
General business			
Unearned premium	35,016	40,636	25,133
Notified claims outstanding	112,392	115,902	106,310
Claims incurred but not reported	3,724	3,897	3,992
At end of year	151,132	160,435	135,435
Long term business			
Unearned premium	3,009	2,870	2,239
Notified claims outstanding	257	61	275
Claims incurred but not reported	481	163	369
At end of year	3,747	3,094	2,883
Total General and Long term Business	154,879	163,529	138,318

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	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
23 Policy holder loans			
Policy holder loans	678	698	628
At end of year	678	698	628
Maturity profile of policy loans			
Loans maturing :	56	130	138
Within 1 year	537	498	426
Within 1 - 5 years	85	70	64
In over 5 years			
			300
	678	698	628

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
24 Deferred acquisition costs			
General business	10,505	10,628	9,191
Long term business	1,287	1,061	606
At end of year	11,792	11,689	9,797

25 Other receivables	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
General business			
Deposits	6,654	5,462	4,155
Prepayments	61,938	64,496	17,617
Accrued interest	5,468	783	-66
Rent receivable	79	40	46
Staff debtors	2,473	73	101
Sundry debtors	9,032	7,684	7,699
Gross amount	85,644	78,538	29,552

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Long term business			
Accrued interest	-	-	(67)
Interest receivable policyholder loans	-	-	125
Sundry debtors	275	-	19
Prepayments		397	-
Gross amount	275	397	77

	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
26 Cash and cash equivalents			
General business			
Cash in hand	603	2,759	11,338
Cash at bank	38,778	17,857	9,908
Deposits with financial institutions	222,603	233,026	206,955
	261,984	253,642	228,201

Maturity analysis	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
Current	39,381	20,616	21,246
Non- current	222,603	233,026	206,955
	261,984	253,642	228,201

Out of the above deposits with financial institution , Birr 73,873,291 is pledged as security for borrowings from United bank in additon to the above Birr 1,076,000 is blocked by various banks in connecion with different court cases

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, cash at bank, short term deposit with banks.

	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
Cash and cash equivalents	39,381	20,616	21,246
	39,381	20,616	21,246
Long term business			
Cash in hand	8	9	4
Cash at bank	2,078	1,075	3,738
Deposits with financial institutions	107,407	58,320	62,473
	109,493	59,404	66,215

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Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	2,086	1,084	3,742
Non- current	107,407	58,320	62,473
	109,493	59,404	66,215

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, cash at bank, short term deposit with banks.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash and cash equivalents	2,086	1,084	3,742
Total cash and cash equivalents	41,467	21,700	24,988

27 **Insurance contract liabilities**	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
General business			
Gross insurance contracts :			
Claims reported and loss adjustment expenses	275,421	254,175	223,095
Claims incurred but not reported IBNR	30,988	27,730	24,386
Additional unexpired risk reserve	-	-	4,601
Unallocated loss adjustment expense	4,417	4,019	3,287
Total insurance liabilities, gross	310,826	285,924	255,369
Recoverable from reinsurers			
Notified claims outstanding	112,392	115,902	106,310
Claims incurred but not reported	3,724	3,897	3,992
Total reinsurers' share of insurance liabilities	116,116	119,799	110,302
Net Insurance contracts liabilities:			
Claims reported and loss adjustment expense	163,028	138,273	116,785
Claims incurred but not reported IBNR	27,264	23,833	20,394
Additional unexpired risk reserve		-	4,601
Unallocated loss adjustment expense	4,417	4,019	3,287
Total insurance contract liabilities, net	194,709	166,125	145,067

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Gross Long-term insurance contracts:

Gross insurance contracts :			
Claims reported and loss adjustment expenses	1,634	884	405
Claims incurred but not reported IBNR	501	338	468
Total insurance liabilities, gross	2,135	1,222	873
Recoverable from reinsurers			
Notified claims outstanding	481	61	275
Claims incurred but not reported	257	163	369
Total reinsurers' share of insurance liabilities	738	224	644
Net Insurance contracts liabilities:			
Claims reported and loss adjustment expense	1,153	823	130
Claims incurred but not reported IBNR	244	175	99
Total insurance contract liabilities, net	1,397	998	229

28 Unearned premiums reserve

These provisions represent the liability for General business contracts where the Company's obligations are not expired at the year end.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
General business			
Unearned premiums reserve	220,348	200,280	155,455
Total insurance liabilities, gross	220,348	200,280	155,455
Recoverable from reinsurers			
Unearned premium	35,016	40,636	25,133
	185,332	159,644	130,322
Net Insurance contracts liabilities:			
Long term business			
Unearned premiums reserve	7,765	9,229	5,749
Total insurance liabilities, gross	7,765	9,229	5,749
Recoverable from reinsurers			
Unearned premium	3,009	2,870	2,239
	4,756	6,359	3,510

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	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
29 Deferred reinsurance commission			
General business	10,062	12,604	8,633
Long term business	163	184	242
	10,225	12,788	8,875

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
30 Insurance payables			
General business			
Amounts payable on assumed reinsurance business			
Gross reinsurance payables	42,745	31,606	38,385
At end of the year	42,745	31,606	38,385
Long term business			
Amounts payable on assumed reinsurance business			
Gross reinsurance payables	1,539	597	2,001
At end of the year	1,539	597	2,001

The carrying amounts disclosed above approximate fair value at the reporting date. All amounts payable on direct insurance business and assumed reinsurance business are payable within one year.

31 Other liabilities

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
31a General business			
Other financial liabilities			
Commission payable	3,199	3,574	2,624
	3,199	3,574	2,624

The carrying amounts of deposits received from reinsurers and outstanding purchase of investment securities disclosed above approximate fair value at the reporting date. All amounts of deposits received from reinsurers and outstanding purchase of investment securities are payable within one year.

	30 June 2018	30 June 2017	1 July 2016
Other non financial liabilities			
Sundry creditors	5,925	5,152	2,854
Uncollected cheques	3,412	1,968	2,684
Deferred income tax	8,562	7,857	8,492
Retention fee payable	9,606	8,695	7,013
Provisions	10,944	6,698	6,172
Rent advance	4,679	2,733	2,904
Dividend payable	4,447	4,362	7,831
Debtors with credit balance	2,543	1,226	3,333
	50,118	38,691	41,283
Gross amount	53,317	42,265	43,907

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	30 June 2018	30 June 2017	1 July 2016
Maturity analysis	Birr'000	Birr'000	Birr'000
Current	53,317	42,265	43,907
Non- current			-
	53,317	42,265	43,907
31b Long term business			
	-	-	-
Other non financial liabilities			
Sundry creditors	3,803	685	789
Provisions	60	289	161
	3,863	974	950
Gross amount	3,863	974	950

Maturity analysis	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
Current	3,863	974	950
Non- current			-
	3,863	974	950

32 Company Income and deferred tax

32a Current income tax

	30 June 2018	30 June 2017
Company income tax	9,630	9,051
Prior year (over)/ under provision	169	(603)
Deferred income tax/(credit) to profit or loss	(1,124)	(11)
Total charge to profit or loss	8,675	8,437
Tax (credit) on other comprehensive income		-
Total tax in statement of comprehensive income	8,675	8,437

32b Reconciliation of effective tax to statutory tax

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

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	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit before tax	132,271	67,748
Add : Disallowed expenses		
Entertainment	469	464
Penalty	21	-
Shareholders' meeting expenses	322	314
Giveaway items	178	210
Staff award expense	62	63
Employee retirement benefit	900	
Severance Liability	(826)	1,083
Depreciation for IFRS accounting purpose	8,871	7,566
Amortization for IFRS accounting purpose	493	644
Total disallowable expenses	10,490	10,344
Less : Allowable expense		
Depreciation for tax purpose	10,209	9,770
Dividend income taxed at source	14,596	13,048
Gain on sale of equity	53,970	
Interest income taxed at source-Local Deposit	35,072	28,003
Total allowable expenses	113,847	50,820
Taxable profit	28,915	27,272
Current tax at 30%	8,674	8,181

32c Current income tax assets / (liability)

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Balance at the beginning of the year	(4,709)	(8,353)	(9,336)
Current year provision	(8,674)	(8,181)	(11,741)
WHT Notes utilized	3,893	3,679	3,388
Payment during the year	5,372	8,146	9,336
Balance at the end of the year	(4,118)	(4,709)	(8,353)

32d Deferred income tax

Deferred income tax assets are recognized only to the extent that it is probable that

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:			
To be recovered after more than 12 months	2,059	3,183	3,195
To be recovered within 12 months			
	2,059	3,183	3,195

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Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L), in equity and other comprehensive income are attributable to the following items:

Deferred income tax assets/(liabilities):	At 1 July 2017 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2018 Birr'000
Property, plant and equipment	4,080	(1,372)		2,707
Post employment benefit obligation	(896)	390	(142)	(649)
Total deferred tax assets/(liabilities)	3,183	(983)	(142)	2,059

Deferred income tax assets/(liabilities):	At 1 July 2016 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2017 Birr'000
Property, plant and equipment	3,766	313	-	4,080
Defined benefit obligation	(572)	(179)	(145)	(896)
Total deferred tax assets/(liabilities)	3,195	134	(145)	3,183

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
33 Borrowings			
Borrowings from domestic bank	66,750	-	-
	66,750	-	-

Borrowings from domestic banks relates to a loans from United Bank SC, bearing interest at the rate of 18.25% per annum and repayable on quarterly installments of Birr 6,830.630 . The loan tenure is 5 years. The first repayment was due on 28 February 2018.

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	7,123	-	-
Non- current	66,750	73,873	-
	73,873	73,873	-

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	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
34 Finance lease liability			
Land Lease Payable	1,508	1,703	1,898
	1,508	1,703	1,898

Maturity analysis	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
Current	195	195	195
Non- current	1,313	1,508	1,703
	1,508	1,703	1,898

		30 June 2018	30 June 2017	1 July 2016
Defined benefits liabilities:				
Severance pay - Life business	Note 30(a)	40	344	289
Severance pay - Non life business	Note 30(a)	2,122	1,853	1,616
Liability in the company statement of financial position		2,162	2,197	1,905
Income statement charge included in personnel expenses:				
Severance costs - Life business	Note 21(a)	31	62	-
Severance costs - Non life business	Note 21(a)	693	536	-
Total defined benefit expenses		724	598	-
Re-measurements for:				
Long term business				
Re-measurement (gains)/losses - Life business		22	7	-
Deferred tax (liability)/asset on premeasurement gain or loss		(7)	(2)	
		15	5	-
General business				
Re-measurement (gains)/losses - Non life business		450	492	
Deferred tax (liability)/asset on premeasurement gain or loss		(145)	(148)	
		305	344	-
		320	349	670

The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

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35a Severance pay

The Company operates an unfunded severance pay plan for its employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary.

Below are the details of movements and amounts recognized in the financial statements:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
A Defined benefit liability			
Liability recognized in the financial position - Life business	40	345	290
Liability recognized in the financial position - Non life business	2,122	1,853	1,616
	2,162	2,198	1,906

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
B Amount recognized in the profit or loss			
Life business			
Current service cost	9	24	-
Interest cost	22	38	-
	31	38	-
Non life business			
Current service cost	482	358	-
Interest cost	211	178	-
	693	536	-
C Amount recognized in other comprehensive income:			
Re-measurement (gains)/losses arising from changes in demographic assumptions - Life	22	(7)	-
Re-measurement (gains)/losses arising from changes in demographic assumptions - Non Life	450	492	
	472	485	-

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The movement in the defined benefit obligation over the years is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Long term business			
At the beginning of the year	345	290	290
Current service cost	9	24	
Interest cost	22	38	
Re-measurement (gains)/ losses	22	(7)	
Benefits paid	(358)	-	
At the end of the year	40	345	290
General business			
At the beginning of the year	1,853	1,616	1,616
Current service cost	482	358	-
Interest cost	211	178	
Re-measurement (gains)/ losses	450	492	
Benefits paid	(874)	(791)	
At the end of the year	2,122	1,853	1,616

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Discount rate (p.a)	12.75%	12.75%	12.75%
Long term salary Increase rate (p.a)	12.00%	12.00%	12.00%

ii) Mortality in Service

The rate of mortality assumed for employees are those according to the British A1949/52 ultimate table published by the Institute of Actuaries of England. These rates combined are approximately summarized as

Age	Mortality rate Male	Female
20	0.11%	0.11%
25	0.11%	0.11%
30	0.12%	0.11%
35	0.13%	0.12%
40	0.19%	0.15%
45	0.33%	0.23%
50	0.60%	0.42%
55	1.04%	0.75%
60	1.72%	1.27%

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iii) **Withdrawal from Service**

The withdrawal rates are as summarized below :

Age	Resignation rates per annum	
	Male	Female
20	15.00%	15.00%
25	12.00%	12.00%
30	6.00%	6.00%
35	2.50%	2.50%
40	1.80%	1.80%
45	1.00%	1.00%
50	0.00%	0.00%
55	0.00%	0.00%
60	0.00%	0.00%

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iv) III-Health/Disability

The withdrawal rates are as summarized below :

Age	Resignation rates per annum	
	Male	Female
20	0.04%	0.04%
25	0.04%	0.04%
30	0.04%	0.04%
35	0.04%	0.04%
40	0.06%	0.05%
45	0.11%	0.08%
50	0.20%	0.14%
50	0.35%	0.25%
55	0.57%	0.42%
60		

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The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

General business

	30 June 2018				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	12.75%	13.75%	12.75%	11.75%	12.75%
Salary rate	12.00%	12.00%	13.00%	12.00%	11.00%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	1,853,206	1,853,206	1,853,206	1,853,206	1,853,206
Total net expense recognized in income	693,874	693,874	693,874	693,874	693,874
Net increase recognized in other comprehensive income	449,733	304,802	616,602	616,400	302,190
Employer contribution	(874,403)	(874,403)	(874,403)	(874,403)	(874,403)
Net liability at end of period	2,122,410	1,977,479	2,289,279	2,289,077	1,974,867

	30 June 2017				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	12.75%	13.75%	12.75%	11.75%	12.75%
Salary rate	12.00%	12.00%	13.00%	12.00%	11.00%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	1,615,933	1,615,933	1,615,933	1,615,933	1,615,933
Total net expense recognized in income	536,142	536,142	536,142	536,142	536,142
Net increase recognized in other comprehensive income	491,633	379,031	621,204	621,041	376,996
Employer contribution	(790,502)	(790,502)	(790,502)	(790,502)	(790,502)
Net liability at end of period	1,853,206	1,740,604	1,982,777	1,982,614	1,738,569

Long term business

	30 June 2018				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	12.75%	13.75%	12.75%	11.75%	12.75%
Salary rate	12.00%	12.00%	13.00%	12.00%	11.00%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	344,817	344,817	344,817	344,817	344,817
Total net expense recognized in income	30,863	30,863	30,863	30,863	30,863
Net increase recognized in other comprehensive income	22,409	20,013	25,193	25,188	19,968
Employer contribution	(358,256)	(358,256)	(358,256)	(358,256)	(358,256)
Net liability at end of period	39,833	37,437	42,617	42,612	37,392

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	30 June 2017				
	Scenario 1 Base	Scenario 2 Discount rate increased by	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by	Scenario 5 Salary rate decreased by
Discount rate	12.75%	13.75%	12.75%	11.75%	12.75%
Salary rate	12.00%	12.00%	13.00%	12.00%	11.00%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	289,684	289,684	289,684	289,684	289,684
Total net expense recognized in income	62,174	62,174	62,174	62,174	62,174
Net increase recognized in other comprehensive income	(7,041)	(9,034)	(4,731)	(4,736)	(9,071)
Employer contribution	-	-	-	-	-
Net liability at end of period	344,817	342,824	347,127	347,122	342,787

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the severance pay plan at the end of the reporting period for general insurance

The current arrangements are unfunded with no pre-determined contributions. The Company however meets benefit payments on a pay- as-you-go basis.

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36 Ordinary share capital			
Authorized:			
250,000 ordinary shares of Birr 1000 each	250,000	250,000	250,000
Issued and fully paid:			
234,133 ordinary shares of Birr 1000 each	245,071	234,133	234,133
10,938 ordinary shares of Birr 1000 each	4,929	10,938	-
	250,000	**245,071**	**234,133**
Share premium	-	1,637	6,835

Share premium represents the excess of contributions received over the nominal value of shares issued.

36 a Earning per share

Basic earning per share amounts are calculated by dividing he net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year

	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit Attributable to the shareholders	124,722	59,311
Weighted Average number of ordinary share in issue	247,200	240476
Basic and diluted earnings per share in BIRR	0.5	0.25

Diluted earnings per share amounts are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There wee no other transactions involving ordinary shares or potential ordinary shares between the reporting date and of compilation of these financial statements.

Retained earnings

	30 June 2018	30 June 2017
General business		
At the beginning of the year	131,152	130,184
Profit/ (Loss) for the year	86,395	47,200
Transfer to legal reserve	(8,640)	(4,154)
Transfer to capital	(3,132)	(6,651)
Dividend provided for	(43,855)	(35,427)
At the end of the year	161,921	131,152
Long term business		
At the beginning of the year	17,129	19,501
Profit/ (Loss) for the year	38,327	12,378
Transfer to legal reserve	(4,057)	(2,100)
Transfer to special reserve	-	
Dividend provided for	(7,742)	(12,650)
At the end of the year	**43,657**	17,129
	205,578	148,281

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The revaluation surplus amounting Birr 97.6 million is included in the retained earning account. This represents the surplus on the revaluation of investment , property and equipment. As the company uses deemed cost policy for investment property and equipment

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		30 June 2018 Birr'000	30 June 2017 Birr'000
37	**Legal reserve**		
	General business		
	At the beginning of the year	41,527	37,835
	Transfer from profit or loss	8,640	3,692
	At the end of the year	50,167	41,527
	Long term business		
	At the beginning of the year	3,820	1,406
	Transfer from profit or loss	3,833	2,414
	At the end of the year	7,653	3,820
		57,819	45,347

This is a reserve constituted in accordance with Article 22 of Proclamation No. 746/201 licensing and supervision of insurance business. The law requires the insurer to transfer 10% of its annual net profit to its legal reserve account until such account equals its capital.

		30 June 2018 Birr'000	30 June 2017 Birr'000
38	**Life fund reserve**		
	Long term business		
	At the beginning of the year	82,258	76,161
	Transfer from / to retained earnings	12,492	6,097
	At the end of the year	94,750	82,258

Life fund reserve represents accumulated life fund inclusive of surpluses distributable to shareholders. The amount determined after actuarial valuation has been conducted .

39	Other Reserve		
	Severance pay remusseremnt of gain and loss		
	Balance Brought forward	349	
	General business	306	344
	Life Business	15	5
	Total	670	349

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		Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
40	**Cash generated from operating activities**			
	Profit before tax		132,272	67,748
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment		5,207	8,566
	Amortization of intangible assets		3,629	547
	Remeasurement of employee benefit		(321)	(349)
	Gain/(Loss) on disposal of property, plant and equipment		(28)	(312)
	Change in operational assets:			
	-Decrease/ (Increase receivables arising out of reinsurance arrangements		734	878
	-Decrease/ (Increase receivables arising out of direct insurance arrangements		433	(834)
	-Decrease/ (Increase reinsurers' share of technical provisions and reserves		8,650	(25,211)
	-Decrease/ (Increase deferred acquisition costs		(103)	(1,892)
	Gain/(Loss) on disposal of equity		(53,970)	
	-Decrease/ (Increase other receivables		(6,985)	(49,305)
	Defined employee benefit obligation		(35)	292
	Deferred income tax		(1,124)	(12)
	Change in operational liabilities:			
	-Increase insurance contract liabilities		25,815	30,904
	-Increase provision for unearned premium		18,604	48,305
	-Decrease) deferred reinsurance commission		(2,562)	3,912
	-Increase/ (decrease) payables arising from reinsurance arrangements		12,079	(5,183)
	-Increase/ (decrease) other liabilities		36,939	8,186
			179,234	86,240

In the statement of cash flows, profit on sale of property, plant and equipment comprise:

	30 June 2018 Birr'000	30 June 2017 Birr'000
Proceeds on disposal	68	12,418
Net book value of property, plant and equipment disposed	40	(12,730)
Gain/(loss) on sale of property, plant and equipment	28	312

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41 Related party transactions

A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

41a *Transactions with related parties*

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Loan to key management personnel	754	-	-
	754	-	

41b *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2018.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Salaries and other short-term employee benefits	5,383	4,992	4,646
Post-employment benefits	1,313	314	289
Termination benefits	-	-	-
Sitting allowance	576	563	379
Other expenses			
	6,696	5,306	5,314

42 Directors and employees

i) The average number of persons (excluding directors) employed during the year was as follows:

	30 June 2018 Number	30 June 2017 Number	1 July 2016 Number
Professionals and High Level Supervisors	51	47	21
Semi-professional, Administrative and Clerical	15	12	7
Technician and Skilled		-	
Manual and	26	14	9
	92	73	37

ii) The table below shows the number of employees (excluding directors), who earned over Birr 10,000 as emoluments in the year and were within the bands stated.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
10,000 - 30,000	119	86	61
30,001 - 50,000	9	4	9
50,001 - 100,000	4	4	1
Above 100,000	-	-	-
	132	94	71

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43 Contingent liabilities
Claims and litigation

The Company is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The legal department evaluates the status of these exposures on regular basis to assess the probability of the Company's incurring related liablities. The liablities are recgonized and recorded in the financial statment after
.Assessing the existence of a present obligation (legal or constructive) as a result of a past event,
. Assessing the probability that an outflow of resources embodying economic benefits will be required to settle the
. Estimating the amount to be paid out.

Following the above facts, the Company has made a final assessment related to the claims under litigation for 142 cases amounting Birr 16,575,240 is included in the current financial statement , however 7 legal cases amounting Birr 10,614,400 disclosed as contingent liability as the probability of payment is remote. The amount is subject of on going court cases between the plaintiff and defendant. Management are of the opinion that this will not be payable and as a result, no provision has been made in these financial statements as at 30 June 2018.

44 Commitments

The Company has a capital commitment in connection with Akaki kality building project and head office building at Tewodros Square site of Birr 46.50 million, Birr 82.6 million and Birr 210 million of the year 30 June 2018, 30 June 2017 and 30 June 2016 respectively.

45 Operating lease commitments - Company as lessee

The Company leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
No later than 1 year	2,945	8,049	1,325
Later than 1 year and no later than 2 years	2,645	2,005	-
Later than 2 years but not later than 5 years	3,431	2,631	-
Total	9,021	12,685	1,325

46 Currency

The financial statements are presented in thousands of Ethiopian Birr (Br'1000).

47 Revaluation reserves at deemed cost

The revaluation reserve at deemed cost relates to investment, property and equipment. The reserve is non - distributable .The revaluation surplus amounting Birr 97.6 million is included in the retained earning account. This represents the surplus on the revaluation of investment property and property and equipment.

48 Actuarial valuations

An actuarial valuation of the Company's Life business as of 30 June 2018 was carried out by our consulting actuaries, ZAMARA actuaries, administrator and consultant Limited. The valuation revealed Br40,587,500 for distribution from surplus to shareholders for the year ended 30 June 2018 and A revisionary bonus of 4% of the basic sum assured (Br49,000) to with profit ordinary life policies for each completed policy year over the inter-valuation

49 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 30 June 2018 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

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50 First-time adoption of IFRS for the Company

These financial statements, for the year ended 30 June 2018, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For periods up to and including the year ended 30 June 2017, the Company prepared its financial statements in accordance with its Local GAAP. Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2018, together with the comparative period data as at and for the year ended 30 June 2017, as described in the summary of significant accounting policies.

In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 July 2016, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its financial statements prepared under the previous framework, including the statement of financial position as at 1 July 2016 and the financial statements as at and for the year ended 30 June 2017.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) of Ethiopia and the Commercial Code of 1960. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

In preparing these financial statements in accordance with IFRS 1, the Company has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by the Company are summarized below:

Optional exemptions applied

The Company applied the following optional exemptions from retrospective application:

Insurance contracts

The transitional provisions limits the disclosure requirements in respect of the claims development history – claims development that occurred earlier than five years before the end of the first financial year in which it applies IFRS 4 need not be disclosed.

Fair value measurement of financial instruments at initial recognition

The application of "day 1" gain or loss recognition in IAS 39 for financial instruments recorded at fair value may be burdensome. As a result, an exemption is offered by IFRS 1 for financial instruments carried at fair value for which there is no active market.

The Company has decided to apply the exemption and would apply the "day 1" gain or loss recognition requirements in IAS 39 prospectively to transactions entered into after the transition date (1 July 2016).

Fair value as deemed cost

The Company has elected to use fair value as deemed cost at 1 July 2016 for any individual item of PPE. The Company has determined the fair value of the assets as at 1 July 2016 and will record these values as the cost under IFRS going forward.

Exceptions applied

The Company applied the following mandatory exception from retrospective application:

Estimates exception

Estimates under IFRS at 1 July 2016 are consistent with estimates made for the same date under its previous accounting framework, unless there is evidence that those estimates were in error.

The estimates used by management in preparing the transition date statement of financial position are consistent with those used under previous GAAP for the same date.

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50a Reconciliation of Statement of total comprehensive income for the year ended 30 June 2017

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS Birr'000
Gross written premiums		417,033	-	-	417,033
Change in unearned premium reserve	A	(29,322)	-	(2,850)	(32,172)
Gross earned premiums		**387,711**	-	**(2,850)**	**384,861**
		-		-	-
Less: Premiums ceded to reinsurers		(97,561)	-	-	(97,561)
Net earned premiums		**290,150**	-	**(2,850)**	**287,300**
Commission income	B	36,278	-	(3,913)	32,365
Net underwriting income		**326,428**	-	**(6,763)**	**319,665**
Claims and policy holder benefits payable	C	(214,640)	-	(1,451)	(216,091)
Less : claims recoveries from reinsurers		20,313	-	-	20,313
Change in Life Insurance Fund		(8,040)		1,942	(6,098)
Net claims and benefits		**(202,367)**	-	**(1,454)**	**(201,876)**
Underwriting expenses	D	(23,792)	-	1,891	(21,901)
Total underwriting expenses		**(226,159)**	-	**437**	**(223,777)**
Underwriting profit		**100,269**	-	**(6,326)**	**95,888**
Investment income		49,351	-	-	49,351
Other income		4,891	-	-	4,891
Net income		**154,511**	-	**(6,326)**	**150,130**
		-		-	-
Operating and other expense	E	(84,277)	-	2,008	(82,269)
Total benefits , claims and other expense		**70,234**	-	**(4,318)**	**67,861**
Finance (income) / costs		(113)	-		(113)
Profit before income tax		**70,121**	-	**(4,318)**	**67,748**
		-		-	-
Income tax expense	F	(9,051)	-	(881)	(8,170)
Profit for the year		**61,070**	-	**(5,199)**	**59,578**
Other comprehensive income					
Items that will not be subsequently reclassified into profit or loss:					
Remeasurement gain/(loss) on retirement benefits obligatio	G	-		499	499
Deferred tax (liability)/asset on remeasurement gain or loss	G	-		(150)	(150)
Total comprehensive income for the year		**61,070**	-	**(4,850)**	**59,927**

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50b Reconciliation of equity as at 30 June 2017

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS Birr'000
ASSETS					
Leasehold land	H	3,889	-	546	4,435
Property, plant and equipment	I	274,923	-	12,432	287,355
Investment properties	J	94,560	-	87,743	182,302
Intangible assets	K	1,505	-	84	1,589
Investment securities :		-	-	-	-
Available for sale		109,188	-	-	109,188
Loans and receivables	L	5			5
Statutory deposits		36,761	1,048	-	37,809
Receivables arising out of reinsurance arrangements	M	2,826	(2,092)		734
Receivables arising out of direct insurance arrangements	N	256	1,226	-	1,482
Current income tax assets	O	-	-		-
Reinsurers' share of technical provisions and reserves	P	-	-	163,530	163,530
Policy holder loans		698	-	-	698
Deferred acquisition costs	Q	-	-	11,689	11,689
Deferred income tax		-	-	-	-
Other receivables	R	92,221	(13,139)	(149)	78,933
Deposits with financial institutions	S	282,789	8,557	-	291,346
Cash and cash equivalents		27,431	(5,731)	-	21,700
Total assets		**927,052**	**(10,131)**	**275,875**	**1,192,795**
LIABILITIES					
Insurance contract liabilities	T	166,046	-	121,100	287,146
Provision for unearned premium	U	159,644	-	49,865	209,509
Deferred reinsurance commission	V	-	-	12,787	12,787
Payables arising from reinsurance arrangements		34,234	-	2,031	32,203
Other liabilities	W	47,717	(4,478)	-	43,239
Current income tax liabilities	O	-	-	-	4,709
Long term borrowing		73,873	-	-	73,873
Finance lease liability		1,703	-	-	1,703
Defined benefit obligations	X	-	-	2,198	2,198
Deferred income tax	Z	-	-	3,183	3,183
Total liabilities		**483,217**	**(4,478)**	**191,164**	**670,550**
EQUITY					
Share capital		245,071	-	-	245,071
Share premium		1,637	-	-	1,637
Retained earnings	AA	54,960	-	93,321	148,281
Legal reserve	AB	45,347	-	-	45,347
Life fund reserve	AC	87,740	-	(5,482)	82,258
Other reserves	Y	-	-	(349)	(349)
Total equity		**434,755**	**-**	**87,490**	**522,245**
Total equity and liabilities		**917,972**	**(4,478)**	**278,654**	**1,192,795**

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	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS Birr'000
ASSETS					
Leasehold land	H	4,082	-	448	4,530
Property, plant and equipment	I	217,351	-	12,894	230,245
Investment properties	J	100,546	-	85,454	186,000
Intangible assets	K	1,712	-	226	1,938
Investment securities :		-	-	-	-
Available for sale		96,140	-	-	96,140
Loans and receivables	L	43	2	-	45
Statutory deposits		35,116	908	-	36,024
Receivables arising out of reinsurance arrangements	M	1,887	-	(275)	1,612
Receivables arising out of direct insurance arrangements	N	647	-	-	648
Current income tax assets	O				
Reinsurers' share of technical provisions and reserves	P	-	-	138,318	138,318
Policy holder loans		628	-	-	628
Deferred acquisition costs	Q	-	-	9,797	9,797
Deferred income tax		-	-	-	-
Other receivables	R	36,988	(7,359)	-	29,629
Deposits with financial institutions	S	263,465	5,963	-	269,428
Cash and cash equivalents		24,566	422	-	24,988
Total assets		**783,171**	**(64)**	**246,862**	**1,029,971**
LIABILITIES					
Insurance contract liabilities	T	145,884	-	110,358	256,242
Provision for unearned premium	U	130,322	-	30,882	161,204
Deferred reinsurance commission	V	-	-	8,874	8,874
Payables arising from reinsurance arrangements		37,371	-	15	37,386
Other liabilities	W	44,938	-	(81)	44,857
Current income tax liabilities	O	8,146	-	207	8,353
Long term borrowing		-	-	-	-
Finance lease liability		1,898	-	-	1,898
Defined benefit obligations	X	-	-	1,906	1,906
Deferred income tax	Z	-	-	3,195	3,195
Total liabilities		**368,559**	**-**	**155,356**	**523,915**
EQUITY					
Share capital		234,133	-	-	234,133
Share premium		6,835	-	-	6,835
Retained earnings	AA	54,731	-	94,955	149,686
Legal reserve	AB	39,241	-	-	39,241
Life fund reserve	AC	79,673	-	3,512	76,161
Other reserves	Y	-	-	-	-
Total equity		**414,613**	**-**	**98,467**	**506,056**
Total equity and liabilities		**783,172**	**-**	**253,822**	**1,029,971**

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Adjustments to statements of cash flows

There were no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under the previous GAAP

50d Notes to the reconciliation of equity and profit.

Accounting for life insurance contracts

Under the previous GAAP, life contracts are accounted for using the fund accounting method. Under IFRS, life insurance contracts are accounted for on an accrual basis with premium recognized as revenue when they become due. The performance reported for life insurance business under previous GAAP has been consolidated, on a line by line basis, with non-life business.

The change in accounting policies for life contracts resulted in reclassification of all balances previously recognized in the revenue account under previous GAAP to the statement of profit or loss and other comprehensive income. This led to significant changes in the following income statement captions listed below:

– Gross premium income
– Insurance premium ceded to reinsurers
– Fee and commission income
– Net claims expenses
– Underwriting expense
– Investment income
– Other operating expense

Breakdown of IFRS reclassification and remeasurement adjustment in the Statement of Comprehensive Income

		30 June 2017 Birr'000
A	**Change in unearned premium reserve**	
	Change in unearned premium reserve as per previous GAAP	29,322
	Remeasurement adjustment :	
	To recognize UPR of group term and group medical premiums	2,850
	Change in unearned premium reserve per IFRS	32,172

		30 June 2017 Birr'000
B	**Commission income**	
	Commission income as per previous GAAP	36,278
	Remeasurement adjustment :	
	To recognize unearned premium commission - Life business	58
	To recognize unearned premium commission - General business	(3,971)
		(3,913)
	Commission income per IFRS	32,365

		30 June 2017 Birr'000
C	**Claims and policy holder benefits payable**	
	Claims and policy holder benefits payable as per previous GAAP	(214,640)
	Remeasurement adjustment :	
	To recognize changes in IBNR of Group Term Policies	(75)
	To recognize changes in IBNR General business	(644)
	To book provision for unallocated loss adjustment expense as per actuarial report for General business	(732)
		(1,451)
	Claims and policy holder benefits payable per IFRS	(216,091)

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	30 June 2017 Birr'000
D Underwriting expenses	
Underwriting expenses as per previous GAAP	(23,792)
Remeasurement adjustment :	
To recognized deferred acquisition costs in relation to commissions paid to intermediaries - Life business	454
To recognized deferred acquisition costs in relation to commissions paid to intermediaries - General business	1,437
	1,891
Underwriting expenses per IFRS	(21,901)

	30 June 2017 Birr'000
E Operating and other expense	
Operating and other expense as per previous GAAP	(84,277)
Remeasurement adjustment :	
Life business	
To recognize defined benefit obligation arising from severance pay plan	(62)
To correct depreciation on motor vehicles understated	(11)
To correct depreciation on computer equipment understated	(3)
To correct depreciation on office equipment understated	(3)
To correct depreciation on furniture and fittings overstated	1
To correct depreciation charge arising from the choice of fair value as deemed cost of buildings	540
General business	
To recognize defined benefit obligation arising from severance pay plan	254
To correct depreciation on fence and recovery overstated	15
To correct amortization expense on intangibles assets	(143)
To correct depreciation on motor vehicles understated	(293)
To correct depreciation on computer equipment understated	(65)
To correct depreciation on office equipment understated	(141)
To correct depreciation on furniture and fittings overstated	66
To correct depreciation charge arising from the choice of fair value as deemed cost of buildings	1,755
To correct amortization on leasehold land	98
	2,008
Operating and other expense as per IFRS	(82,269)

	30 June 2017 Birr'000
F Income tax expense	
Income tax expense as per previous GAAP	(9,051)
Remeasurement adjustment :	
To current tax adjustment	881
To book deferred tax adjustment	
	881
Income tax expense as per IFRS	(8,170)

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G Remeasurement gain/(loss) on retirement benefits obligations

	30 June 2017 Birr'000
Remeasurement gain/(loss) on retirement benefits obligations under GAAP	-
Remeasurement adjustment :	
Life business	
To book remeasurement gain/(loss) on retirement benefits obligations through OCI -	7
Deferred tax (liability)/asset on remeasurement gain or loss -	(2)
General business	
To book remeasurement gain/(loss) on retirement benefits obligations through OCI -	(492)
Deferred tax (liability)/asset on remeasurement gain or loss -	137
	(349)
Remeasurement gain/(loss) on retirement benefits obligations per IFRS	(349)

H Leasehold land

	30 June 2017 Birr'000	1 July 2016 Birr'000
Leasehold land as per previous GAAP	3,889	4,082
Remeasurement adjustment :		
General business		
To correct accumulated amortization on leasehold land	98	448
Roll over adjustment from prior period	448	
	545	448
Leasehold land per IFRS	4,434	4,530

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I Property , plant and equipment

	30 June 2017 Birr'000	1 July 2016 Birr'000
Property, plant and equipment as per previous GAAP	274,923	217,351
Remeasurement adjustment :		
Life business		
To recognize fair value as deemed cost for motor vehicles	79	554
To correct accumulated depreciation on computer equipment (under) overstated	(3)	8
To correct accumulated depreciation on office equipment understated	(3)	(3)
To correct accumulated depreciation on furniture and Fittings overstated	1	16
To correct accumulated depreciation on motor vehicles overstated	(90)	
General business	-	
To recognize fair value as deemed cost for motor vehicles	1,878	11,659
To correct accumulated depreciation on computer equipment (under) overstated	(65)	533
To correct accumulated depreciation on office equipment overstated	(141)	505
To correct accumulated depreciation on furniture and Fittings overstated	66	413
To correct accumulated depreciation on recovery fence (under) over stated	15	(978)
To correct accumulated depreciation on motor vehicles overstated	(2,199)	187
Roll over adjustment from prior period	12,895	
	12,432	12,895
Property and equipment per IFRS	287,355	230,246

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J Investment property	30 June 2017 Birr'000	Birr'000
Investment property as per previous GAAP	94,560	100,546
Remeasurement adjustment :		
Life business		
To fair value gains arising from the choice of fair value as deemed cost of buildings		6,297
To correct depreciation charge arising from the choice of fair value as deemed cost of buildings	540	
General business		
To fair value gains arising from the choice of fair value as deemed cost of buildings		79,157
To correct depreciation charge arising from the choice of fair value as deemed cost of buildings	1,748	
Roll over adjustment from prior period	85,454	
	87,742	85,454
Investment property per IFRS	182,302	186,000

K Intangible assets	30 June 2017 Birr'000	1 July 2016 Birr'000
Intangible assets as per previous GAAP	1,505	1,712
Remeasurement adjustment :		
General business		
To correct accumulated amortization on intangible assets (under) overstated	(143)	227
Roll over adjustment from prior period	227	
	84	227
Intangible assets per IFRS	1,589	1,939

L Loans and receivables	30 June 2017 Birr'000	1 July 2016 Birr'000
Loans and receivables as per previous GAAP	5	43
Reclassification		
To reclassify accrued interest to carrying amount of loans and receivable - Life business		2
To reclassify accrued interest to carrying amount of loans and receivable - General business		
Remeasurement adjustment :		
Being restate NBE bonds at amortized cost using the Effective Interest Rate method - Life business		-
Being restate NBE bonds at amortized cost using the Effective Interest Rate method - General business		(0)
Roll over adjustment from prior period	(0)	
	(0)	(0)
Loans and receivables per IFRS	5	45

i. Under the previous framework, government bonds were included in investments. Under IFRS, government bonds have been reclassified to investment securities as loan and receivable financial assets.

ii. Under previous GAAP, accrued interest on Government Bonds were recognized separately in other assets. The amount has been reclassified to the carrying value of Government Bonds under loans and receivables.

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	30 June 2017 Birr'000	1 July 2016 Birr'000
M Receivables arising out of reinsurance arrangements		
Receivables arising out of reinsurance arrangements as per previous GAAP	2,826	1,887
Remeasurement adjustment :		
To adjust reinsurer's share of outstanding claims - Life business	213	(275)
Roll over adjustment from prior period	(2,306)	
	(2,092)	(275)
Receivables arising out of reinsurance arrangements per IFRS	734	1,612

	30 June 2017 Birr'000	1 July 2016 Birr'000
N Receivables arising out of direct insurance arrangements		
Receivables arising out of reinsurance arrangements as per previous GAAP	256	1,612
Reclassification		
To reclassify reinsurance debtors from sundry debtors	478	-
Receivables arising out of reinsurance arrangements per IFRS	734	1,612

	30 June 2017 Birr'000	1 July 2016 Birr'000
O Current tax liabilities	-	
Current tax under previous GAAP	-	8,146
Remeasurement adjustment :		
To adjust for current tax payable due to IFRS adjustments	4,709	207
Current tax liabilities per IFRS	4,709	8,353

	30 June 2017 Birr'000	1 July 2016 Birr'000
P Reinsurers' share of technical provisions and reserves		
Reinsurers' share of technical provisions and reserves as per previous GAAP	-	-
Remeasurement adjustment :		
Life business		
To book reinsurance share of provision for incurred but not reported	(205)	369
To book reinsurance share of provision for claims outstanding	(213)	275
To book reinsurance share of unearned premium reserve	631	2,239
General business		
To book reinsurance share of provision for incurred but not reported	(95)	3,992
To book reinsurance share of provision for claims outstanding	9,592	106,310
To book reinsurance share of unearned premium reserve	15,503	25,133
Roll over adjustment from prior period	138,318	

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Q Deferred acquisition costs	30 June 2017 Birr'000	1 July 2016 Birr'000
Deferred acquisition costs as per previous GAAP	-	-
Remeasurement adjustment :		
To recognize the unamortized (unexpired) portion of prepaid commission - Life business	456	607
To recognize the unamortized (unexpired) portion of prepaid commission - General business	2,042	9,191
Roll over adjustment from prior period	9,191	
	11,689	9,191
Deferred acquisition costs per IFRS	11,689	9,797

R Other receivables	30 June 2017 Birr'000	1 July 2016 Birr'000
Other receivables as per previous GAAP	92,221	36,988
Reclassification		
Life business		
To reclassify accrued interest to carrying amount of deposit with financial institution - Life business	(1,154)	(1,371)
To reclassify accrued interest to carrying amount of statutory deposits	(83)	(67)
General business		
To reclassify accrued interest to carrying amount of deposit with financial institution - General busir	(11,901)	(5,085)
To reclassify accrued interest to carrying amount of statutory deposits		(842)
Remeasurement adjustment :		
Life business		
Being restate NBE bonds at amortized cost using the Effective Interest Rate method - Life business	-	
General business		
Being restate NBE bonds at amortized cost using the Effective Interest Rate method - General busin	(156)	7
Roll over adjustment from prior period	7	
	(149)	7
Other receivables per IFRS	78,934	29,629

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S Deposits with financial institutions	30 June 2017 Birr'000	1 July 2016 Birr'000
Deposits with financial institutions as per previous GAAP	282,789	263,465
Reclassification		
To reclassify accrued interest to carrying amount of deposit with financial institution - Life business	1,154	1,371
To reclassify accrued interest to carrying amount of deposit with financial institution - General busir	7,404	4,591
Deposits with financial institutions per IFRS	291,346	269,428

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T **Insurance contract liabilities**	30 June 2017 Birr'000	1 July 2016 Birr'000
Insurance contract liabilities as per previous GAAP	166,046	145,884
Remeasurement adjustment :		
Life business		
To book Incurred but Not Reported claim (IBNR) of Group Term Policies	(131)	468
	-	
General business		
To book reinsurance share of provision for claims outstanding	9,593	106,310
To book Incurred but Not Reported claim (IBNR) as per actuarial report	549	293
To book provision for unallocated loss adjustment expense as per actuarial report	731	3,286
Roll over adjustment from prior period	110,358	
	121,100	110,358
Insurance contract liabilities per IFRS	287,146	256,242

i) Under previous GAAP, provision of outstanding claims were recognized as a separate financial statement line on the face of the statement of financial position. On transition to IFRS, provision of outstanding claims were reclassified to insurance contract liabilities.

ii) Under previous GAAP, other technical reserves were recognized as a separate financial statement line on the face of the statement of financial position. On transition to IFRS, other technical reserves were reclassified to insurance contract liabilities.

U **Provision for unearned premium**	30 June 2017 Birr'000	1 July 2016 Birr'000
Provision for unearned premium as per previous GAAP	159,644	130,322
Remeasurement adjustment :		
To book reinsurance share of unearned premium reserve - Life business	3,481	5,749
To book reinsurance share of unearned premium reserve - General business	15,503	25,133
Roll over adjustment from prior period	30,882	
	49,865	30,882
Provision for unearned premium per IFRS	209,509	161,204

V **Deferred reinsurance commission**	30 June 2017 Birr'000	1 July 2016 Birr'000
Deferred reinsurance commission as per previous GAAP	-	-
Remeasurement adjustment :		
To recognized commission income not earned for ceded business - Life business	(58)	242
To recognized commission income not earned for ceded business - General business	3,970	8,632
Roll over adjustment from prior period	8,874	
	12,786	8,874
Deferred reinsurance commission per IFRS	12,786	8,874

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W Other liabilities	30 June 2017 Birr'000	1 July 2016 Birr'000
Other liabilities as per previous GAAP	47,717	44,758
Reclassification		
To reclassify reinsurance debtors from sundry debtors	(4,508)	-
To reclassify payables to national bank to the carrying amount of statutory deposits	30	
Other liabilities per IFRS	43,239	44,758

X Defined benefit liability	30 June 2017 Birr'000	1 July 2016 Birr'000
Defined benefit liability under previous GAAP	-	-
Remeasurement adjustment :		
Life business		
To recognize defined benefit obligation arising from severance pay plan	55	289.684
To recognize reamesurement gains / losses arising from severance pay plan	-	
General business		
To recognize defined benefit obligation arising from severance pay plan	236	1,616
To recognize reamesurement gains / losses arising from severance pay plan		
Roll over adjustment from prior period	1,906	
	2,197	1,906
Defined benefit liability per IFRS	**2,197**	**1,906**

Y Other reserves	30 June 2017 Birr'000	1 July 2016 Birr'000
Other reserves under previous GAAP	-	-
Remeasurement adjustment :		
Life business		
To recognize reamesurement gains / losses arising from severance pay plan	7	-
Deferred tax (liability)/asset on remeasurement gain or loss -	(2)	
General business		
To recognize defined benefit obligation arising from severance pay plan	(492)	
Deferred tax (liability)/asset on remeasurement gain or loss -	137	
		-
Other reserves as per IFRS	**(349)**	-

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	30 June 2017 Birr'000	1 July 2016 Birr'000
Z Deferred income tax		
Deferred tax as per GAAP	-	-
Remeasurement adjustment :		
To adjust for deferred tax due to IFRS adjustments	11	(3,195)
Roll over adjustment from prior period	(3,195)	
	(3,183)	(3,195)
Deferred income tax per IFRS	(3,183)	(3,195)

	30 June 2017 Birr'000	1 July 2016 Birr'000
AA Retained earnings / Surplus fund		
Retained earnings / surplus fund as per previous GAAP	54,960	54,731
Remeasurement adjustment : Life		
To correct accumulated depreciation on computer equipment understated / overstated	(3)	8
To correct accumulated depreciation on office equipment understated	(3)	(3)
To correct depreciation on motor vehicles understated	(11)	
To correct accumulated depreciation on furniture and Fittings overstated	1	16
To recognize fair value as deemed cost for motor vehicles - Recognize fair value gains under cost mo(	2491	554
To recognize fair value as deemed cost for motor vehicles - Recognize fair value gains under cost model (Bole Medhania		6,297
To recognize Changes in life Insurance Fund		3,514
To recognize defined benefit obligation arising from severance pay plan	(62)	(290)
To recognize UPR of Group Term and Group Medical Premiums	(2,850)	(3,509)
To recognize IBNR of Group Term Policies	(75)	(100)
To recognize unearned premium commission	58	606
To recognized deferred acquisition costs in relation to commissions paid to intermediaries	454	(242)
General		
To correct accumulated depreciation on motor vehicles under / overstated	(293)	187
To correct accumulated depreciation on computer equipment overstated	(65)	533
To correct accumulated depreciation on office equipment overstated	15	505
To correct accumulated depreciation on furniture and Fittings overstated	66	413
To correct cemulated amortiazaion on les hold land	98	448
To recognize fair value as deemed cost for motor vehicles - Recognize fair value gains under cost model		11,659
To correct accumulated amortization on intangible assets overstated	(143)	227
To Recognize fair value gains under cost model (Barhidar)		44,845
To recognize fair value as deemed cost for motor vehicles - Recognize fair value gains under cost model (Bole Medhania		34,312
To correct accumulated depreciation on office equipment understated	(141)	(978)
To correct accumulated depreciation investment property	2,371	
To correct accumulated depreciation Baher Bar building	(623)	(0)
Being adjustment to restate NBE bonds at amortized cost using the Effective Interest Rate method		(0)
To recognize defined benefit obligation arising from severance pay plan	254	(1,616)
To recognized deferred acquisition costs in relation to commissions paid to intermediaries	1,437	9,191
To recognized deferred commission income in relation to commissions received from reinsurers for	(3,971)	(8,632)
To book provision for unallocated loss adjustment expense as per actuarial report	(732)	(3,287)
To book IBNR as per actuarial report	(644)	3,699
Tp recongnize unerned commission	(144)	
To book current tax as per tax computation	870	(207)
To book deferred tax as per tax computation	11	(3,195)
Roll over adjustment from prior period	94,955	
	93,321	94,955
Retained earnings per IFRS	148,281	149,686

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AB Life fund reserve

	30 June 2017 Birr'000	1 July 2016 Birr'000
Life fund reserves under previous GAAP	87,740	79,673
Transfer life fund reserve	(5,482)	(3,512)
Life fund reserves as per IFRS	**82,258**	**76,161**

AC Legal reserve

	30 June 2017 Birr'000	1 July 2016 Birr'000
Legal reserves under previous GAAP	45,348	39,241
Transfer to legal reserve		
Legal reserves as per IFRS	**45,348**	**39,241**

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Audit Work Partnership

The United Insurance Company SC
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Report of the consulting actuary

I have conducted an actuarial valuation of the general business of The United Insurance S.C.

The valuation was conducted in accordance with generally accepted actuarial principles. This principles require that prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies. In completing the actuarial valuation, I have relied upon the financial statements of the Company.

In my opinion the general business of the Company the actuarial value of the liabilities in respect of all classes of general business reflect a fair value of the general business as at 30 June 2018.

Abed Mureithi
Fellow of the Institute and Faculty of Actuaries
Actuary

zamara
Powering Prosperity

Appendix E: Actuary's Solvency Certificate

The United Insurance Company S.C.

Actuarial Valuation as at 30 June 2018

Actuary's Solvency Certificate

I, James Israel Omanyala Olubayi of Zamara Actuaries, Administrators and Consultants Limited, Landmark Plaza, 10th Floor, Argwings Kodhek Road, P O Box 52439, Nairobi 00200, Kenya, being a fully qualified Actuary and having conducted an actuarial valuation of the Life Fund as at 30 June 2018 using generally acceptable actuarial principles do hereby certify as under: -

a) that in my opinion the value placed upon the aggregate liabilities relating to the long-term insurance business of The United Insurance Company S.C. in respect of policies of valuation adopted by me has been arrived at using a professionally sound and prudent actuarial basis;

b) that I am satisfied that the value of assets adopted by me are, on the basis of the auditors' certificate appended to the balance sheet, fully of the value so adopted.

James I. O. Olubayi
Fellow of the Institute of Actuaries

Nairobi

November 2018

Partial View of the 23rd Annual General Meeting
November 2017 Sheraton Addis Hotel


Head Office Construction Site Visit
Tewodros Square


MCM 2018


MCM 2018


Best Performance 2017/18 From the Group of up Country Branches

Note:

THE UNITED INSURANCE COMPANY SC

Branch Offices 2018/19

City Branches

S.No	Branch Name	P.O.Box	Tel.	Cell/Mobile	Fax
1	Head Office	1156	114655656	966216350	114653258
2	Arada	25869	111558787	966216356	111558788
3	Beklobet	17340	116655225	911236520	114655246
4	Kirkos	42285	0118685721	966216347	115509898
5	Lion	661/1110	115515656	911254889	115534799
6	Misrak	10164	116628121	966215866	116623599
7	T/Haymanot	1156	112766608	966215858	112139107
8	Addis Ketema	183091	112762575	966215848	112766868
9	Gotera	1156	114672211	911254887	114671630
10	Kality	1156	114423917	966216359	114423916
11	Mesalemia	50118	112755268	966215857	112755271
12	Lideta	40045	115545756	966215860	115545755
13	Legehar	1156	115506052	935986942	115516788
14	Bole M/Alem	1156	116625799	966215868	116625814
15	Gulele	183091	111559986	966215854	111579898
16	Ayertena	1156	113471798	966216362	113471799
17	Megenagna	1156	116180223	966215859	116180983
18	Arat-Kilo	1156	111561162	966216358	111564798
19	Gofa	1156	114703917	966215867	114703821
20	Bole Road	1156	116504737	929319578	116504485
21	Gerji	1156	116394699	929319579	116394698
22	Kazanchis	1156	115585047	929319577	115585038
23	Jemo	1156	114713786	929319580	114713665
24	Meskel Flower	1156	114702028	910270979	114701855
25	Addisu Gebeya	1156	111546158	929499116	111547082

Upcountry Branches

S.No.	Branch Name	P.O.Box	Tel	Cell/Mobile	Fax
1	Adama	896	221113426	911901091	221120207
2	Bahir Dar	1082	582201777	918760209	582201798
3	Bale Robe		222440017	966216354	222440014
4	Bishoftu	1357	114371634	935986941	114330925
5	Dessie	1185	331111128	966215861	331111129
6	Dire Dawa	2199	251110280	966215865	251114099
7	Gondar	39	581114626	935983424	581114616
8	Hawassa	931	462206610	966215864	462203793
9	Hossaena	419	465552151	966215863	465553091
10	Jimma	1308	471119440	966215862	471119490
11	Mekelle	1395	344403934	966215847	344403933
12	Woldia	368	334310647	920182568	334312603

Contact Offices

S.No	C.Office Name	P.O.Box	Tel.	Cell/Mobile	Fax
1	Ambo		112609559	911894149	112609434
2	Genet	1156	115502956	910432369	115509898
3	Harar		254663604	913538440	254663350
4	Shashemene		462110819	929499114	462110523
5	Shalla	1156	116358059	911101416	116358058
6	Sarbet	1156	113852091	913099939	113852090
7	Debrebirhan		116376552	941622731	116375423
8	Woliso		113664276	944702518	113664839
9	Alemgena		113871729	988189664	113871358
10	Semera		333667815	911292333	333660140
11	Beshale	1156	116683262	929097759	116660599

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