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THE UNITED INSURANCE COMPANY SC

Tomorrow's Company Today !

ANNUAL REPORT 2018/19

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THE UNITED INSURANCE COMPANY SC
Tomorrow's Company Today !

25 Years

1994-2019

A JOURNEY OF TRUST

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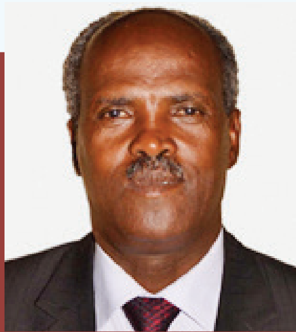
www.unicportal.com.et

Ato Mulualem Berhane
Chairman

Wro Akiko Seyom
Vice Chairperson



Ato Abera Tassew

Eng Samrawit Getamesay

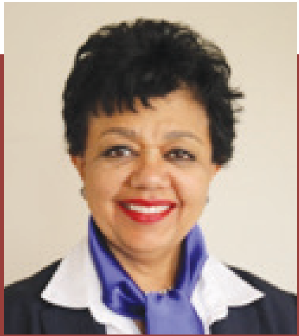
W/rt Teguest Yilma

Ato Wondwosen Teshome

Ato Amare Gashaw

Ato Ayalew Alemu

Ato Alemayehu Gebre



Wo. Meseret Bezabih
GM/CEO

Wo. Azalech Yirgu
DGM-Life & MEDEXIN

AtoTesfaye Desta
DGM Operations Non -Life

Ato Dawit G/Ammanuel
DGM Finance & Admin

Ato Abiyu Nigussie
Controller

Ato Gize Allemu
Director, HR & Administration

Wt Bethlehem Mekbib
Director, U/W &Technical Services

Ato Girum Fekade
Director, Claim and Engineering

Ato Engida Kassaye
Director, Finance & Investments

Rebecca Legesse
Director, LIFE & MEDEXIN

Ato Mesfin Eyasu
Manager, Marketing

Ato Aliye Mohammed
Manager, IT Services

Ato Yinebeb Derseh
Manager, Legal Services

Contents

VISION, MISSION & CORE VALUES

VISION

<UNIC-ETHIOPIA> Aims to be the best insurance company in Ethiopia, most professional, most commercial, and most responsible.

MISSION

To provide complete insurance covers at economic rates, honest, prompt, and courteous claims services, through the aid of state-of-the-art technology to fully satisfy its constituencies: Customers, Shareholders, Employees, Society, and the Environment.

CORE VALUES

Customer Supremacy

We shall treat the customer as a "King" and/or "Queen". We will ensure that the environment in which service is delivered is conducive and make the service delivery experience memorable.

Honesty and Integrity

We shall strive to promote a culture of honesty and integrity and adhere to a set of high moral standards and uphold ethical values.

Teamwork

We recognize that the team shall always be greater than the individuals. While taking personal responsibility for our work, we shall promote teamwork to achieve our corporate goals.

Dynamism

We shall embrace an organizational culture that encourages professionalism, keenness, enthusiasm, creativity, innovation and a sense of urgency so that we are responsive to the dynamics of the internal and external environment in which we operate.

Fairness

We wish to be the Best Equal-Opportunity Employer in the Country. And strive to undertake actions that are just, equitable, and fair that have a positive impact on the lives of our customers, employees, shareholders and the society at large.

We uphold the value of fair Competition: Level playing Field and same Rule of the Game.

Social responsibility

In all our undertakings, we shall behave in a socially responsible and acceptable manner.

NOTICE OF THE TWENTY FIFTH ANNUAL GENERAL 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 Fifth Annual General Meeting Of The United Insurance Company Sc <Unic-Ethiopia> Will Be Held At Addis Ababa Skylight Hotel On 14Th Of November 2019 Starting From 9:00 Am To Transact The Following Business:

1. To Consider and approve the Agenda items of the meeting;
2. To approve the sale and/or transfer of shares of the Company made up to and in cluding 13th November 2019;
3. To consider the 2018/19 Report of the Board of Directors;
4. To consider the External Auditors Report for the financial year ended June 30, 2019.
5. To approve the reports stated under agenda number 3 and 4;
6. To decide on the allocation and distribution of the Company's profit for the 2018/19 financial year;
7. To consider and approve External Auditors Fee for the year 2019/20 financial year;
8. To consider and approve annual Board remuneration fee for the 2018/19 financial year and monthly transport fee for 2019/20 financial year;
9. Explain the mistake committed during the 24th AGM on the process of election of Board Directors and report the corrections taken thereon.

BY ORDER OF THE BOARD

Yinebeb Derseh
Secretary to the Board

Dated 14thday of November 2019
Addis Ababa

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. To be valid, the enclosed PROXY FORM must be completed and presented to the Secretary of the Board at or before the General Meeting.

A PROXY or Share holder must be an Ethiopian Citizen and must hold a renewed identity card or passport to attend the meeting.

CHAIRMAN'S LETTER TO SHAREHOLDERS

It is my pleasure to welcome you all, on behalf of the Board of Directors and myself, to the TWENTY FIFTH ANNUAL GENERAL MEETING of Shareholders of The United Insurance Company SC (<UNIC-ETHIOPIA>).

With all humbleness and from the outset, allow me to herald to you all that we are now holding this historical Annual General Meeting at time when we are set to celebrate the 25th Years of Corporate Anniversary, Silver Jubilee, of The United Insurance Company SC (<UNIC-ETHIOPIA>. I believe I am the luckiest person to present to you the Directors' Report for the year ended June 30, 2019 which fortunately coincided with commemoration of the special event of the Silver Jubilee. What a jubilation for being part of the journey!

The event marks the celebration of success of the united force of all of us - the founders, shareholders, esteemed customers, directors who served and serving at different stages of the Company, the dedicated management and entire staff of <UNIC-ETHIOPIA>, and all other stakeholders - who withstood all odds to elevate the Company to the height from where it can today be seen tall from the crowd. Congratulations to you all on this very rare and big occasion. It has been a wonderful journey altogether. We trust and have the conviction for the best to come in the years ahead in line with the saying 'The best is yet to come'. We believe we have all what it takes to continue the journey of success along with the theme we coined for the Anniversary "25 Years, A Journey of Trust". Thank you all and wish the Company many more years of success as we move ahead.

Coming back to the Directors' Report, 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.

It needs to be noted that the business environment posed more challenges than opportunities in 2018/19 fiscal year. Slow down in business activities, shortage of foreign exchange and increase in inflation rate were few of the challenges the insurance industry had to face in the reporting period.

The challenges notwithstanding, on 30 June 2019, <UNIC-ETHIOPIA> concluded the financial year with yet another set of commendable results. Non-Life Gross Written Premium (GWP) had seen a record growth of 13% (against 6% industry average) to rise to ETB 494,709,000. Life business generated premium amounting to ETB 38,852,000 which grew by 8%. The combined written premium had gone up to the tune of ETB 533,561,000 during the reporting year.

Lucky enough, claims costs had shown a decline in the reporting year where corporate loss ratio dropped to 60% as compared to 68% in 2017/18. With a record growth of 44%, corporate Underwriting Profit (Life and Non-Life combined) rose from ETB 120,830,000 in 2017/18 to ETB 173,465,000 during the reporting year. Company profit before tax remarkably grew by 55% compared to the previous year, from ETB78, 301,000 (excluding gain on sale of shares in Raya Brewery SC) in the year 2017/18 to ETB 121,179,000 in 2018/19. Given the challenging business environment we came through, the results achieved, we believe, were laudable.

The Board of Directors held thirteen (13) regular meetings during the year under review, from July 1, 2018 to June 30, 2019 and passed important and notable strategic decisions.

In prospect, the year ahead is considered to be more challenging. We also anticipate the business environment to offer certain opportunities that could be exploited to grow the Company's income in the coming year. The Board and management are committed to continue to explore different strategic options to achieve what we are set for with the view to add value to shareholders in particular and all stakeholders in general.

As regards to the Financial Statements, the Company, in preparing the accounts, had taken into account all existing relevant laws and International Financial Reporting Standards (IFRS) as are applicable to the Company's business. 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), this Report of the Directors and Accounts covers the financial year ended 30 June 2019.

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 2019.

Finally, allow me to take this opportunity to express my sincere appreciation for and gratefulness to our esteemed customers who have vested great confidence in and shown loyalty by insuring with us; fellow Directors, the Management and the whole staff of <UNIC-ETHOPIA> who made this success to happen; the government, particularly the Supervisory Authority, for all-rounded support; the reinsurers and other partners for their persistent backing.

Mulualem Berhane
Chairman, Board of Directors and
The Annual General Meeting

REPORT OF THE BOARD OF DIRECTORS

In line with the Company's long-established tradition, the Twenty Fifth Annual Report of the Directors gives a brief review of the business environment with specific mention of the main events and elements with significant effects on the performance of the industry, the Company's operations and results for the period under report as well as the prospects for the future

1. THE BUSINESS ENVIRONMENT

1.1. The Country's Economic Overview

According to the World Bank, Ethiopia continued to be one of the fastest growing economies in the world in general and the region of Horn of Africa in particular. It was asserted that the Ethiopian economy experienced strong, broad-based growth averaging 10.3% for the years from 2006/07 to 2016/17, compared to a regional average of 5.4% although its real gross domestic product (GDP) growth declined to 7.7% in 2017/18. Most of the growth was attributable to the industry, mainly construction, and services. Agriculture and manufacturing made lower contribution to growth in 2017/18 compared to the previous year. Yet, the country's per capita income of USD 790 for the same year was taken to be one of the lowest in the world. It should be noted that Growth and Transformation Plan II (GTP II) set a target to achieve 11% GDP growth per annum.

As per the World Bank, the economic challenges of the country that persisted for long time include, among others, (a) limited competitiveness, which constrains the development of manufacturing, the creation of jobs and the increase of exports;(b) an underdeveloped private sector, which would limit the country's trade competitiveness and resilience to shocks (the government aiming to expand the role of the private sector through foreign investment and industrial parks to make Ethiopia's growth momentum more sustainable) and (c) political disruption, associated with social unrest which negatively impacts growth through lower foreign direct investment, tourism and exports.

Closer to the financial sector in general and insurance industry in particular, shortage of foreign exchange had been one of the negative consequences of the stated economic challenges. This unfavourable development, in turn, forced many businesses in different sectors to operate below capacities or slow down their activities. Firms that highly depend on imported materials as an input for their outputs continued to be affected the most in this regard. Premium income expected from businesses having linkage to foreign exchange like marine insurance declined and continued to fall both in volume and growth rate.

On the other hand, the government is in the process to privatize the key state-owned enterprises as part of the short-term intervention strategy to alleviate or minimize the foreign exchange shortage, reduce unemployment and increase private sector participation. This is anticipated to open window of opportunities for the growth of the insurance industry in general and the private insurers in particular for the fact that buyers would likely invest heavily to modernize and expand the enterprises.

1.2 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, <UNIC-ETHIOPIA>'s Annual Re
port of the 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/44/2016 MANNER AND CRITERIA OF TRANSACTING REINSURANCE BY INSURERS

Obviously, the Directive came into force with the aim to regulate facultative exchange of reinsurance businesses among and between direct domestic insurers. The objective was to raise local retention capacity as well as reduce 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 capacity of 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 this newly established reinsurance Company.

<UNIC-ETHIOPIA> continues to believe that there is a better alternative option that would greatly help enhance the national reinsurer's capacity. We recommended the alternative option to the National Bank of Ethiopia (NBE) at the time of establishment of the local reinsurer, Ethiopia Re SC. Considering that proposal to have been overlooked or disregarded, we hold the view that the compulsory cession should be phased out on or before the expiry of the deadline set out in the Directive for reason we argued against such cession at the time.

Besides, it is <UNIC-ETHIOPIA>'s strong position that local insurers must be allowed to accept risks through business exchange scheme to the extent of their respective treaty capacity as opposed to the provision of the above referred Directive that limits such acceptance to Company's retention. Amendment much expected to be made to the Directive in this regard remained long overdue now and we would like to call upon the regulatory body to take measures at soonest convenience to put the matter right to get the intended result from the arrangement.

DIRECTIVE NO.: SIB/46/2018 LIMITS ON BOARD REMUNERATION AND NUMBER OF EMPLOYEES WHO SIT ON THE BOARD OF AN INSURER

This Directive was issued in upward amendment of Director's remuneration and monthly transport fee on the one hand and ban employees from being elected to and sitting on the Board of insurers. The improvement in the Board's remuneration and disallowance of insurers' employees from directorship were a welcome steps taken by the regulatory body. However, we strongly believe that, as the owners of an insurance Company, the Shareholders must exercise their full right to decide on the mode and amount of remuneration payable to the Directors for the fact that the Directors are the representatives of the Shareholders and guardians of the Company. The fixed amount set by the NBE as Directors' remuneration lacks to take into consideration the responsibility and accountability of Directors on the one hand and the economic situation of the country where the purchasing power of the Birr continued to diminish from time to time on the other.

We thus strongly urge the NBE to put in place a system that would allow payment of Directors remuneration linked to a given range of percentages to be computed, as the basis, on the annual net profit so that the Shareholders would have the latitude to make remuneration decision that would more properly compensate the performance of the Directors. Doing so would also, more or less, make the remuneration to match up with the performance of each Insurer and the changing economic situations at any given time.

DIRECTIVE NO.: SIB/48/2019 INSURANCE CORPORATE GOVERNANCE (1ST REPLACEMENT)

In the period under report, the supervisory body, NBE, amended the subject in caption referring to as "First Replacement". It came into force effective July 1, 2019. The amended Directive was made to contain stipulations that were intended to close the loophole in the earlier Directive. The replacement Directive made the governance Directive more complete, comprehensive and powerful. <UNIC-ETHIOPIA> accepts the changes quite favourably except requirements related to 'Nomination Committee'. The Directive's provisions with regard to "Nomination Committee" 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.

THE DANGERS OF UNECONOMIC PREMIUMS

As in the preceding years, unfortunately, the year under report came to an end with no change taking place in the price-driven industry's competitive market place.

The initiative taken by the Association of Ethiopian Insurers (AEI) to get actuarial study conducted by a consultant with a view to set minimum premium rate in consultation with and approval of the NBE had taken more time than actually expected. It is not certainly known when the final study is to come out to that effect although the actuarial firm commissioned by the Association of Ethiopian Insurers (AEI) promised to deliver the document on or before December 31, 2019. We strongly believe that setting the stated floor premium rate would serve common purpose for key stakeholders involved: the insured (to have recourse for compensation in case of misfortunate happening of insured risks at any one time), the insurer (to have the means and financial capacities to meet its obligations all the time) and the regulatory body (to properly protect policyholders' interests sustainably). Once again, <UNIC-ETHIOPIA> would like to reaffirm its position and commitment to extend any assistance required, to see the project achieve the intended objectives within shortest possible time. The Directors wish to seize this opportunity to extend their most sincere appreciation to the NBE for the unreserved support and due attention it has given to this critically important project that is expected to have the power to stabilize the market and assure sustainability of the insurance industry. The Association of Ethiopian Insurers (AEI) also deserves big recognition for the initiative it has taken and for bearing the huge duty to get the job done in a very professional manner.

Yet, we call upon the Association of Ethiopian Insurers to press the actuarial firm to deliver the required final feasibility study report within agreed deadline to start implementation in the second half of 2019/20 Budget Year so as to put the industry back on the right track and rescue it from the dangers crawling closer and closer from year-to-year with high potential and likelihood to devastate the industry, God forbid!

The Need for Establishing a Capital Market

As repeatedly indicated in previous Annual Reports, 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 and in active operation.

1.3. THE INSURANCE INDUSTRY PERFORMANCE

The number of insurance companies operating in the market has remained all the same, 17, for more than nine years now and hence, no new entrant to the market in 2018/19. However, the existing companies have continued to expand their market outreach by opening new branches from time to time. In that regard, the number of branches of the insurers grew by 6% from 532 in 2017/18 to 568 in 2018/19 of which nearly 54% of the branches are situated in the capital, Addis Ababa.

Increasing by ETB 543 million, the total paid-up capital of the insurance companies rose to ETB 3.869 billion in 2018/19 from what it was in 2017/18 Financial Year. The industry's Gross Written Premiums (GWP), both Life and Non-Life combined, grew only by about 6% and reached ETB 9.09 billion at the close of business on June 30, 2019. As usual, Non-Life insurance business continued to take the lion's share of the premium portfolio for the reporting year by accounting for 94% of the total Gross Written Premiums (GWP) or ETB8.5 billion.

The industry's loss ratio in respect of Non-Life insurance dropped to 61% in 2018/19 from 63% in the preceding year. At 60%, <UNIC-ETHIOPIA>'s loss ratio was found to be slightly below the industry average. On the other hand, Long Term (Life) insurance business registered a total Gross Written Premiums (GWP)of ETB 514 million, accounting for 6% of the industry's total premium with a relatively lower loss ratio of 51%, a little increase from last year's loss ratio of 50%.

Competition driven by premium rate undercutting had continued to prevail in the insurance market in the reporting period as it had usually been the case in the past. In terms of intensity, the situation has continued to aggravate from year-to-year. Hence, we all as insurers continued to engage in premium undercutting to attract or retain business with the view not to lose customers. The size of the 'cake' available on the market for us all remained the same or diminishing in certain few cases: manufacturing industries are either operating far below capacity or temporarily suspending operation, or businesses having backward linkage to imports stagnating for lack of raw materials.

2. THE COMPANY'S PERFOMANCE

2.1. General

The Board held thirteen regular meetings during the year under review from July 1, 2018 to June 30, 2019 to deliberate on institutional affairs of the Company. In addition, the Board had set up four principal committees, namely, Human Resources and Administration Affairs Committee, Risk and Compliance Committee, Audit Committee, and Business Development Committee. These Committees were working to expedite efficient handling of and decision making on matters that normally fall within the scope of the Board's responsibilities.

Following the decision of the eleventh Extraordinary General Meeting of Shareholders held on 27 November 2018 to increase the paid-up capital to ETB 500,000,000 until November 2022, such a capital reached ETB 375,579,000at the close of business on June 30, 2019.

2.2. OPERATIONAL AND FINANCIAL PERFORMANCE AND RESULTS

2.2.1 GROSS WRITTEN PREMIUM AND COMBINED RESULT

The Gross Written Premium for the year ended June 30, 2019 was ETB 533,561,000 out of which ETB 38,852,000 was from Life insurance (Long term) and the rest ETB494,709,000 was from Non-life insurance. The Gross Written Premiums (GWP) generated during the year showed a 13% growth compared with last year's Gross Written Premiums (GWP) of ETB 473,622,000.

The Company continued to make positive underwriting profit, one of the vital performance indicators for insurance companies. Accordingly, the Company's combined Underwriting Profit from Life and Non-Life Businesses registered a record growth of about 44%. It grew from ETB 120,830,000 in2017/18 to ETB 173,465,000 in the reporting financial year.

NON-LIFE :

Premium Growth and Overall Performance Gross Premiums Written

As at 30 June 2019, the Company had written a Non-Life premium of ETB 494,708,534 registering a growth of 13% over that of the previous year. Compared to the Nation's Non-Life premium growth of 6%, <UNIC-ETHIOPIA> could be said to have seen a robust growth by all standard measures.

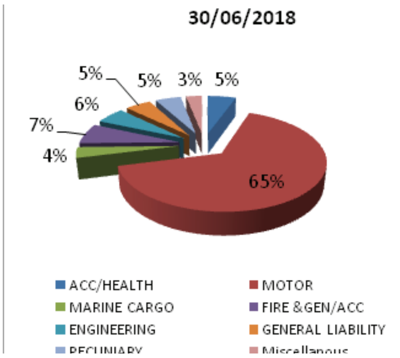
Much of the record growth attained can be attributed to the growth and expansion strategy the Company has chosen to follow starting July 1, 2016. Growth was registered in all classes of business in 2018/19 except marine as depicted here in descending order: Fire and General Accident grew by 72%; Engineering by 31%; Motor and Accident & Health by 8% each; Pecuniary by 6%; General Liability by 4%, Pecuniary by 3%; other class of business by 10%; and. However, the Marine Cargo and Inland Transit insurance business dropped by 11%, the reflection of the economic slowdown in general and shortage of hard currency in particular.

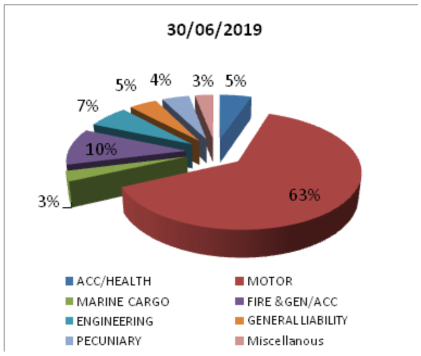
Portfolio Mix

It is a given fact that Motor insurance generates the largest premium volume in our country and almost inevitably, this class of business takes the lion's share in the premium portfolio of most of the companies. <UNIC-ETHIOPIA> is not an exception. As in previous years and as anticipated, Motor insurance continued to account for the largest premium volume in the Company's total premium portfolio as at 30 June 2019. Though slightly lower than the previous year (65%), Motor's share of 63% in the Company's total gross premiums written as at 30 June 2019 made it the predominant business of <UNIC-ETHIO-PIA>.

The Fire and General Accident class of business became a very far second with a share of 10% followed by Engineering class of business at 7%. Accident and Health and General Liability took a 5% share each in the portfolio mix while Pecuniary insurance made for 4%; 'Other' class of businesses with small premiums and Marine Cargo/Transit class of business contributed 3% each to total GWP.

COMPARATIVE PREMIUM STRUCTURE /PORTFOLIO MIX



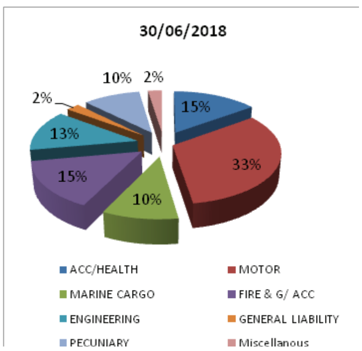


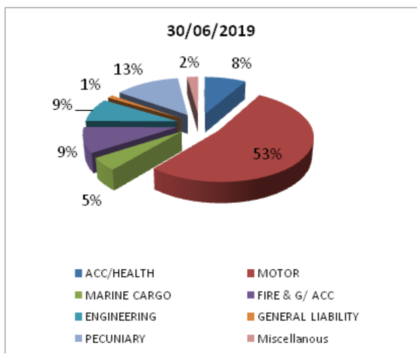
Claims and Profitability – Loss Ratio and Underwriting Surplus/Deficit Non-Life Insurance

By all comparison, the Company's overall claims experience in the year under report witnessed a decline. The Company's corporate loss ratio (net earned premiums to net incurred claims) for the year 2018/19was computed to be 60%, showing a decrease by about 12%as compared to previous year's 68%. With record growth of 34%, the total Non-Life underwriting profit for the year 2018/19 shot up to ETB147,582,000 from what it was in the previous year, ETB 110,327,000. It should be noted that every class of business underwritten during the period under report produced positive contribution to the Company Underwriting Profit.

Unlike other preceding years, the largest contribution to the year's Underwriting Profit came from the Motor class of business. Constituting more than 63% of the Company's total premium portfolio, any improvement in Motor loss ratio was bound to have a substantial positive effect on the final outcome of the Company's performance. Accordingly, Motor contributed close to 53% to this year's Underwriting Profit, a stunning growth by 114% as compared to last year. This was followed by a very far second of 13% contribution of the pecuniary class to the Underwriting Profit. Engineering and Fire and General Accident contributed 9% each; Accident and Health 8% ; Marine Cargo/Transit insurance 5% and 'Others' class of business 3%.

COMPARATIVE UNDERWRITING SURPLUS/DEFICIT





LIFE & MEDEXIN - Premium Growth & Overall Performance

At the close of the financial year on 30 June 2019 and the latest actuarial valuation conducted following the closing date, the Company's long-term business (Life Insurance) registered a growth of about 8%, generating a GWP of ETB 38,852,000 during the reporting year as compared to ETB 35,837,000 in the preceding year. The loss ratio for the year is only 19% which is very low from the industry average of 51%.

The Company submitted Financial Statements of the long-term business for the year ended June 30, 2019 to external actuarial firm for valuation in compliance with NBE Directive and accepted practice. Accordingly, the valuation was undertaken by Kenya-based M/S Zamara Actuaries, Administrator and Consultant Limited. At recommendation of the actuarial firm, a good sum of profit was transferred to the Profit and Loss and Appropriation of Profit Account of June 30, 2019 for distribution to the Shareholders.

Consolidated Results: Profit- Life and Non-Life

As can be seen from the IFRS Financial Statements for the year ended 30 June 2019, corporate Underwriting Profit (Life an Non-Life combined) had witnessed a record growth of 44%, a sizable jump from ETB 120,830,000 in 2017/18 to ETB 173,465,000 during the year under report. Likewise, disregarding income earned in the preceding year from gain on disposal of equity shares at Raya Brewery SC (ETB 53,971,000), Profit Before Tax for the reporting year grew even by more percentage points; again, a record growth by about 55%, a spiral rise to ETB 121,179,000 from what it was in 2017/18, ETB 78,301,000 (excluding gain on sale of Raya Brewery).The consolidated result for the reporting year was found to be commendable given the vey though economic environment the country has been going through for some years in recent past.

2.2.2 Investments

There was no much change in the status of the Company's Multi-Purpose Building at Akaki- Kality at as June 30, 2019 than what was reported in the preceding year. Due to lack of demand in the area on the one hand and massive public road construction underway, on the other, the facility was rented out only partially and the substantial portion of the building has still remained unoccupied. With the completion of the construction of both the unusually wide Addis-Akaki-Tulu Dimtu Road Project as well as the new stadium right across the street from the Company's building, the demand for the property is expected to improve in the coming couple of years.The construction of the Company's Head Office building at Tewodros Square was fully completed.<UNIC-ETHIOPIA> officially relocated its Head Quarters to the new building since July 1, 2019. In addition to that, more than 95% of the space of the building was rented out to different institutions and it is expected to generate more than ETB19 million rent income annually starting 2019/20 Financial Year.The investment of ETB1.5 million at Raz Transport was disinvested following the sale of Raya Brewery in the previous budget year, as the purpose for establishment of the trucking company in the first place was to provide transport services to Raya Brewery Sc. The gain from the sale of the shares was only ETB 254,000.

2.2.3 Human Resource Development

At <UNIC-ETHIOPIA>, we deeply believe that the Company's strength and sustainable growth hinges up 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. And hence, as a matter of its guiding principles and perusal of its policy of fair and equal opportunity employer, as in the past, <UNIC-ETHIOPIA> has continued to maintain its well-rooted corporate culture in creating merit-based job opportunities for Ethiopians. It was in that perspective that the Company's staff strength had grown to 387 as at June 30, 2019 from 359 employees last year same period. The gender balance remained almost exactly the same as it was in the previous year: 52% female and 48% male. In terms of employment standing, 359 or 88% were regular staff while the remaining lot comprised of casual workers. Out of the total, 243 staff were degree holders (25 MAs and 218 BAs), 70 had Diplomas while 74 held Certificates or pre-college papers. The Company has continued to invest in its human resources development to maintain its policy of having the best talent and skill in the industry. It invested ETB 2,548,474.98 in the reporting year on staff training. Accordingly, during the year under report, various trainings were given to 172 employees and management members. Of the total, 13 staffs participated in overseas training and the other 159 employees had attended short-term trainings (from 3 days to two weeks) locally in different subjects. It should be noted that the Company continued to uphold conducive working environment and we believe the relationship within and among employees has remained quite smooth and will hopefully stay more than satisfactory in the years ahead. Family-like and friendly relationships dominantly characterize the working landscape of the Company which needs to be sustained for better results.

2.2.4 Market And Business Development

During the year under report, the Company opened three new contact offices and one new branch office: Semera Contact Office in Afar Regional State, Kality-Meneharia and Beshale Contact Offices and Lancha Branch in the capital, Addis Ababa. Meskel Flower Contact Office was upgraded to a full-fledged branch at the start of the reporting year while Mesalemia Branch in Addis was relocated to United Bank's building around Meneharia. The total number of market outlets grew to 50,of which 12 of these are contact offices. In addition to the expansion of the market outlets, 20 new sales agents were trained and deployed to the market with the objective to strengthen our capabilities to explore and exploit the insurance market to the best advantages of the Company.

2.2.5 It Developments

The new server which we were waiting for a long time due to foreign exchange problem was finally delivered and installed at our new building as the result of which the performance speed of the IT system has highly improved and all branches and contact offices are working smoothly. Activities pending for so long for lack of the server are in good progress now and we expect to have further improvement in the use of this modern technology as promptly as possible. Online Sales System for group life assurance was one of the major activities performed during the period under report.

3. FUTURE PROSPECTS

The economic challenges the country faced is briefly stated in the preceding pages. They are expected to persist in the years to come despite efforts being made to lighten them in one form or the other.

On the other hand, continuity assured, many sources including the government hold to the view that Ethiopia's economy will continue to grow though not to the extent it grew in the past ten years. Official records reveal that the country saw a decent growth rate of about 7.7% in 2017/18.

Many new banks are currently under formation. The opening up of the financial sector (including insurance -draft amended insurance proclamation is now at House of Peoples' Representative) for investment by the Diaspora can be taken as a good step forward to stimulate and attract financial investment. That measure would also give the impetus to scale up the use of modern technologies and draw the knowledge and skills of the Diaspora to the country and build the foundation for transformation of the sector to a new height. The government's bold decision to privatize key state-owned enterprises is said to be in good progress which could create prospects for private insurers to secure business.

Generally, while the economic challenges would have the power to constrain the growth of the insurance industry, the positive developments taking place within the economic sphere of the country create supportive business environment for industry to thrive and grow.

Looking internally, the investments we made in equities of one of the entities well recognized by the public (Habesha Cement SC) are expected to give returns starting the coming year. Along with coming into force of the amended Directive of NBE on Investment of Insurance Funds, the Company has drawn a plan to develop a real estate on the extra space lying behind the building it acquired years back at around Bole Medhanealem area. It has also a plan to complete construction of the building at Bahir Dar as per the design and to acquire office buildings in major cities of the country. The projects will be carried out as planned provided the said Directive would give any latitude to the Company to make investment in such real estates. Otherwise, the implementation of these projects will be postponed until such time the financial structure of the Company would allow us to comply with the stipulation of the Directive. We have also been approached by different firms to make equity investment. After appraisal of required study on our side, we may invest according to our capacity provided doing so would also give us the opportunity to expand and grow our business.Besides, new insurance products, specifically of life insurance that could have the potential to raise life's premium to another record peak, are in the pipeline to attain better performance ahead.

The two newly constructed large buildings have already started to generate rent income on the one hand and save us a good sum of money that would otherwise have been paid in a form of rent expense for the Head Office we used to occupy at Beklo Bet on the other. We will do our level best to let out spaces we have on each building so as to earn optimal rent income from the properties.

To sum up, the year ahead appears to be very tough. Given all odds, however, we strive to attain all the goals set for the year by deploying turn-around strategies that would suit to fast changing business environment so as to use available opportunities and cultivate the results. The support and collaboration of key stakeholders, particularly of the shareholders is critically important, at this hardest time, to keep our journey on success path.

4. 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.

A special regards 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 of Directors and in my own name, 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 and strong team spirit without which the commendable results achieved would have not been possible.

Mulualem Berhane
Chairman, Board of Directors

Meseret

Meseret Bezabih
Chief Executive Officer

The Directors submit their report together with the Financial Statements for the period ended 30 June 2019, to the shareholders of The United Insurance Company SC. 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 Lion Insurance Company SC in 2002, the Company is currently owned by more than 469 shareholders. As a result of the merger and the decision of the Eleventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Birr 500 million. The paid up Capital is now Birr375 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 2019 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 2019 Birr'000	30 June 2018 Birr'000
Net Underwriting Income	427,635	391,306
Profit before income tax	121,179	132,272
Income tax expense	(14,582)	(8,546)
Profit for the year	106,596	123,726
Other comprehensive income net of taxes	24	(330)
Total comprehensive income for the year	**106,620**	**123,396**

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.
Statement of Directors' Responsibilities
For the year ended 30 June 2019

In accordance with the financial reporting proclamation No. 847/2014 and Insurance Business proclamation No. 746/2012, all reporting entities established in accordance with the Ethiopian law or operating in Ethiopia are to prepare financial statements in line with the International Financial Reporting Standards (''IFRS") as issued by the International Accounting standards Board (''IASB").

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 of 1960, 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 judgments and estimates, in conformity with International Financial Reporting Standards, Insurance Business Proclamation, Commercial code of 1960 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 accepts 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:

Mulualem Berhane
Chairman Board of Directors
November 14, 2019

Meseret

Meseret Bezabih
Chief Executive Officer
November 14, 2019

Directors, professional advisers and registered office

For the year ended 30 June 2019

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, 2019)		Date of Appointment
Ato Mulualem Berhane	Board Chairperson	11/3/2016
W/o Akiko Seyoum	Vice Chairperson	11/3/2016
W/t Teguest Yilma	Director	2/11/2017
Ato Abera Tasew	Director	28/07/2015
Eng. Samrawit Getamessay	Director	28/07/2015
Enat Bank reprsented By Ato Wondwosen Teshome	Director	2/11/2017
Ato Amare Gashaw Semu	Director	14/02/2019
Ato Ayalew Alemu Bezabih	Director	14/02/2019
Ato Alemayehu Gebre Tilahun	Director	14/02/2019

Executive Management (as of June 30, 2019)		
Wro Meseret Bezabih	General Manager/CEO	25/10/2011
Ato Tesfaye Desta	DGM Operations-Non-Life	09/01/2016
Wo Azalech Yirgu	DGM Life & Medexin	07/01/2010
Ato Dawit G/Ammanuel	DGM Finance & Admin	04/01/2015
Ato Gizie Alemu	Director, HR & Admin.	06/01/2018
Wt Bethlehem Mekbib	Director, U/W & Tech. Service	03/01/2015
Ato Girum Fekade	Director, Claims and Engineering	09/01/2016
Ato Engida Kassaye	Director, Fin. & Investment	03/01/2015
Ato Yinebeb Derseh	Manager, Legal services	16/01/2017
Ato Aliye Mohammed	Manager, IT	01/01/2016
Ato Abiyu Negussie	Controller-Compliance & Risk Management	24/09/2018
Ato Mesfin Eyasu	Manager, Marketing	07/01/2014

Independent auditor

Degefa & Tewodros Audit Service Partnership.
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia
Addis Ababa
Ethiopia

Corporate office
The United Insurance Company S.C.
Corporate Head Office: Tewodros Square, <UNIC-ETHIOPIA>BLDG, Arada Sub city, Woreda 02, House No:220
Addis Ababa, Ethiopia

Principal bankers
United Bank SC
Commercial Bank of Ethiopia
Bank of Abyssinia

Principal reinsurers
Africa Re-insurers
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

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አገልግሎት
የኅብረት ሽርክና ማህበር

Degefa and Tewodros Audit Services
Partnership

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

Opinion

We have audited the accompanying financial statements of THE UNITED INSURANCE COMPANY SHARE COMPANY SC which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2019, statement of financial position as at 30 June 2018, statement of changing equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of THE UNITED INSURANCE COMPANY SC as at 30 June 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IAASB.

As required by the commercial code of Ethiopia, based on our audit we report as follows:

i) Pursuant to Article 375(1) of the Commercial Code of Ethiopia, 1960 and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.

ii) Pursuant to article 375 (2) of the commercial code of Ethiopia we recommend the financial statements be approved.

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter

a) The Company had revalued its investment properties and motor vehicles and used these revalued balances of the assets as a deemed cost as a time of conversion of the company's reporting from the local GAAP to IFRS as issued by IASB, i.e., July 1, 2017 which resulted in a revaluation surplus of Birr 97,666,886. The surplus had been excluded while computing deferred tax in the first sets of IFRS financial statements of the Company while it shouldn't in accordance with IAS 12 paragraph 20.

How our Audit Addressed the key Audit matter

After having a thorough discussion with the management of the company we have addressed the matter:

- By adjusting and reinstating the comparative financial statements of the company as shown under note 50.

Responsibilities Of Management And Those Charged With Governance For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the company and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis for accounting unless management either intends to liquidate the company or to close operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors Responsibility for the Audit of the financial Statements

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

Degefa & Tewodros Audi Services Partnership
Chartered Certified Accountants

Addis Ababa
October 10/2019

The United Insurance Company S.C.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	30 June 2019 Birr'000	30 June 2018 Birr'000
Gross written premiums	6	533,560	473,622
Change in unearned premium reserve	6	(17,720)	(24,085)
Gross earned premiums		**515,841**	**449,537**
Less: Premiums ceded to reinsurers	6	121,088	91,883
Net earned premiums		**394,753**	**357,654**
Commission income	7	32,882	33,652
Net underwriting income		**427,635**	**391,306**
Claims and policy holder benefits payable	10	275,839	259,821
Less : claims recoveries from reinsurers		(48,921)	(15,192)
Net claims and benefits		**226,918**	**244,629**
Underwriting expenses	13	27,252	25,848
Total underwriting expenses		**254,170**	**270,477**
Underwriting profit		**173,465**	**120,829**
Investment income	8	83,095	60,188
Other income	9	1,952	55,698
Net income		**258,513**	**236,715**
Operating and other expense	12	137,201	104,309
Impairment on other assets		-	-
Total benefits , claims and other expense		**121,312**	**132,406**
Finance (income) / costs	14	133	134
Profit before income tax		**121,179**	**132,272**
Income tax expense	33	(14,582)	(8,546)
Profit for the year		**106,596**	**123,726**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	36	34	(472)
Deferred tax (liability)/asset on remeasurement gain or loss		(10)	142
Total comprehensive income for the year		**106,620**	**123,396**
Basic earnings per shares (in Birr)		**337.54**	**504.54**

ተ.ዮ.ደ.ር.ሰ Certified Auditors in Ethiopia Degefa and Tewodros Audit Service Partnership

Mulualem Berhane
Chairman, Board of Directors

Meseret

Meseret Bezabih
Chief Executive Officer

The United Insurance Company S.C.

Statement of Financial Position
For the year ended 30 June 2019

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
ASSETS			
Property, plant and equipment	15	331,266	376,810
Investment properties	16	298,331	178,768
Intangible assets	17	647	1,096
Investment securities :			
Available for sale	18	134,935	111,185
Loans and receivables	18	35	238
Statutory deposits	19	58,067	38,606
Reinsurance receivables		20	9,088
Insurance receivables	21	494	1,049
Reinsurance assets	22	175,439	154,879
Policy holder loans	23	702	678
Deferred acquisition costs	24	13,838	11,792
Salvage property held for sale	25	12,417	5,058
Prepayment for Leasehold land	26	4,244	4,340
Other assets	27	47,497	77,387
Deposits with financial institutions	28	397,199	333,717
Cash and cash equivalents	28	34,599	41,467
Total assets		**1,518,798**	**1,337,069**
LIABILITIES			
Insurance contract liabilities	29	594,202	541,075
Deferred reinsurance commission	30	14,802	10,226
Insurance Payables	31	51,115	44,282
Other liabilities	32	65,596	57,269
Current income tax liabilities	33	11,489	4,118
Long term Loan	34	48,150	66,750
Finance lease liability	35	1,313	1,508
Defined benefit obligations	36	2,847	2,162
Deferred income tax	33	17,982	19,536
Total liabilities		**807,496**	**746,925**
EQUITY			
Share capital	37	375,579	250,000
Share premium	37	1,369	-
Retained earnings	39	176,226	188,344
Legal reserve	40	68,380	57,721
Life fund reserve	41	90,394	94,750
Other reserves	42	(646)	(670)
Total equity		**711,302**	**590,145**
Total equity and liabilities		**1,518,798**	**1,337,069**

The financial statements and notes to the financial statement shown on pages 18 to 107 were approved and authorized for issue by the board of directors on 14 -11-2019 and were signed on its behalf by:

Mulualem Berhane
Chairman, Board of Directors

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

Meseret Bezabih
Chief Executive Officer

	Note	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Other reserves Birr'000	Life fund Birr'000	Total Birr'000
As at 1 July 2017		245,07	1,637	131,944	45,348	82,258	(349)	505,909
Profit for the year	39	-	-	123,727	-	-	-	123,727
Transfer to legal reserve	40	-	-	(12,373)	12,373	-	-	-
Transfer to capital		4,929	-	(4,852)	-	-	-	77
Transfer to life fund	41	-	-	-	-	12,492	-	12,492
Premium availed for distribution			(1,637)	1,637	-	-	-	-
Adjustment				(145)				
owners:			-					
Contribution of equity net of transaction costs			-					
Dividends declared and paid				(51,594)				(51,594)
Other comprehensive income:					-			
Re-measurement gains on defined benefit plans (net of				(321)	-			
Total comprehensive income for the year		**4,929**	**(1,637)**	**56,400**	**12,373**	**12,492**	**(321)**	**84,702**
As at 30 June 2018		**250,000**		**188,344**	**57,721**	**94,750**	**670)**	**590,145**
As at 1 July 2018		250,000	-	188,344	57,721	94,750	(670)	590,145
Profit for the year				106,596				106,596
								-
Transfer to legal reserve				(10,660)	10,660			-
Transfer to capital		125,579	-					125,579
Transfer to life fund		-				(4,356)		(4,356)
Premium availed for distribution			1,369					1,369
								-
Transaction with owners in their capacity as owners								-
Contribution of equity net of transaction costs								-
Dividends declared and paid				(108,055)				(108,055)
							-	
Other comprehensive income:							-	
Re-measurement gains on defined benefit plans (net of							24	24
								-
Total comprehensive income for the year		**125,579**		**(12,119)**	**10,660**	**(4,356)**	**24**	**121,157**
As at 30 June 2019		**375,579**	**1,369**	**176,226**	**68,380**	**90,394**	**(646)**	**711,302**

Mulualem Berhane
Chairman, Board of Directors

Meseret Bezabih
Chief Executive Officer

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
Cash flows from operating activities			
Cash generated from operations	3	196,776	158,854
Interest income	8	(46,069)	(35,418)
Dividend income	8	(19,794)	(14,596)
Income tax paid		(8,766)	(8,141)
Rent income	8	(17,232)	(10,175)
Net cash (outflow)/inflow from operating activities		**104,915**	**90,524**
Cash flows from investing activities			
Purchase of investment securities	18	(25,346)	(13,996)
Investment in Fixed time deposit	8	(63,481)	(42,527)
Purchase of investment property	16	(75,938)	-
Proceeds from maturity of government securities	18	-	(233)
Proceeds from sale of equity investment	9	1,754	65,971
Purchase of property, plant and equipment		(8,853)	(94,533)
Proceeds from sale of property, plant and equipment	15	728	-
Dividends received		19,794	14,596
Proceeds from policy loans		(24)	20
Rent income received		17,232	10,175
Interest income received		46,069	35,418
Increase in statutory deposit	19	(19,460)	(797)
Net cash (outflow)/inflow from investing activities		**(107,525)**	**(25,906)**
Cash flows from financing activities			
Dividends paid		(108,055)	(51,594)
Proceeds from issues of shares		126,948	1,569
Decrease in life fund		(4,356)	12,492
Payment of leasehold land liability	26	(195)	(195)
Proceeds from borrowings		50,000	-
Repayment of borrowings	34	(68,600)	(7,123)
Net cash (outflow)/inflow from financing activities		(4,258)	(44,851)
Net increase/(decrease) in cash and cash equivalents		**(6,868)**	**19,767**
Cash and cash equivalents at the beginning of the year	28	41,467	21,700
Foreign exchange (losses)/ gains on cash and cash		-	-
Net increase /(decrease) in cash and cash equivalents		-	
Cash and cash equivalents at the end of the year	28	34,599	41,467

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

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 469 shareholders. As a result of the merger and the decision of the Eleventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Br 500 million. The paid up Capital is now Br375 million. The registered office is at:
The United Insurance Company S.C.
Corporate Head Office: Tewodros Square, <UNIC-ETHIOPIA>BLDG, Arada Sub city, Woreda 02,House No:220
Addis Ababa, Ethiopia
The Company is principally engaged in the business of non life and life insurance services and other ancillary business activities to clients in Ethiopian Market.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.
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 2019.
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 3.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management has 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 2019, 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.However, for insurers, the International accounting standards board (IASB) has voted to delay the implementation of IFRS 17 for one year to 1 January 2022.The board has also decided to the temporary exemption for insurers to apply the financial instruments standard, IFRS9, so that both IFRS 9 and IFRS 17 can be applied at the same time. That coincides the accounting standard for financial instruments with the accounting standard for financial instruments with the implementation of IFRS 17

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 effect 1 January 2018

IFRS 15 provides a single, principles based five -step model to be applied to all contracts with customers. The five steps in the model are Identification of the contract with the customer, Identification of the performance obligations in the contract, Determination of the transaction price ,Allocation of the transaction price to the performance obligations in the contracts, and Recognition of revenue when (or as)the entity satisfies a performance obligation. The standard permits a modified retrospective approach for the adoption. Under this approach ,entities will recognize transitional adjustments in retained earnings on the date of initial application without restating comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. Management has assessed the impact of the new rules and identified that the standard does not have significant impact on the Company's financial statement.

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 addresses how to determine the ‘ date of transaction’ for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non monetary liability (for example , a non refundable deposit or deferred revenue). The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary assets or non monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance ,the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.
Management has assessed the impact of the amendment and identified that the amendment does not have a significant impact on the Company’s financial statement.

2.2.7 Investment in associates

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.

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 influence and the fair value of the retained investment and proceeds from disposal is recognized in income statement.

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2.2.8 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 fulfillment 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 fulfillment 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 2022 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

IFRS 17 aims to set high quality and globally accepted financial reporting standards based on clearly outlined principles according to the International accounting standards Board (IASB). It will make global insurance reporting aligned and consistent. It also aims to apply uniform accounting standards for all types of insurance

IFRS 17 provides new basis for liability measurement and profit recognition. The measurement models are; i) Building block approach (BBA) measure the net inflow between the risk-adjusted present value of expected inflows and outflows at inception. This method is applicable for measurement of long -term and whole life insurance and reinsurance contracts. ii) Premium allocation approach (PAA) this method is applicable for measurement of short term life, group life and general insurance. iii) Variable fee Approach (VFA) measures participating business where policy holder liability is linked to underlying items. This method is applicable for measurement of unit-linked contracts, deposit administration contracts.

2.2.9 Amendments to IAS 40 Transfers of Investment property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e a change in use is not limited to completed properties).

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).

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 the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.
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	Residual value (%)
Buildings	50	5%
Lifts	15	1%
Office and other	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.
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 de-recognition 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.

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2.5 Investment property

Properties that is held for rent 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 de-recognized when they have been disposed.

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 are 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%

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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.

2.8 Statutory Deposits

Statutory deposits are cash balances held with the National Bank of Ethiopia in line with article 20 of Insurance Business Proclamation No. 746/2012 and may not be withdrawn except with the written permission of the National Bank of Ethiopia, or be used as a pledge or security for any loan. They have been separately disclosed due to their nature and liquidity. Statutory deposit is measured at cost.

2.9 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.

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2.9.1 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.

2.9.2 Financial assets
2.9.2.1 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 that the Company commits to purchase or sell the asset.

2.9.2.2 Subsequent measurement
For purposes of subsequent measurement of the Company's financial assets are classified into two categories:
- Loans and receivables
- Available for sale

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.

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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.

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.
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.

e) De-recognition 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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f) 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

(i) 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.
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 estimates and actual loss experience.

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(ii) 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.

2.9.2 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.

b) Subsequent measurement

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

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.

De-recognition 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 de-recognition).

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2.9.3 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.

2.10. 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.

(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.

2.11 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.

2.12 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.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders); the amount and timing of the distribution to individual contract holders is at the discretion of the Company [illegible] advice of the relevant local appointed actuary.

2.13. 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 balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

(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.

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(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.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Universal life contracts contain a DPF that entitles the holders to a minimum guaranteed crediting rate per annum (3% or 4%, depending on the contract commencement date) or, when higher, a bonus rate declared by the Company eligible surplus available to date. The Company has an obligation to eventually pay to contract holders at least 90% of the DPF eligible surplus (that is, all interest and realized gains and losses arising from the assets backing these contracts).

Any portion of the DPF eligible surplus that is not declared as a bonus rate and credited to individual contract holders is retained in a liability for the benefit of all contract holders until declared and credited to them individually in future periods. In relation to the unrealized gains and losses arising from the assets backing these contracts (the DPF latent surplus), the Company establishes a liability equal to 90% of these net gains as if they were realized at year-end.

Shareholders' interest in the DPF latent surplus (equal to 10%) is recognized in the equity component of DPF. Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims incurred in the period are charged as expenses in the income statement.

(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).

As set out in (a) above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated.

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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 2.9.

(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 2.8.

(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.

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.

f) Deferred income

Deferred income represents apportion of commission received on reinsurance contracts which are booked during the financial year and are deferre[illegible]tent that they are recoverable out of future revenue margins. It is calculated by applying the reinsurance co[illegible]e to the ratio of prepaid reinsurance to reinsurance cost.

2.14 Insurance contracts Liabilities

The recognition and measurement of insurance contracts have been set out under Note 2.12. Insurance contract Liabilities arising from insurance contracts are determined as follows:

(i) Non- Life Insurance contracts

(a) Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported ('' IBNR '') as at the balance sheet date. The IBNR is based on the liability adequacy test described in note 2.12.

(b) Reserves for unearned premium and unexoired risk

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognized for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve.

At the end of each reporting period, proportions of net retained premium of the general insurance are provided to cover portions of risks which have not expired. The reserves are calculated on 1/24th method as prescribed by the directive of the National Bank of Ethiopia.

(c) Reserve methodology

Data Segmentation: The data used for reserving is segmented into the following classes as per the NBE Directives:

. Accidents
. Fire
. Burglary and housebreaking and/or theft
. Engineering
. Employer's Liability
. Fire
. Goods in transit
. Liability
. Marine
. Medical Expense
. Motor
. Pecuniary and;
. Others

(ii) Life Insurance contracts

This is made up of net liabilities on policies enforce as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the Life insurance contracts are recognized in the statement of profit or loss. The reserves include incurred but not reported (IBNR) and unearned premium reserve (UPR).

Reserve methodology

Data segmentation: The data used for reserving is segmented into the following classes:

. Term
. Endowment
. Whole Life
. Permanent health
. Investment linked insurance and:
. Others

2.15 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.

c) Fees and commission income

Insurance and investment 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.

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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.

2.16 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.

2.17 Reinsurance claims

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

2.18 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.

2.19 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. 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

Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account.

(c) Defined benefit obligations

The Company operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in service of the Company are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is a pension plan that is not a de[illegible]ntribution plan. Typically defined benefit plans define an amount of gratuity benefit that an employee will re[illegible]ent, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation. Company's contributions to this scheme are charged to profit or loss in the year in which they relate. Re-measurement gain and loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Current service and interest cost are included as part of employee benefit expense in the profit or loss. Past-service costs are recognized immediately in profit or loss. Gains or losses on curtailment or settlement are recognized in profit or loss when the curtailment or settlement occurs.

2. 20 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.
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.
- 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 ... Company has determined classes of assets and liabilities on the basis of the nature, characteristics and ... liability and the level of the fair value hierarchy as explained.

2.21 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.

2.22 Insurance payable
Insurance payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.23 Other payables
Other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.24 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.

2.25 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.

Diluted EPS is determined by adjusting the profit of loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the efforts of all diluted potential ordinary shares.

2.26 Retained earnings
The net profits or losses from operations in current and prior periods are accumulated in retained earnings less distributions to equity holders.

2.27 Legal reserves
In accordance with article 22 sub article (1) and (2), of insurance Business Proclamation No. 746/2012, the Company, at the end of each financial year, transfers to its legal reserve to account a sum of not less than 10% of profit. When the legal reserve becomes equal to the paid up capital of the Company ,the amount of the legal reserve to be retained by the Company each year from its net profit shall be determined by The National Bank of Ethiopia's Directive.

2.28 Dividend
Dividends are recorded in equity in the period in which they are declared. Any dividend [illegible]d after the end of the reporting period and before the financial statements are authorized for issue, are dis[illegible]bsequent events note. The statutory accounting reports of the Company are the basis for profit distributio[illegible]priations.

2.29 Underwriting Expenses

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses and other direct costs. Underwriting expenses for insurance contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

2.30 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 fulfillment 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 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. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.31 Income taxation

(a) Current income tax

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.

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 assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by 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 liabi[illegible]set when they arise in the same tax reporting group and where there is both the legal right and the inte[illegible] net basis or to realize the asset and settle the liability simultaneously.

3 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount 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 Judgments

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

Operating lease commitments -Company as lessor
The Company has entered into lease of Land and its office building. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the Land and office building, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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

a) Valuation of insurance contract liabilities

Life insurance contract liabilities
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.

These liabilities are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract being written. Management makes various assumptions such as expenses inflation and mortality in estimating the required liabilities for life contracts.

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Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.
The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provide by a contract requires amortization of unearned premium on a basis other than time apportionment.
The carrying value at the reporting date of non-life insurance contract liabilities is 549,202 (2018: 541,075)

b) Impairment losses on loans and receivables

The Company assesses at the end of every reporting period whether there is any 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 cash flow 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.

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.

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The detailed methodologies, areas of estimation and judgment 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 judgment 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.

c) Liabilities arising from insurance contracts

Liabilities for nonpaid claims are estimated on case by case basis. The reserves made for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analysis and the Company deems the reserves as adequate.

d) Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of severance pay obligations. The assumptions used in determining the net cost (income) include the discount rate , rate of return on assets, future salary increments and mortality rates.

The Company determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Other key assumptions for retirement benefit obligations are based in part on current market conditions.

e) Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on Management's judgment. The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. Property, plant and equipment is depreciated over its useful life. Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase expenses and decrease the carrying value of non-current assets.

f) Impairment of non- financial assets

The Company reviews other non-financial assets for possible impairment if there are events or changes in circumstances that indicate that the carrying values of the assets may not be recoverable, or at least at every reporting date, when there is any indication that the asset might be impaired. The Company is of the opinion that there is no impairment indicator on its non-financial assets as at the reporting date.

g) Fair valuation of investment properties

The fair value of investment properties is based on the nature, location and condition of [illegible]ific asset. The fair value is determined by reference to observable market prices. The fair value of investment prop[illegible]flect the related future benefits from this future expenditure. These valuations are performed by external ap[illegible]ions are made about expected future cash flows and the discounting rates.

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h) 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 judgment is required in establishing fair values. Judgments 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 instruments. See Note 4.7.2 for further disclosures.

i) 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 judgment 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 ManagementIntroduction
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
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 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 unit 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.

4.1.2 Risk Measurement and Reporting Systems
The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected segments. In addition, the Company measures and monitors the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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4.1.3 Risk mitigation

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. Control processes are also regularly reviewed at Business unit level and changes agreed with the Board.

4.2 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 claim[illegible]perience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to en[illegible]te risk selection criteria. For example, the Company has the right not to renew individual p[illegible]se deductibles and it has the right to reject the payment of fraudulent claims.

KEY ASSUMPTIONS

Material judgment 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

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.

	Change in assumptions	Change in liability 30 June2019 Birr'000	Change in liability 30 June 2018 Birr'000
Mortality/morbidity rate	10%	235,980	223,529
Longevity	10%		
Investment return	1%	(3,072,497)	(3,435,144)
Expenses	10%	3,461,350	3,703,745
Lapse and surrenders rate	10%	(297,072)	(492,901)
Discount rate	1%		

	Change in assumptions	Change in liability 30 June 2019 Birr'000	Change in liability 30-Jun-18 Birr'000
Mortality/morbidity rate	-10%	(233,455)	(222,355)
Longevity	-10%		
Investment return	-1%	310,219	3,754,379
Expenses	-10%	3,331,123	(3,693,996)
Lapse and surrenders rate	-10%	310,219	513,456
Discount rate	-1%		

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The above analysis are 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 - for example, change in interest rate and change in market values; and change in lapses and future mortality.

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.

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:

	Claims reported			Incurred but not reported		
30 June 2019	**Gross Birr'000**	**Reinsurance Birr'000**	**Net Birr'000**	**Gross Birr'000**	**Reinsurance Birr'000**	**Net Birr'000**
Accident	853	43	810	750	27	723
Medical expense	1,322	80	1,242	305	11	294
W/C	2,053	97	1,956	456	7	449
Motor	161,431	11,216	150,215	23,925	1,028	22,898
Marine	2,524	303	2,222	1,024	261	763
Goods in transit	61	3	58	228	58	170
Fire	798	700	98	2,107	1,124	983
Burglary and House breaking	625	424	201	62	0	62
Engineering	11,171	9,178	1,993	2,517	947	1,569
Liability	8,920	1,249	7,671	1,068	20	1,048
Pecuniary	99,497	93,403	6,094	2,968	829	2,139
Total	**289,255**	**116,696**	**172,560**	**35,410**	**4,312**	**31,098**

	Claims reported			Incurred but not reported		
30 June 2018	**Gross Birr'000**	**Reinsurance Birr'000**	**Net Birr'000**	**Gross Birr'000**	**Reinsurance Birr'000**	**Net Birr'000**
Accident	300	15	285	601	22	579
Medical expense	151	23	128	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	18	1,019
Pecuniary	107,361	99,766	7,595	2,549	712	1,838
Total	**275,421**	**112,392**	**163,029**	**30,988**	**3,724**	**27,264**

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KEY ASSUMPTIONS

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 judgments 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.

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 liability	
	Increase in gross liabilities	**30 June 2019 Birr'000**	**30 June 2018 Birr'000**
Average claim cost	+10%	96,653	79,292
Average number of claims	**+10%**	**96,653**	**79,292**

Average claim settlement period	Reduce from 30 months to 24 months

		Change in liability	
	Decrease in gross liabilities	**30 June 2019 Birr'000**	**30 June 2018 Birr'000**
Average claim cost	-10%	(89,064)	(70,538)
Average number of claims	**-10%**	**(89,064)**	**(50,445)**

Average claim settlement period	Increases from 5.56 years to 6.16 years

IBNR	35,411	30,988
Outstanding claims	273,549	263,504
Total Actuarial Liability	**308,960**	**294,492**

Claims development Triangle

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 2019:

Accident year	2014 Birr'000	2015 Birr'000	2016 Birr'000	2017 Birr'000	2018 Birr'000	2019 Birr'000
2014	127,351	134,765	170,139	201,446	203,540	244,681
2015	1,432	2,326	3,919	13,729	23,932	0
2016	3	7	159	185	0	0
2017	102	2,429	184	0	0	0
2018	141	4	0	0	0	0
2019	500	0	0	0	0	0
Cummulative incurred claims	129,529	139,531	174,401	215,360	227,472	244,681
IBNR	0	0	2	68	6,445	28,896
Ultimate claims projected	129,529	139,531	174,403	215,428	233,917	273,577

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

30 June 2019	Notes	Available- For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Investment securities:				
- Loan and receivables	18	0	35	35
- Available for sales	18	134,935	0	134,935
Other assets	27		14,79	14,791
Reinsurance assets	22		175,439	175,439
Loan to life policy holders	23		702	702
Deposit with financial institutions	28		397,199	397,199
Cash and cash equivalents	28		34,599	34,599
Total financial assets		**134,935**	**622,764**	**757,699**

30 June 2018	Notes	Available- For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Investment securities:				
- Loan and receivables	18		238	238
- Available for sales	18	111,185		111,185
Other assets	27		11,895	10,792
Reinsurance assets	22		154,879	154,879
Loan to life policy holders	23		678	678
Deposit with financial institutions	28		333,717	333,717
Cash and cash equivalents	28		41,467	41,467
Total financial assets		**111,185**	**542,873**	**654,058**

Financial Liabilities

30 June 2019		Other financial liabilities Birr'000	Total Birr'000
Insurance Payables	31	51,115	51,115
Insurance contract liabilities	29	594,202	594,202
Long term loan	34	48,150	48,150
Other payables	32	13,721	13,721
Total financial Liabilities		**707,188**	**707,188**

30 June 2018		Other financial liabilities Birr'000	Total Birr'000
Insurance Payables	31	44,282	44,282
Insurance contract liabilities	29	541,075	541,075
Long term loan	34	66,750	66,750
Other payables	32	7,646	7,646
Total financial Liabilities		**659,753**	**659,753**

4.3 Credit Risk

Credit risk it the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment portfolio, long term staff loans and the reliance on reinsurers to make payment when certain loss conditions are met. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

a) The Company's risk management policy sets out the assessment and determination of what constitutes credit risk for the Company .Compliance with the policy is monitored, exposures and breaches are reported to the Company's risk committee. The Policy is regularly reviewed for pertinence and for changes in the risk environment.

b) Net exposure limits are set for each counterparty or Company of counterparties and industry segment (i.e. limits are set for investments and cash deposits)

c) The Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The Company's reinsurance treaty contracts involve netting arrangements.

d) Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the management and are subject to regular reviews. At each reporting date, management performs an assessment of credit worthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
In line with the above policies and procedures, 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:

a) Receivables arising out of direct insurance arrangements;
b) Receivables arising out of Re insurance arrangements ;and
C) Receivables arising out of short term investments

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The table below shows the maximum exposure to credit risk for the Company's Financial assets. The maximum exposure is shown gross, before the effect of mitigation:

30 June 2019		30 June 2019 Birr'000	30 June 2018 Birr'000
Investment securities:			
- Loan and receivables	18	35	238
- Available for sales	18	134,935	111,185
other assets	27	14,791	11,895
Reinsurance assets	22	175,439	154,879
Loan to life policy holders	23	702	678
Deposit with financial institutions	28	397,199	333,717
Cash and cash equivalents	28	34,599	41,467
Total financial assets		**757,699**	**654,058**

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 policies 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.

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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

a) Cash and cash equivalents

The credit quality of cash and bank balances and short term investments that were neither past due nor impaired at as 30 June 2019 are held in Ethiopian banks and have been classified as non rated as there are no credit rating agencies in Ethiopia. The Company has no cash and cash equivalents that are held in foreign banks.

b) Investment securities

The Company's investment portfolio is exposed to credit risk through its fixed income and money market instruments. The Company further manage its risk exposure to credit risk through counterparty risk via established limits as approved by the Directive issued by National Bank of Ethiopia. All fixed income investments are measured for performance on a quarterly basis and monitored by management. The credit risk exposure associated with money market investments is low.

c) Reinsurance assets

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

d) Credit quality of other financial assets

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30th June2019	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired impaired Birr '000	Total Birr '000
Insurance receivables :					
Due from Contract holders	21			20,679	20,679
				20,679	20,679
Less : Impairment allowance	21			(20,185)	(20,185)
Net Insurance receivable				**494**	**494**
Other assets					
Accrued Interest receivable		31			31
Staff debtors		7,126			7,126
Inter Office receivables Life		778			778
Sundry debtors		6,856			6,856
Gross amount		**14,791**			**14,791**
Less: Specific impairm ent allowance					
Net other assets		**14,791**		**494**	**15,285**

30th June2018	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired impaired Birr '000	Total Birr '000
Insurance receivables :					
Due from Contract holders	21			21,134	21,134
Less :Impairment allowance	21			(20,085)	(20,085)
Net Insurance receivable				1,049	1,049
Other assets					
Accrued Interest receivable	27	79			79
Staff debtors	27	3,430			3,430
Inter office receivable – Non Life	27	1,103			1,103
Sundry debtors		7,283			7,283
Gross amount		**11,895**			**11,895**
Less: Specific impairment allowance		0			0
Net other assets		**11,895**			**11,895**

INSURANCE RECEIVABLES - NEITHER PAST DUE NOR IMPAIRED

The credit quality of the portfolio of insurance receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Insurance receivables in this category are receivables from contract holders (Government customers) that are past due for less than 30 (thirty) days. Insurance receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

Other assets

Other receivables balances constitute, rent receivables , other account receivables, Sundry debtors and Staff debtors. The Company has an internal system of assessing the credit quality of other receivables through established policies and approval systems. The Company constantly monitors its exposure to these receivables via periodic performance review. The Company further manages its exposure to credit risk through deduction of transactions at source. The exposure to credit risk associated with other receivables is low.

4.3.4 Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Companies of homogeneous assets in respect of losses that have been incurred but have not been identified on receivables subject to individual assessment for impairment.

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
Due from contract holders	21	20,185	20,085
Other loans and receivables		0	0
Total allowance for impairment		**20,185**	**20,085**

4.4 Liquidity Risk

Liquidity 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 incurs 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.

Liquidity risk management in the Company is solely determined by management, which bears the overall responsibility for liquidity risk. The main objectives of the Company's liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.4.1 Management of Liquidity Risk

Cash flow forecasting is performed by the finance and investment department. The department forecasts rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk. Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Company's reputation.

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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 is one birr for one birr and five cents obligation or liability.

In addition, the company should maintain at least 65% and 50% of admitted asset bank 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 gab 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 June 2019	Notes	0-1 year Birr '000	1-3 years Birr'000 Birr '000	3-5 years Birr'000 Birr '000	Over 5 years Birr '000	Total Birr '000
Insurance contract liabilities	29	594,202	-	-	-	594,202
Insurance Payables	31	51,115	-	-	-	51,115
Long term Loan	34	48,150	-	-	-	48,150
Other liabilities	32	13,721	-	-	-	13,721
Total financial liabilities		**707,188**	**-**	**-**	**-**	**707,188**

30 June 2018		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	29	541,075	-	-	-	541,075
Insurance Payables	31	44,282	-	-	-	44,282
Long term Loan	34	66,750	-	-	-	66,750
Other liabilities	32	7,646	-	-	-	7,646
Total financial liabilities		**659,753**	**-**	**-**	**-**	**659,753**

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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 Monitored by the risk management unit . 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 monitors this exposure through periodic reviews of the assets and liability position. Estimate of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modeled and reviewed. The overall objective these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable than the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products. The Company is also exposed to the risk of changes in future cash flows from fixed income securities arising from the changes in interest rates.

The table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2019	Notes Birr '000	Fixed Birr '000	Non interest bearing Birr '000	Total Birr '000
Assets				
Cash and bank balances	28	431,798	-	431,798
Investment securities :				
available for sale	18		134,935	134,935
Loans and receivable	18	35	-	35
Insurance receivables	21	494	-	494
Reinsurance assets	22	175,439	-	175,439
Other assets	27	14,791	-	14,791
Total		**622,557**	**134,935**	**757,492**

Liabilities				
Insurance contract liabilities	29	594,202	-	594,202
Insurance payables	31	51,115	-	51,115
Long term Loan	34	48,150	-	48,150
Other payables	32	13,721	-	13,721
Total		**707,188**	**-**	**707,188**

30 June 2018

Assets		Fixed	Non interest bearing	Total
Cash and bank balances	28	375,183	-	375,183
Investment securities :	18			
Available for sale 18		-	111,185	111,185
Loans and receivable	21	238	-	238
Insurance receivables	22	1,049	-	1,049
Reinsurance assets	27	154,879	-	154,879
Other assets	27	11,895	-	11,895
Total		**543,244**	**111,185**	**654,429**

Liabilities				
Insurance contract liabilities	29	541,075	-	541,075
Insurance payables	31	44,282	-	44,282
Long term Loan	34	66,750	-	66,750
Other payables	2	7,646	-	7,646
Total		**659,753**	**-**	**659,753**

(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.

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Campany's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limit on investments in each sector and market.

The Company has no significant concentration of price risk as there is no active market in Ethiopia.

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.

4.6.1 Margin of Solvency Ratio

Solvency margin is the amount by which the asset of an insurer exceed its liabilities . Methods of calculating solvency margin of an insurer are prescribed in the margin of solvency(MOS) Directive No.SIB/45/2016 of National Bank of Ethiopia (NBE).

The directive stipulate the minimum solvency margin , which an insurer must maintain at all times .For instance, an insurer carrying on general business shall keep admitted capital amounting 25% of its technical provision (or 20% of Written premiums in the last preceding financial year, or 10% of the minimum paid up capital) .Whereas, an insurer carrying on long term business shall keep admitted capital amounting to the higher of 10% of technical provisions or the minimum paid up capital can be mentioned

The solvency of insurance company or its financial strength depends chiefly on whether sufficient technical reserves have been setup for the obligations entered in to and wether the company has adequate capital as security.

		30 June 2019	30 June 2018
General business		**Birr '000**	**Birr '000**
Admissible assets	A		
Property, plant and equipment		311,964	357,087
Investment properties		275,497	155,474
Less : Unrealizable asset		(82,351)	(85,173)
Intangible assets		0	0
Investment securities :			
Available for sale		103,868	84,646
Loans and receivables		35	238
Statutory deposits		52,336	34,754
Reinsurance receivables		5,382	0
Insurance receivables		494	1,049
Reinsurance assets		172,930	151,132
Policy holder loans		0	
Deferred acquisition costs		0	
Salvage property held for sale		12,417	5,058
Prepayment for Leasehold land		0	
Other assets		28,928	62,065
Over invested in real estate		(5,726)	(51,944)
Deposits with financial institutions		285,061	226,309
Cash and cash equivalents		29,857	39,381
Total		**1,190,693**	**980,076**

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Admissible Liabilities	**B**		
Insurance contract liabilities		580,414	531,174
Deferred reinsurance commission		14,679	10,062
Insurance Payables		49,104	42,745
Other liabilities		63,551	54,556
Current income tax liabilities		5,623	2,417
Long term Loan		48,150	66,750
Finance lease liability		1,313	1,508
Defined benefit obligations		2,768	2,122
Deferred income tax		16,628	15,594
Total		**782,230**	**726,928**
Excess (admitted capital) (A)-(B)	**C**	**408,463**	**253,148**
Net premium (preceding year)	**D**	354,479	298,195
Technical provision (current year)	**E**	580,414	531,174
Solvency margin			
Limit of net premium i.e. 20% of net premium	F	70,896	59,639
Limit of technical provision i.e. 25% of technical provision	G	145,103	132,794
Minimum paid up Capital		60,000	60,000
Required Minimum of paid up capital	H	145,103	132,794
Since C>D - Margin of solvency	**(C-D)**	**53,984**	**(45,047)**
Solvency ratio	**C/H**	**2.8**	**1.9**

Life business

		30 June 2019 Birr '000	30 June 2018 Birr '000
Admissible assets	A		
Property, plant and equipment		16,737	16,829
Investment properties		22,834	23,294
Less : Unrealizable asset		(6,334)	(6,506)
Intangible Assets			
Investment securities :			
Available for sale		31,067	26,538
Loans and receivables			
Statutory deposits		5,731	3,852
Reinsurance receivables		3,706	0
Insurance receivables			
Reinsurance assets		2,509	3,747
Policy holder loans			
Deferred acquisition costs			
Salvage property held for sale			
Prepayment for Leasehold land			
Other assets			
Deposits with financial institutions		112,137	107,408
Cash and cash equivalents		4,742	2,086
Total		**193,129**	**177,248**

Admissible Liabilities	B		
Insurance contract liabilities		13,788	9,900
Deferred reinsurance commission		123	163
Insurance Payables		2,011	1,537
Other liabilities		2,045	2,713
Current income tax liabilities		5,866	1,701
Life fund reserve		90,394	94,750
Finance lease liability		0	0
Defined benefit obligations		79	40
Deferred income tax		1,354	3,942
Total		**115,660**	**114,747**
Excess (admitted capital) (A)-(B)	**C**	**77,469**	**62,501**
Technical provision (current year)	**D**	**108,538**	**104,650**
Solvency margin			
Limit of technical provision i.e. 10% of technical provision	E	10,854	10,465
Minimum paid up Capital	F	15,000	15,000
Required Minimum of paid up capital	G	15,000	15,000
Since C<D - Margin of solvency	C-D	(31,070)	(42,149)
Solvency ratio	**C/G**	**5**	**4**

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

4.7 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that issignificant to the fair value measurement as a whole.

4.7.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent source; Unobservable input reflect the Company's market assumptions.

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: Inputs that are quoted market prices (Unadjusted) in active markets for identical assets or liabilities.

. Level 2: Inputs other than quoted prices included with in level 1 that are observable for the asset or liability, either directly (i.e. as prices or indirectly (i.e. derived from prices) . This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data. In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

. Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This Category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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4.7.2 Financial instruments not measured at fair value

The following table summarizes the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

	Notes	30 June 2019 Carrying amount Birr'000	Fair value	30 June 2018 Carrying amount Birr'000	Fair value Birr'000
Birr'000					
Financial assets					
Cash and Cash equivalents		34,599	34,599	41,467	41,467
Deposits with financial institutions		397,199	397,199	333,717	333,717
Investment securities:					
Available for sales		134,935	134,935	111,185	111,185
Loans and receivables		35	35	238	238
Reinsurance assets		175,439	175,439	154,879	154,879
Other assets		4,791	14,791	11,895	11,895
Total		**756,998**	**756,998**	**653,380**	**653,380**
Financial Liabilities					
Insurance contract liabilities		594,202	594,202	541,075	541,075
Insurance Payables		51,115	51,115	44,282	44,282
Long term loan		48,150	48,150	66,750	66,750
Other liabilities		13,721	13,721	7,646	7,646
		707,188	**707,188**	**659,753**	**659,753**

4.7.3 Fair value methods and assumptions
Investment securities

Government bonds are classified as loans and receivables and are measured at amortized cost using the effective interest rate (EIR) method. This means The amortized cost is determined as the fair value of the bond at inception plus interest accrued using the effective interest rate.

4.7.4 Valuation technique using significant unobservable inputs - Level 2

The Company has no financial asset measured at fair value on subsequent recognition.

4.7.5 Transfers between the fair value hierarchy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as result of significant inputs to the fair valuation process becoming observable or unobservable.

4.8 Offsetting financial assets and financial liabilities

There are no offsetting arrangements, Financial assets and liabilities are settled and disclosed on a gross basis.

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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 custo

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

The segment information for the reporting segments for the year ended 30 June 2019 is as follows:

5.1 Statement of Financial Position - 30 June 2019

	Note	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	15	314,490	16,776	331,266
Investment properties	16	275,497	22,834	298,331
Intangible assets	17	647	-	647
Investment securities :	-			
Available for sale	18	103,868	31,067	134,935
Loans and receivables	18	35	-	35
Statutory deposits	19	52,336	5,731	58,067
Reinsurance receivables	20	5,382	3,706	9,088
Insurance receivables	21	494	-	494
Reinsurance assets	22	172,930	2,509	175,439
Policy holder loans	23	-	702	702
Deferred acquisition costs	24	12,563	1,274	13,837
Salvage property held for sale	25	12,417	-	12,417
Prepayment for Leasehold land	26	4,244	-	4,244
Other assets	27	47,276	221	47,497
Deposits with financial institutions	28	285,061	112,137	397,198
Cash and cash equivalents	28	29,857	4,742	34,599
Total assets		**1,317,099**	**201,699**	**1,518,798**
LIABILITIES				
Insurance contract liabilities	29	580,414	13,788	594,202
Deferred reinsurance commission	30	14,679	123	14,802
Insurance Payables	31	49,104	2,011	51,115
Other liabilities	32	63,551	2,045	65,596
Current income tax liabilities	33	5,623	5,866	11,489
Long term Loan	34	48,150	-	48,150
Finance lease liability	35	1,313	-	1,313
Defined benefit obligations	36	2,768	79	2,847
Deferred income tax	33	16,628	1,354	17,982
Total liabilities		**782,230**	**25,266**	**807,496**

EQUITY				
Share capital	37	338,524	37,055	375,579
Share premium	37	1,369	-	1,369
Retained earnings	39	138,463	37,763	176,226
Legal reserve	40	57,118	11,262	68,380
Life fund reserve	41	-	90,394	90,394
Other reserves	42	(604)	(41)	(645)
Total equity		534,870	176,432	711,302
Total equity and liabilities		**1,317,099**	**201,699**	**1,518,798**

5.2 Statement of Financial Position

30 June 2018

		General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	15	359,981	16,829	376,810
Investment properties	16	155,474	23,294	178,768
Investment securities :	-			
Available for sale	18	84,646	26,538	111,184
Loans and receivables	18	238	-	238
Statutory deposits	19	34,754	3,852	38,606
Reinsurance receivables	20	-	-	-
Insurance receivables	21	1,049	-	1,049
Reinsurance assets	22	151,132	3,747	154,879
Policy holder loans	23	-	678	678
Deferred acquisition costs	24	10,505	1,287	11,792
Salvage property held for sale	25	5,058		5,058
Prepayment for Leasehold land	26	4,340		4,340
Other assets	27	76,004	1,384	77,388
Deposits with financial institutions	28	226,309	107,407	333,716
Cash and cash equivalents	28	39,381	2,086	41,467
Total assets		**1,149,966**	**187,103**	**1,337,069**
LIABILITIES				
Insurance contract liabilities	29	531,174	9,900	541,074
Deferred reinsurance commission	30	10,062	163	10,225
Insurance Payables	31	42,745	1,537	44,282
Other liabilities	32	54,556	2,713	57,269
Current income tax liabilities	33	2,417	1,701	4,118
Long term Loan	34	66,750	-	66,750
Finance lease liability	35	1,508	-	1,508
Defined benefit obligations	36	2,122	40	2,162
Deferred income tax	33	15,594	3,942	19,536
Total liabilities		**726,928**	**19,997**	**746,925**

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	Notes			
EQUITY				
Share capital	37	225,000	25,000	250,000
Share premium	37	-	-	-
Retained earnings / Surplus fund	39	148,624	39,720	188,344
Legal reserve	40	50,074	7,647	57,721
Life fund reserve	41	-	94,750	94,750
Other reserves	42	(659)	(11)	(670)
Total equity		**423,039**	**167,106**	**590,145**
Total equity and liabilities		**1,149,966**	**187,103**	**1,337,069**

5.4 30 June 2019

		General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	494,709	38,852	533,561
Change in unearned premium reserve	6	13,859	3,861	17,720
Gross earned premiums		**480,850**	**34,991**	**515,841**
Less: Premiums ceded to reinsurers	6	114,870	6,218	121,088
Net earned premiums		**365,980**	**28,773**	**394,753**
Commission income	7	28,067	4,815	32,882
Net underwriting income		**394,047**	**33,588**	**427,635**
Claims and policy holder benefits payable		265,851	9,988	275,839
Less : claims recoveries from reinsurers	7	(44,480)	(4,440)	(48,920)
Net claims and benefits		**221,371**	**5,547**	**226,918**
Underwriting expenses	13	25,094	2,158	27,252
Total underwriting expenses		**246,465**	**7,705**	**254,170**
Underwriting profit		**147,582**	**25,883**	**173,465**
Investment income	8	63,430	19,665	83,095
Other income	9	1,578	374	1,952
Net income		**212,590**	**45,923**	**258,513**
Operating and other expense	12	131,367	5,833	137,200
Impairment on other assets		-	-	-
Total benefits , claims and other expense		**81,223**	**40,089**	**121,313**
Finance (income) / costs		133	-	133
Profit before tax from reportable segments		**81,090**	**40,089**	**121,179**
Income tax expense		(10,645)	(3,938)	(14,582)
Profit for the year		**70,445**	**36,151**	**106,596**
Assets and liabilities 2016				
Total assets		**1,317,099**	**201,699**	**1,518,798**
Total liabilities		**782,230**	**25,267**	**807,497**
Net assets/(liabilities)		534,869	176,432	711,301
External revenue 2018				
Net premium earned		365,980	28,773	394,753
Net underwriting income		394,047	33,588	427,635
Net investment income		63,430	19,665	83,095
Other income		1,578	374	1,952
Total segment revenue		**459,055**	**53,628**	**512,683**
Reportable segment profit before tax		**81,090**	**40,089**	**121,179**
Reportable segment assets		**1,317,099**	**201,699**	**1,518,798**
Reportable segment liabilities		**782,230**	**25,267**	**807,497**

5.5 30 June 2018

	Notes	General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	437,785	35,837	473,622
Change in unearned premium reserve	6	(25,688)	1,603	(24,085)
Gross earned premiums		**412,097**	**37,440**	**449,537**
Less: Premiums ceded to reinsurers	6	83,306	8,577	91,883
Net earned premiums		**328,791**	**28,863**	**357,654**
Commission income	7	29,897	3,755	33,652
Net underwriting income		**358,688**	**32,618**	**391,306**
Claims and policy holder benefits payable	10	232,308	27,513	259,821
Change in life fund		-	-	-
Less : claims recoveries from reinsurers	10	(8,085)	(7,107)	(15,192)
Net claims and benefits		**224,223**	**20,406**	**244,629**
Underwriting expenses	13	24,138	1,710	25,848
Total underwriting expenses		**248,361**	**22,116**	**270,477**
Underwriting profit		110,327	10,502	120,829
Investment income	8	47,111	13,077	60,188
Other income	9	33,133	22,565	55,698
Net income		**190,571**	**46,144**	**236,715**
Operating and other expense	12	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	11	134	-	134
Profit before tax from reportable segments		**91,684**	**40,588**	**132,272**
Income tax expense	33	(5,714)	(2,832)	(8,546)
Profit for the year		**85,970**	**37,757**	**123,727**
Assets and liabilities				
Total assets		1,149,966	187,103	1,337,069
Total liabilities		726,928	19,997	746,925
Net assets/(liabilities)		423,038	167,106	590,144
External revenue				
Net premium earned		328,791	28,863	357,654
Net underwriting income		358,688	32,618	391,306
Net investment income		47,111	13,077	60,188
Other income		33,133	22,565	55,698
Total segment revenue		**438,932**	**68,260**	**507,192**
Reportable segment profit before tax		**91,684**	**40,588**	**132,272**
Reportable segment assets		**1,149,966**	**187,103**	**1,337,069**
Reportable segment liabilities		**726,928**	**19,997**	**746,925**

6 Net premiums

a) Gross premiums on insurance contracts

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Motor	311,501	287,236
Good in transit	2,408	2,164
Marine	11,771	13,701
Accident	6,923	9,410
Liability	22,338	21,437
Workmen's compensation	11,997	9,715
Fire	50,413	28,864
Engineering	32,274	24,583
Pecuniary	22,024	21,419
Burglary and house breaking	1,607	1,355
Miscellaneous	14,697	13,326
Medical	6,757	4,574
General business gross premiums	**494,709**	**437,784**
Life business		
Individual life	15,628	14,868
Group life	14,123	16,458
Medical	9,094	4,480
Funeral	7	32
Life business gross premiums	**38,852**	**35,838**
Total	**533,561**	**473,622**

b) Change in unearned premium reserve

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Engineering	(961)	1,004
Liability	(11)	310
Pecuniary	394	566
Fire	1,943	1,172
Burglary and house breaking	50	60
Accident	(1,239)	502
Medical	446	90
Workmen's compensation	1,065	398
Motor	11,750	21,581
Marine	(376)	154
Goods in transit	278	(478)
Miscellaneous	521	329
Unearned premium reserve	**13,859**	**25,688**
Life business		
Medical expense	-	
Group life	3,861	(1,603)
Unearned premium reserve	3,861	(1,603)
Total	**17,720**	**24,085**

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c) *Premiums ceded to reinsurers*

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Motor	22,111	17,328
Marine	4,072	6,394
Goods in transit	334	472
Accident	777	862
Medical	1,935	1,364
Workmen's compensation	802	549
Liability	2,852	1,719
Fire	35,869	17,740
Burglary and house breaking	756	546
Engineering	22,250	15,053
Pecuniary	12,320	12,180
Miscellaneous	10,791	9,100
Premiums ceded to reinsurers	**114,870**	**83,306**
Life business		
Individual life	1,999	2,222
Group life	3,803	6,130
Group medical	416	223
Group funeral	-	2
	6,218	8,577
Total premiums ceded to reinsurers	**121,088**	**91,883**
Total net earned premiums		
General business	365,980	328,791
Life business	28,773	28,863
	394,753	357,654

7 *Reinsurance Commission income*

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Reinsurance ceding commission	25,072	24,868
Profit commission	2,996	5,029
Commission income	**28,068**	**29,897**
Life business		
Reinsurance ceding commission	394	384
Profit commission	4,420	3,371
Commission income	**4,814**	**3,755**
Total commission income	**32,882**	**33,652**

8 *Investment income*

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Interest on time deposits	28,773	24,585
Interest on savings	9	424
Interest on staff loans	921	239
Dividend income	15,030	11,018
Interest on government bond	3,420	2,085
Rent income	15,278	8,760
Investment income	**63,431**	**47,111**
Life business		
Interest on time deposits	12,460	7,771
Interest on savings	66	70
Interest on staff loans	-	-
Interest on policy loans	50	51
Dividend income	4,764	3,578
Interest on government bond	371	92
Rent income	1,954	1,415
	19,665	**13,077**
Total investment income	**83,096**	**60,188**

9 *Other income*

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Service charge	1,355	918
Provision for bad debts	-	-
Gain on disposal of Fixed Assets	115	28
Gain on sale of equity investment	-	31,483
Miscellaneous income	108	705
Other income	**1,578**	**33,134**
Life business		
Gain on sale of equity investment	254	22,488
Miscellaneous income	120	78
Other income	374	22,566
Total other income	**1,952**	**55,700**

10 Claims and policy holder benefits payable

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Benefits and claims paid	250,139	202,623
Change in claims outstanding	9,531	24,756
Change in incurred but not reported reserve	3,834	3,432
Other Technical expenses	2,130	1,099
Change in unallocated loss adjustment expense	217	398
	265,851	**232,308**
Recoverable from reinsurance:		
Claims recoveries from reinsurers	(44,480)	(8,085)
Net claims and loss adjustment expense	**221,371**	**224,223**
Life business		
Benefits and claims paid	13,077	14,107
Change in Life fund	(4,355)	12,492
Change in claims outstanding	578	750
Change in incurred but not reported reserve	688	164
	9,988	**27,513**
Recoverable from reinsurance:		
Claims recoveries from reinsurers	(4,440)	(7,107)
Net claims and loss adjustment expense	**5,547**	**20,406**
Total	**226,918**	**244,629**

11 Finance costs

	30 June 2019 Birr'000	30 June 2018 Birr'000
Borrowings (no more than 12 months)	-	-
Interest expense on bank overdraft	-	-
Borrowings (more than 12 months)	29,549	19,245
	29,549	**19,245**

The company is constructing a building for its own office purpose and investment reasons. The building is financed though borrowing earlier from United Bank and currently from Awash Bank. The total finance cost incurred at 30 June 2019 is Br29,549. This cost has been capitalized as cost of building as per IAs 38.

12 Operating and other expense

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Director fixed emoluments	677	306
Depreciation	9,456	7,654
Amortization	544	588
Financial expense	1,803	919
Office rent	15,231	13,425
Auditor remuneration	163	77
Other general expense	4,676	2,766
Repair and maintenance	4,488	3,705
Stationeries and office supplies	2,659	2,430
Gifts and donations	1,027	50
Provision for doubtful debts	101	-
Communication costs	2,580	4,359
Transportation costs	2,608	1,987
Advertising and promotion	4,620	3,886
Insurance costs	796	599
Annual general meeting	267	274
Professional services	1,051	510
	52,747	**43,535**
Employee benefits expense		
Salaries and wages	46,479	34,577
Staff insurance	2,433	2,070
Leave pay	1,126	604
Staff bonus	12,773	5,786
Staff training expense	2,389	1,993
Defined contribution costs- employers' contribution	6,229	4,753
Defined benefit costs- severance pay	864	553
Other staff expenses	6,329	4,882
	78,621	**55,218**
	131,367	**98,753**

	30 June 2019 Birr'000	30 June 2018 Birr'000
Operating and other expense		
Life business		
Director fixed emoluments	23	43
Depreciation	677	594
Financial expense	110	96
Office rent	265	241
Auditor remuneration	21	14
Other general expense	218	346
Actuarial fee	114	150
Repair and maintenance	40	17
Stationeries and office supplies	393	380
Communication costs	89	87
Transportation costs	50	24
Annual general meeting	32	48
Advertising and promotion	664	567
	2,698	**2,607**

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Employee benefits expense		
Salaries and wages	2,179	1,017
Staff insurance	-	-
Leave pay	11	70
Staff bonus	528	211
Defined contribution costs	131	142
Defined benefit costs	19	-
Other staff expenses	269	1,509
	3,137	**2,949**
	5,833	**5,556**
Total operating and Other Expenses	**137,201**	**104,309**

13 Underwriting expenses

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Commission expense	26,618	24,015
Changes in deferred acquisition cost	(1,524)	123
	25,094	**24,138**
Life business		
Commission expense	2,145	1,485
Changes in deferred acquisition cost	13	225
	2,158	**1,710**
Total underwriting expenses	**27,252**	**25,848**

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

14 Finance (income) / costs

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Finance costs	133	134
Life business		
Finance costs	-	-
	133	**134**

Finance cost is the interest cost paid on unpaid portion of leased land at Kality recovery site .

15 Property, plant and equipment

a) General Business

	Buildings under con. Birr'000	Office equip Birr'000	Computer equip Birr'000	Furniture and fittings Birr'000	Motor vehicle Birr'000	Fence and reco Birr'000	Total Birr'000
Cost							
As at 1 July 2017	239,722	4,509	4,532	4,631	27,407	2,587	283,388
Additions	74,266	346	995	843	17,718	-	94,168
Disposals / Transfer	-	-	-	-	(623)	-	(623)
Reclassification	-	-	-	-	-	-	-
As at 30 June 2018	**313,988**	**4,855**	**5,527**	**5,474**	**44,502**	**2,587**	**376,933**
As at 1 July 2018	313,988	4,855	5,527	5,474	44,502	2,587	376,933
Additions	75,938	261	1,104	327	6,997	-	84,627
Disposals / Transfer	(124,374)	-	-	-	(830)	(1,423)	(126,627)
Reclassification	-	-	-	-	-	-	-
As at 30 June 2019	**265,552**	**5,116**	**6,631**	**5,801**	**50,669**	**1,164**	**334,933**
Accumulated depreciation							
As at 1 July 2017	-	2,448	2,397	2,564	2,479	2,094	11,982
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**	**16,953**
As at 1 July 2018	-	3,016	2,987	2,894	5,869	2,188	16,954
Charge for the year	-	603	669	413	4,093	115	5,893
Disposals					(217)		(217)
Reclassification	-	28	(1)	(32)	6	(2,188)	(2,187)
As at 30 June 2019	**-**	**3,647**	**3,655**	**3,275**	**9,751**	**115**	**20,443**
Net book value							
As at 1 July 2017	239,722	2,061	2,135	2,067	24,928	493	271,406
As at 30 June 2018	313,988	1,839	2,540	2,580	38,633	399	359,981
As at 30 June 2019	**265,552**	**1,469**	**2,976**	**2,526**	**40,918**	**1,049**	**314,490**

b) Life business

	Buildings under con.	Office equip	Computer equip	Furniture and fittings	Motor vehicle	Fence and reco	Total
Cost							
As at 1 July 2017	15,000	40	107	114	950	-	16,211
Additions	-	-	19	-	995	-	1,014
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
As at 30 June 2018	**15,000**	**40**	**126**	**114**	**1,945**	**-**	**17,225**
As at 1 July 2018	15,000	40	126	114	1,945	-	17,225
Additions	-	36	128	-	-	-	164
Disposals	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
As at 30 June 20	**15,000**	**75**	**254**	**114**	**1,945**	**-**	**17,389**

Accumulated depreciation							
As at 1 July 2017	-	**38**	**74**	**59**	**90**	-	**261**
Charge for the year	-	1	10	8	115	-	134
Disposals	-	-	-	-	-	-	-
As at 30 June 2018	-	**39**	**84**	**67**	**205**	-	**395**
As at 1 July 2018	-	39	84	67	205	-	395
Charge for the year	-	4	21	8	185	-	218
Disposals	-	-	-	-	-	-	-
As at 30 June 2019	-	**42**	**105**	**75**	**390**	-	**613**
Net book value							
As at 1 July 2017	15,000	2	33	55	860	-	15,950
As at 30 June 2018	15,000	1	42	47	1,740	-	16,830
As at 30 June 2019	**15,000**	**33**	**149**	**39**	**1,555**	-	**16,776**

16. Investment property

	30 June 2019 Birr'000	30 June 2018 Birr'000
a) General business		
Cost:		
Bole Medhanialem Building	113,786	113,786
Kality Buliding	125,754	-
Barhidar Building	48,000	48,000
	287,540	**161,786**
Accumulated depreciation:		
Bole Medhanialem Building	6,855	4,490
Kality Buliding	2,452	
Bahirdar Building	2,736	1,822
	12,043	**6,312**
Net book value	**275,497**	**155,474**
b) Life business		
Cost:		
Bole Medhanialem Building	24,214	24,214
	24,214	24,214
Accumulated depreciation:		
Bole Medhanialem Building	1,380	920
	1,380	**920**
Net book value	**22,834**	**23,294**

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 property.

c) Amounts recognized in profit or loss for investment properties

	30 June 2019 Birr'000	30 June 2018 Birr'000
Rental income	16,962	8,760
Direct operating expenses from property that generated rental income	7,121	(6,499)
Net income	**24,083**	**2,261**

d) 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 reliability 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 year.

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 f

Level 2: where fair values are based on adjusted quoted prices and observable prices of similar fin

Level 3: where fair values are not based on observable market data.

e) Fair value hierarchy

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

	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
30 June 2019			
Bole Medhanialem	-	138,000	-
Kality Building	-	125,754	-
Bahidar building	-	48,000	-
	-	**311,754**	-

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

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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 2017	7,553	-	7,553
Acquisitions	-	-	-
Internal development	-	-	-
Transfer from property, plant and equipment	-	-	-
As at 30 June 2018	**7,553**	-	**7,553**
As at 1 July 2018	7,553	-	7,553
Acquisitions	-	-	-
Internal development	-	-	-
Transfer from property and equipment	-	-	-
As at 30 June 2019	**7,553**	-	**7,553**
Accumulated amortization and impairment losses			
As at 1 July 2017	5,964	-	5,964
Amortization for the year	493	-	493
Impairment losses	-	-	-
As at 30 June 2018	**6,457**	-	**6,457**
As at 1 July 2018	6,457	-	6,457
Amortization for the year	449	-	449
Impairment losses	-	-	-
As at 30 June 2019	**6,906**	-	**6,906**
Net book value			
As at 1 July 2017	1,589	-	1,589
As at 30 June 2018	1,096	-	1,096
As at 30 June 2019	**647**	-	**647**

18 *Investment securities :*

	30 June 2019 Birr'000	30 June 2018 Birr'000
(a) Available for sale		
General business		
Equity Investments	103,868	84,646
Less: Impairment	-	-
	103,868	**84,646**
Life business		
Equity Investments	31,067	26,538
Less: Impairment	-	-
	31,067	26,538
At end of year	**134,935**	**111,185**

The Company holds equity investments in the following entities;

	30 June 2019 Birr'000		30 June 2018 Birr'000	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
United Bank SC	115,024	5.0%	91,538	5.0%
Raaz Transport SC	-	-	1,596	1.5%
Ethiopian Reinsurance S.C	14,611	2.5%	12,750	2.5%
Habesha Cement Factory SC	5,300	0.5%	5,300	0.5%
	134,935		**111,185**	

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.

(b) Loans and receivables

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Government securities held to maturity	34	234
Additions		
Interest received on Government Bond		-
Interest receivable on Government Bond	1	4
	35	**238**
Life business		
Government securities held to maturity		-
Additions		
Government securities held to maturity		-
Interest received on Government Bond		-
Interest receivable on Government Bond		-
		-
At end of year	**35**	**238**

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	0	0
Non - Current	134,970	111,422
	134,970	**111,422**

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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 2019 Birr'000	30 June 2018 Birr'000
General business		
Statutory deposits	50,250	33,750
Reclassification	529	0
Interest receivable on Government Bond	1,558	1,004
	52,336	**34,754**
Life business		
Statutory deposits	5,558	3,750
Interest receivable on Government Bond	173	102
Statutory deposits	**5,731**	**3,852**
	58,067	**38,606**

The movement of statutory deposit during the year is as follows:

	30 June 2019 Birr'000	30 June 2018 Birr'000
As at 1 July	38,606	37,809
Additions	18,837	739
Interest received on statutory deposit invested in Government Bond	(1,106)	(1,048)
Interest receivable on statutory deposit invested in Government Bond	1,730	1,106
As at 30 June	**58,0671**	**38,606**

The minimum amount required to be set aside is Br56,337 (2018 : Br37,500, 2017: Br36,761), accrued interest receivable on the statutory deposit transferred to Ethiopian Government savings Bond of Br1,730(2018: Br1,106, 2017: Br1,048) has been included in the above figures.

20 Reinsurance receivables

	30 June 2019 Birr'000	30 June 2018 Birr'000
General Business		
Gross receivables	5,382	-
Impairment provision	-	-
	5,382	

	30 June 2019 Birr'000	30 June 2018 Birr'000
Life business		
Gross receivables	3,706	-
Impairment provision	-	-
	3,706	-
	9,088	-

These are receivables that arise from reinsurance policies that provide 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 2019 Birr'000	30 June 2018 Birr'000
Current	9,088	-
Non- current		-
	9,088	-

21 Insurance Receivables

	30 June 2019 Birr'000	30 June 2018 Birr'000
Due from policyholders	20,079	19,963
Due from risk sharing (local insurers)	600	1,171
	20,679	21,134
Provision for impairment	(20,185)	(20,085)
	494	**1,049**

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
At start of the year	20,085	20,085
Increase/ (Decrease) in the year	100	-
As at 30 June	**20,185**	**20,085**

22 Reinsurers' share of technical provision and reserves/Reinsurace assets

General business		
Unearned premium	51,923	35,016
Notified claims outstanding	116,695	112,392
Claims incurred but not reported	4,312	3,724
Impairment provision	-	-
At end of year	**172,930**	**151,132**
Life business		
Unearned premium	512	3,009
Notified claims outstanding	1,740	257
Claims incurred but not reported	257	481
Impairment provision	-	-
At end of year	**2,509**	**3,747**
Total General and Life Business	**175,439**	**154,879**

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	175,439	154,879
Non Current	-	-
	175,439	154,879

These are Reinsurers" share of technical provisions and reserves. The Company has made a review of an impairment test to the reinsurance assets and no impairment is required in respect of these assets as the Company has the right to se-off reinsurance assets against reinsurance liabilities on settlement. The carrying amounts disclosed above is in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

23 Policy holder loans

	30 June 2019 Birr'000	30 June 2018 Birr'000
Life Business		
Policy holder loans	702	678
At end of year	**702**	**678**

Maturity profile of policy loans

	30 June 2019 Birr'000	30 June 2018 Birr'000
Loans maturing :		
Within 1 year	17	56
Within 1 - 5 years	563	537
In over 5 years	122	85
	702	**678**

24 Deferred acquisition costs

A commission on unearned premium relating the unexpired tenure of risk.

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business	12,564	10,505
Life business	1,274	1,287
At end of year	**13,838**	**11,792**

The movement in deferred acquisition cost is as follows:

	30 June 2019 Birr'000	30 June 2018 Birr'000
As at 1 July	11,792	11,689
Amortization during the year	2,046	103
As at 30 June	**13,838**	**11,792**

25 Salvage property held for sale

	30 June 2019 Birr'000	30 June 2018 Birr'000
Non-current asset held for sale	12,417	5,058
	12,417	**5,058**

The movement in Non current assets held for sale is as follows:

	30 June 2019 Birr'000	30 June 2018 Birr'000
As at 1 July	5,058	5,058
Additions during the year	12,417	0
Sold during the year	(5,058)	
As at 30 June	**12,417**	**5,058**

These Non-current assets held for sale represents salvage properties that are fully or partially damaged and fully compensated to the policyholders by the Company. These assets are recognized and classified as held for sale in the financial statement by their carrying amount and fair value less cost of disposal as per IFRS 5.The Company's management intention regarding these assets is to dispose through public auction. These assets will not be held for more than a year from the date of compensation and their carrying value will only be recovered through disposal rather than continuing use.

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26 Prepayments for Leasehold land

	30 June 2019 Birr'000	30 June 2018 Birr'000
Cost:		
Kality leasehold land	3,265	3,265
Bahidar leasehold land	707	707
Bole Medhanealem leasehold land	1,449	1,449
	5,421	**5,421**
Accumulated amortization		
Kality land accumulated amortization	818	763
Bahidar land accumulated amortization	242	231
Bole Medhanealem accumulated depreciation	116	87
	1,176	**1,081**
Net book value	**4,244**	**4,340**

The leasehold period for land at Bahidar, Kality and Bole Medhanealem is 60, 50 and 12 years respectively.

27 Other assets

	30 June 2019 Birr'000	30 June 2018 Birr'000
Loans and receivables:		
General business		
Accrued interest receivable	31	79
Inter Office Receivable Life	778	
Staff debtors	7,126	3,430
Sundry debtors	6,634	7,002
	14,569	**10,511**
Non financial assets:		
Deposits for prepaid office rent	11,455	6,654
Prepaid staff asset	219	47
Deferred pre paid or of it tax	12	51
Deferred tax assets. Employee benefit	259	282
Prepayments	20,762	58,458
	32,707	**65,492**
Less impairment loss on other assets:		
On other receivables	-	-
on non financial assets	-	-
	47,276	**76,004**
Loans and receivables:		
Life business		
Inter Office receivable non life	1,103	
Interest receivable policyholder loans	-	-
Sundry debtors	221	281
Prepayments	-	-
	221	**1,384**
		-
Non financial assets:		
Deposits	-	-
Prepayments	-	-
	-	-
Less impairment loss on other assets:		
On other receivables	-	-
on non financial assets	-	-
	221	**1,384**
	47,497	**77,387**

	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	**47,497**	77,387
Non Current	-	-
	47,497	**77,387**

At 30 June, there is no allowance for impairment losses

28 *Cash and Bank balances*

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Cash in hand	552	603
Cash at bank	29,305	38,778
Deposits with financial institutions	285,061	226,309
	314,918	**265,690**

	30 June 2019 Birr'000	30 June 2018 Birr'000
Maturity analysis		
Current	259,981	188,111
Non- current	55,000	73,873
	314,981	**261,984**

Out of the above deposits with financial institution, Birr 55 million is pledged as security for borrowings from M/S Awash Bank.
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.

Cash and Bank balances	30 June 2019 Birr'000	30 June 2018 Birr'000
Life business		
Cash inhand	8	8
Cash atbank	4,735	2,078
Deposits withfinancialinstitutions	112,137	107,407
	116,880	**109,493**

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	116,880	109,493
Non-current	-	-
	116,880	**109,493**
Total Cash andBankbalances	**431,798**	**375,183**

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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 2019 Birr'000	30 June 2018 Birr'000
Cash and cash equivalents		
General business		
Cash in hand	552	603
Cash at bank	29,305	38,778
Short term deposits with bank		
	29,857	**39,381**

	30 June 2019 Birr'000	30 June 2018 Birr'000
Life business		
Cash and cash equivalents		
Cash in hand	8	8
Cash at bank	4,735	2,078
Short term deposits with bank	-	
	4,742	**2,086**
Total cash and cash equivalents	**34,599**	**41,467**

The movement of deposits with financial institutions

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
As at 1 July	226,309	233,026
Additions	55,498	11,822
Interest received on Fixed time deposit	(8,945)	(27,484)
Interest receivable on fixed time deposit	12,199	8,945
As at 30 June	**285,061**	**226,309**

The movement of deposits with financial institutions

	30 June 2019 Birr'000	30 June 2018 Birr'000
Life business		
As at 1 July	107,408	103,425
Additions	4,808	0
Interest received on Fixed time deposit	(3,983)	3,983
Interest receivable on fixed time deposit	3,904	0
As at 30 June	**112,137**	**107,408**

29 *Insurance contract liabilities*

a) General business

	30 June 2019 Birr'000	30 June 2018 Birr'000
Gross insurance contracts :		
Claims reported and loss adjustment expenses	289,255	275,421
Claims incurred but not reported IBNR	35,410	30,988
Additional unexpired risk reserve	251,114	220,348
Unallocated loss adjustment expense	4,634	4,417
Total insurance liabilities, gross	**580,414**	**531,174**

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	30 June 2019 Birr'000	30 June 2018 Birr'000
Recoverable from reinsurers:		
Notified claims outstanding	116,695	112,392
Claims incurred but not reported	4,312	3,724
Additional unexpired risk reserves	51,923	35,016
Unallocated loss adjustment expenses	-	-
Total reinsurers' share of insurance liabilities	**172,930**	**151,132**
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	172,561	163,029
Claims incurred but not reported IBNR	31,098	27,264
Additional unexpired risk reserve	199,191	185,332
Unallocated loss adjustment expense	4,634	4,417
Total insurance contract liabilities, net	**407,484**	**380,042**
b) Gross Life business insurance contracts:		
Gross insurance contracts :		
Claims reported and loss adjustment expenses	3,470	1,633
Claims incurred but not reported IBNR	1,189	502
Additional unexpired risk reserves	9,129	7,765
Unallocated loss adjustment expenses	-	-
Total insurance liabilities, gross	**13,788**	**9,900**
Recoverable from reinsurers		
Notified claims outstanding	1,740	481
Claims incurred but not reported	257	257
Additional unexpired risk reserve	512	3,009
Unallocated loss adjustment expense	-	-
Total reinsurers' share of insurance liabilities	**2,509**	**3,747**
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	1,730	1,152
Claims incurred but not reported IBNR	933	245
Additional unexpired risk reserve	8,617	4,756
Unallocated loss adjustment expense	-	-
Total insurance contract liabilities, net	**11,279**	**6,153**
Total insurance liabilities, gross	593,514	541,075
Total reinsurers' share of insurance liabilities	175,439	154,879
Total insurance contract liabilities, net	**418,763**	**386,195**

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	418,763	386,196
Non- current	-	-
	418,763	**386,196**

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These provisions represent the liability for Company's insurance business contracts where the Company's obligations are not expired at the year end. Except unearned premium reserve, the Company's insurance contract liability was tested for adequacy by Actuarial Services (act serve)Ltd,an actuary located in kenya.

Movements in insurance Liabilities and reinsurance assets

a) General Business insurancecontracts:

	30 June 2019 Gross	Re-insurance	Net	30 June 2018 Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
(i) Outstanding						
At 1 July						
Notified claims	275,421	112,392	163,029	254,175	115,902	138,273
IBNR	30,988	3,724	27,264	27,730	3,897	23,833
ULAE	4,417		4,417	4,019	0	4,019
As At 30 June	**310,826**	**116,116**	**194,710**	**285,924**	**119,799**	**166,125**
At 1 July						
Paid claims for the year	(265,851)	44,480	(221,371)	(232,308)	8,085	(224,223)
Increase In Liability:						
Current and prior period	595,151	76,527	429,663	257,210	4,402	252,808
As at 30 June	**329,300**	**121,007**	**208,293**	**310,826**	**116,116**	**194,710**
Notified claims (Outstanding plus disputed)	289,255	116,695	172,560	275,421	112,392	163,029
IBNR	35,410	4,312	31,098	30,988	3,724	27,264
ULAE	4,634	-	4,634	4,417	-	4,417
As at 30 June	**329,299**	**121,007**	**208,292**	**310,826**	**116,116**	**194,710**

(ii) Provision for unearned premiums 30 June2019

	30 June 2019 Gross	30 June 2018 Reinsurance	Net
	Birr'000	Birr'000	Birr'000
Class of Business			
Engineering	23,365	10,224	13,142
Liability	12,508	1,213	11,294
Pecuniary	13,468	5,917	7,551
Fire	25,151	17,873	7,278
Burglary and House breaking	621	303	317
Accident	3,070	248	2,823
Medical	2,628	911	1,717
Workmen's Compensation	5,950	298	5,652
Motor	150,892	7,900	142,992
Marine	5,891	2,283	3,608
Goods in transit	1,303	99	1,204
Miscellaneous	6,268	4,654	1,613
	251,115	**51,923**	**199,191**

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30 June 2018

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering	21,091	6,974	14,117
Liability	11,920	616	11,304
Pecuniary	12,455	5,313	7,142
Fire	12,884	7,549	5,335
Burglary and House breaking	425	157	268
Accident	4,429	368	4,061
Medical	1,876	605	1,271
Workmen's Compensation	4,996	3,903	1,093
Motor	138,477	7,234	131,243
Marine	5,827	1,843	3,984
Goods in transit	1,151	224	927
Miscellaneous	4,817	230	4,587
	220,348	**35,016**	**185,332**

Movement	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
At 1 July	220,348	35,016	185,332	200,280	40,636	159,644
Change in unearned income	30,766	16,907	13,859	20,068	(5,620)	25,688
As at 30 June	**251,114**	**51,923**	**199,191**	**220,348**	**35,016**	**185,332**

b) Life business insurancecontracts:
(i) Provision for unearnedpremiums

30 June 2019

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Group Term	5,538	332	5,206
Groupmedical	3,590	180	3,410
	9,128	**512**	**8,616**

30 June 2018

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Group Term	5,676	2,905	2,771
Group medical	2,089	104	1,985
	7,765	**3,009**	**4,756**

Movement	30 June2019 Gross Birr'000	30 June2019 Reinsurance Birr'000	30 June2019 Net Birr'000	30 June2018 Gross Birr'000	30 June2018 Reinsurance Birr'000	30 June2018 Net Birr'000
At 1 July	7,765	3,009	4,756	9,229	2,870	6,359
Change in unearned income	1,363	(2,497)	3,860	(1,464)	139	(1,603)
As at 30 June	**9,128**	**512**	**8,616**	**7,765**	**3,009**	**4,756**

(ii) Life insurance funds	30 June 2019 Birr'000	30 June 2018 Birr'000
At 1 July	94,750	82,257
Net premium received investment income	32,634	27,260
Change in net UPR	(3,861)	1,602
Investment income	19,920	35,568
other income	120	55
claims paid	(13,077)	14,107
Claims recovered from reinsurers management expenses	4,440	6,593
Change in net IBNR	(688)	70
Management expenses	(5,834)	5,535
Net commission paid/(Received)	2,656	2,048
Changes in outstanding claims	(578)	330
Distribution to policy holders	0	2
Other outgo	1	1
Distribution to shareholders	(40,089)	40,588
As at 30 June	**90,394**	**94,750**

The Company carried out an actuarial valuation to determine the actuarial liabilities for its life fund as at the reporting date. The outcome of the Actuarial valuation are shown below:

Life Fund Movement	30 June 2019 Birr'000	30 June 2018 Birr'000
Actuarial Liabilities	130,483	135,338
Distribution to Shareholders	(40,089)	(40,588)
Life Fund	**90,394**	**94,750**

(iii) Outstanding claims provision

	30 June 2019 Birr'000	30 June 2018 Birr'000
At 1 July	1,152	823
Change in Outstanding claim	578	329
As at 30 June	**1,730**	**1,152**

30 Deferred reinsurance commission

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business	14,679	10,063
Life business	123	163
	14,802	**10,226**

31 Insurance payables

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
Due to Reinsurers	48,916	42,401
Payable to local Insurance	188	344
Impairment provision	-	-
At end of the year	**49,104**	**42,745**
Life business		
Due to Reinsurers	2,011	1,537
Payable to local Insurance	-	-
Impairment provision	-	-
At end of the year	2,011	1,537
Gross amount	**51,115**	**44,282**

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	51,115	44,284
Non- current	-	-
	51,115	**44,284**

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.

32 Other liabilities

	30 June 2019 Birr'000	30 June 2018 Birr'000
a) General business		
Financial liabilities		
Dividend payable	8,928	4,447
Directors' Fee	-	-
Commission payable	4,785	3,199
	13,713	**7,646**
Non financial liabilities		
Sundry creditors	9,848	7,583
Uncollected cheques	5,081	3,345
Deferred income	5,015	8,562
Inter office Account non life		1,103
Retention fee payable	4,912	9,606
Provisions	18,147	9,489
Rent advance	4,240	4,679
Debtors with credit balance	2,596	2,543
	49,838	**46,910**
	63,551	**54,556**

b) Life business

Financial liabilities		
Dividend payable	8	-
Directors' Fee	-	-
Commission payable	-	-
	8	-
Non financial liabilities		
Sundry creditors	604	2,713
Inter Office Account Non life		778
Provisions	655	40
Debtors with credit balance	-	
	2,037	2,753
	2,045	**2,753**
Gross amount	**65,596**	**57,309**

	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	65,596	57,309
Non- current		
	65,596	**57,309**

33 Company income and deferred tax

a) Current income tax

	30 June 2019 Birr'000	30 June 2018 Birr'000
Company income tax	16,136	8,674
Prior year (over)/ under provision	-	-
Deferred income tax/(credit) to profit or loss	(1,554)	(128)
Total charge to profit or loss	14,582	8,546
Tax (credit) on other comprehensive income	-	-
Total tax in statement of comprehensive income	**14,582**	**8,546**

b) Reconciliation of effective tax to statutory tax

The tax on the Company's profit before income tax differs from the theoretical amount that would

	30 June 2019 Birr'000	30 June 2018 Birr'000
Profit before tax	**121,179**	**132,272**
Add : Disallowed expenses		
Entertainment	940	469
Penalty	102	21
Advance redemption fee	1,344	

Gifts and donations	10	-
Shareholders' meeting expenses	314	322
Giveaway items	369	178
Staff award expense	124	62
Employee retirement benefit	-	900
Severance Liability	743	(826)
Provision for doubtful debt	101	
Depreciation for IFRS accounting purpose	10,133	8,871
Amortization for IFRS accounting purpose	449	493
Total disallowable expenses	**14,629**	**10,490**
Less : Allowable expense		
Depreciation for tax purpose	16,873	10,209
Dividend income taxed at source	19,794	14,596
Gain on sale of equity	254	53,970
Gain on disposal of property & equipment	-	-
Interest income taxed at source-Local Deposit	45,099	35,072
Total allowable expenses	**82,020**	**113,847**
Taxable profit	**53,788**	**28,915**
Current tax at 30%	**16,136**	**8,675**

	30 June 2019 Birr'000	30 June 2018 Birr'000
c) Current income tax assets / (liability)		
Balance at the beginning of the year	(4,118)	(4,709)
Current year provision	(16,136)	(8,674)
WHT Notes utilized	4,647	3,893
Payment during the year	4,118	5,372
Balance at the end of the year	**(11,489)**	**(4,118)**

d) Deferred income tax

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	17,982	19,536
To be recovered within 12 months	-	-
	17,982	**19,536**

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:

	At 1 July 2018	Credit/(charge) to P/L		Credit/ (charge) toequity	30 June 2019
Deferred income tax assets/(liabilities):					
Property, plant and equipment	20,211	(15,738)	-	-	4,473
Intangibles	(26)	(52)			(78)
Provisions	-	-	-	-	-
Unrealized exchange gain	-	-	-		-
Tax losses charged to profit or loss	-	-	-	-	
Post employment benefit obligation	(649)	(216)		10	(855)
Total deferred tax assets/(liabilities)	**19,536**	**(16,006)**		**10**	**3,541**

34 Borrowings

	30 June 2019 Birr'000	30 June 2018 Birr'000
Borrowings from domesticbanks	48,150	66,750
	48,150	**66,750**

Borrowings from domestic banks relates to a loans from Awash Bank SC, bearing interest at the rate of 14.50% per annum and repayable on monthly installments of Birr 1,721,048.87 . The loan tenure is 3 years.
The first repayment was due on 4 May 2019.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Maturity analysis		
Current	-	-
Non- current	48,150	66,750
	48,150	**66,750**

35 Finance lease liability

	30 June 2019 Birr'000	30 June 2018 Birr'000
Land Lease Payable	1,313	1,508
	1,313	**1,508**

	30 June 2019 Birr'000	30 June 2018 Birr'000
Maturity analysis		
Current	-	-
Non- current	1,313	1,508
	1,313	**1,508**

36 Defined benefit liability

		30 June 2019 Birr'000	30 June 2018 Birr'000
Defined benefits liabilities:			
Severance pay - Life business	Note 36(a)	79	40
Severance pay - Non life business	Note 36(a)	2,768	2,122
Liability in the company statement of financial position		**2,847**	**2,162**

	30 June 2019 Birr'000	30 June 2018 Birr'000
Income statement charge included in personnel expenses:		
Severance costs - Life business Note 21(a)	19	31
Severance costs - Non life business Note 21(a)	864	693
Total defined benefit expenses	883	724
Re-measurements for:		
Life business		
Re-measurement (gains)/losses -		
Life business	44	22
Deferred tax (liability)/asset on re-measurement ga in or loss	13	7
	31	15
General business		
Re-measurement (gains)/losses - Non life business	78	450
Deferred tax (liability)/asset on re-measurement gain or loss	(23)	(135)
	55	315
Gross amount	86	330

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

a) Severancepay

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:

A Defined benefit liability	30 June 2019 Birr'000	30 June 2018 Birr'000
Liability recognized in the financial position -Lifebusiness	79	40
Liability recognized in the financial position -General business	2,768	2,122
	2,847	**2,162**

b) Amount recognized in the profit or loss	30 June 2019 Birr'000	30 June 2018 Birr'000
Life business Current service cost	14	9
Interest cost	6	22
	20	**31**
General business		
Current service cost	566	482
Interest cost	298	211
	864	**693**
Gross amount	**884**	**724**

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C Amount recognized in other comprehensive income:		
Re-measurement (gains)/losses arising from changes in demographic assumptions - Life	44	22
Re-measurement (gains)/losses arising from changes in demographic assumptions - General	(78)	450
	(34)	**472**

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Life business		
At the beginning of the year	40	345
Current service cost	14	9
Interest cost	4	22
Re-measurement (gains)/ losses	44	22
Benefits paid	(23)	(358)
At the end of the year	**79**	**40**
General business		
At the beginning of the year	2,122	1,853
Current service cost	566	482
Interest cost	298	211
Re-measurement (gains)/ losses	(78)	450
Benefits paid	(140)	(874)
At the end of the year	**2,768**	**2,122**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average	30 June 2019 Birr'000	30 June 2018 Birr'000
Discount rate (p.a)	13.50%	12.75%
Long term salary Increase rate(p.a)	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 follows:

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%

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	1.72%	1.27%

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

General business

	30 June 2019				
	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%	14.50%	13.50%	12.50%	13.50%
Salary rate	12.00%	12.00%	12.00%	12.00%	12.00%
Net liability at start of period	2,122,409	2,122,409	2,122,409	2,122,409	2,122,409
Total net expense recognized in income	864,093	864,093	864,093	864,093	864,093
Net increase recognized in other comprehensive income	(77,986)	(259,309)	131,328	129,566	(263,755)
Employer contribution	(139,965)	(139,965)	(139,965)	(139,965)	(139,965)
Net liability at end of	2,768,551	2,587,228	2,977,865	2,976,103	2,582,782

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	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%**
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 statement	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	**2,122,410**	**1,977,479**	**2,289,279**	**2,289,077**	**1,974,867**

Life business

	30 June 2019				
	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	13.50%	14.50%	13.50%	12.50%	13.50%
Salary rate	12.00%	12.00%	13.00%	12.00%	11.00%
Net liability at start of period	39,833	39,833	39,833	39,833	39,833
Total net expense recognized in income	18,513	18,513	18,513	18,513	18,513
Net increase recognized in other comprehensive income	43,816	38,911	49,430	49,382	38,789
Employer contribution	(23,012)	(23,012)	(23,012)	(23,012)	(23,012)
Net liability at end of	**79,150**	**74,245**	**84,764**	**84,716**	**74,123**

	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**	**Birr'000**
Net liability at start of period	**344,817**	**344,817**	**344,817**	**344,817**	**344,817**
Total net expense recognized in income statement	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	**39,833**	**37,437**	**42,617**	**42,612**	**37,392**

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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 staff is 6.50 years and for long term insurance staff is 7.3 years.

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

37 Ordinary share capital

	30 June 2019 Birr'000	30 June 2018 Birr'000
Authorized:		
250,000 ordinary shares of Birr 1000 each	500,000	250,000
Issued and fully paid:		
250,000 ordinary shares of Birr 1000 each	250,000	245,071
125,578 ordinary shares of Birr 1000 each	125,578	4,929
	375,578	**250,000**
Share premium	1,369	-

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

38 Earnings per share

Basic earnings pershare(EPS) is calculated by dividingthenet profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year

	30 June 2019 Birr'000	30 June 2018 Birr'000
Profit Attributable to the shareholders	**106,596**	**123,727**
Weighted Average number of ordinary share in issue	**315,801**	**247,200**
Earnings per share in BIRR	**0.34**	**0.50**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.There were noother transactions involving ordinary shares or potential ordinary shares between the reporting dateand of compilation of these financial statements.

39 Retained earnings

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
At the beginning of the year distributable earnings	73,179	40,528
At the beginning of the year un-distributable earnings	75,445	75,445
Profit/ (Loss) for the year	70,445	85,970
Transfer to legal reserve	(7,045)	(8,597)
Transfer to capital	(68,742)	(3,360)
Transfer to life fund	-	0
Dividend provided for	(4,819)	(41,362)
Total retained earnings- General business	**138,463**	**148,624**
At the end of the year un-distributable earrings	75,445	75,445
At the end of the year distributable earrings	**63,018**	**73,179**
Life business		
At the beginning of the year distributable earnings	33,980	10,231
At the beginning of the year un-distributable earnings	5,740	5,740
Profit/ (Loss) for the year	36,152	37,757
Transfer to legal reserve	(3,615)	(3,775)
Transfer to Capital	(12,055)	0
Dividend provided for	(22,439)	(10,233)
Total retained earnings- Life business	**37,763**	**39,720**

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At the end of the year un-distributable earrings	5,740	5,740
At the end of the year distributable earrings	32,023	33,980
	176,226	**188,344**

40 Legal reserve

	30 June 2019 Birr'000	30 June 2018 Birr'000
General business		
At the beginning of the year	50,074	41,477
Transfer from profit or loss	7,044	8,597
At the end of the year	**57,118**	**50,074**
Life business		
At the beginning of the year	7,647	3,871
Transfer from profit or loss	3,615	3,776
At the end of the year	**11,262**	7,647
	68,380	57,721

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.

41 Life fund reserve

	30 June 2019 Birr'000	30 June 2018 Birr'000
Lifebusiness		
At the beginning of the year	94,750	82,258
Transfer from/to retained earnings	4,356	12,492
At the end of the year	**90,394**	**94,750**

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

42 Actuarial (gain)/Loss of employee

	30 June 2019 Birr'000	30 June 2018 Birr'000
General Business		
At the beginning of the year	(941)	(492)
Gross gain/(loss)	78	(449)
Deferred tax asset/(liability)	259	282
Net gain/(Loss)	**(604)**	**(659)**
Life business		
At the beginning of the year	(16)	7
Gross gain/(loss)	(44)	(23)
Deferred tax asset/(liability)	18	5
Net gain/(Loss)	**(42)**	**(11)**
	(646)	**(670)**

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43 Cash generated from operating activities

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
Profit before tax		**121,179**	**132,272**
Adjustments for non- cash items:			
Depreciation of property, plant and equipment		12,301	8,640
Amortization of intangible assets		449	588
Amortization of prepaid lease obligation		95	
Remeasurement of employee benefit		-	(321)
Gain/(Loss) on disposal of property, plant and equipment		(115)	(28)
Gain on sale of equity		(254)	(53,971)
Defined employee benefit obligation		720	
Fixed asset adjustment		(2,059)	
Change in operational assets:			
-Decrease/ (Increase receivables arising out of reinsurance arrangements		(9,088)	734
-Decrease/ (Increase receivables arising out of direct insurance arrangements		555	433
-Decrease/ (Increase reinsurers' share of technical provisions and reserves		(20,560)	8,650
-Decrease/ (Increase deferred acquisition costs		(2,046)	(103)
Decrease/ (Increase) other assets		27,681	1,651
Decrease/(Increase) loan and receivables		203	
Decrease/ (Increase) salvage recovery		(7,359)	(5,058)
Defined employee benefit obligation		-	(35)
Deferred income tax		-	(1,124)
Change in operational liabilities:			
-Increase/ (decrease) insurance contract liabilities		53,128	44,419
-Increase/ (decrease) deferred reinsurance commission		4,577	(2,562)
-Increase/ (decrease) payables arising from reinsurance arrangements		6,833	12,079
-Increase/ (decrease) other liabilities		10,536	12,590
		196,776	**158,854**

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Proceeds on disposal	728	68
Net book value of property, plant and equipment disposed	613	40
Gain/(loss) on sale of property, plant and equipment	**115**	**28**

44 Related party transactions

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

a) Transactions with related parties

	30 June 2019 Birr'000	30 June 2018 Birr'000
Loan to key management personnel	656	754
	656	754

b) 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 June2019.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Salaries and other short-term employee benefits	7,939	5,383
Post-employment benefits	-	1,313
Termination benefits	-	-
Sitting allowance	972	576
Other expenses	**8,911**	**7,272**

45 Directors and employees

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

	30 June 2019 Number	30 June 2018 Number
Professionals and High Level Supervisors	32	51
Semi-professional, Administrative and Clerical	17	15
Technician and Skilled	-	-
Manual and Custodian	33	26
	82	**92**

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 2019 Birr'000	30 June 2018 Birr'000
10,000 -30,000	127	119
30,001 - 50,000	14	9
50,001 - 100,000	4	4
Above 100,000	-	-
	145	**132**

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46 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 probabilities of the Company's incurring related liabilities. The liabilities are recognized and recorded in the financial statement after;

a) Assessing the existence of a present obligation (legal or constructive) as a result of a past event;
b) Assessing the probability that an outflow of resources embodying economic benefits will be required to settle claim;
c) 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 116 cases amounting to Birr 16,303,624 is included in the current financial statement, However, 24 legal cases amounting to Birr 14,386,753 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 statement as at 30 June 2019.

47 Commitments

The Company has a capital commitment in connection with head office building at Tewodros Square site of Birr 35.80 million of the year 30 June 2019.

48 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 2019 Birr'000	30 June 2018 Birr'000
No later than 1 year	1,292	2,945
Later than 1 year and no later than 2 years	6,377	2,645
Later than 2 years but not later than 5 years	4,511	3,431
Total	**12,180**	**9,021**

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49 Currency

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

50 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 81.2 million net of deferred tax liability of Birr 16.5 million is included in the retained earning account. This represents the surplus on the revaluation of investment property and property and equipment.

51 Actuarial valuations

An actuarial valuation of the Company's Life business as of 30 June 2019 was carried out by our consulting actuaries, ZAMARA actuaries, administrator and consultant Limited. The valuation revealed Br40,089,180 for distribution from surplus to shareholders for the year ended 30 June 2019 and A revisionary bonus of 4% of the basic sum assured (Br14,000) to with profit ordinary life policies for each completed policy year over the inter-valuation period.

52 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 2019 and on the profit for the period ended on that date, which have not been adequately provided for ordisclosed.

53 COMPARATIVE FIGURES

The following comparatives figures have been reinstated as per IAS 8 paragraph 41 which states:
Material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

53.a Deferred tax

IAS 12 paragraph 20 states that:
In some jurisdictions the revaluation or restatement of an asset does not affect taxable profit in the period of the revaluation or restatement and, consequently, the tax base of the asset is not adjusted. Nevertheless, the future recovery of the carrying amount will result in a taxable flow of economic benefits to the entity and the amount that will be deductible for tax purposes will differ from the amount of those economic benefits. The difference between the carrying amount of a revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset.

This being the case the company had stated its motor vehicles and investment properties at fair up on conversion of its reporting framework from the local GAAP to IFRS. This revaluation of assets resulted in a surplus of Birr97,666,886. This surplus had been directly credited to retained earning in the period of conversion without accounting for the relevant deferred tax liability. The effect of this surplus had been ignored both in the comparative financial statement, i.e, June 2017 and in the first set of financial Statement, i.e, June 2018.
Besides deferred tax had not been recognized in the Long term business segment of the company throughout.

This being the case the Company had stated its motor vehicles and investment properties at fair up on conversion of its reporting framework from the local GAAP to IFRS. This revaluation of assets resulted in a surplus of Birr97,666,886. This surplus had been directly credited to retained earning in the period of conversion without accounting for the relevant deferred tax liability. The effect of this surplus had been ignored both in the comparative financial statement, i.e, June 2017 and in the first set of financial Statement, i.e, June 2018.
Besides deferred tax had not been recognized in the Long term business segment of the company throughout.

The above two errors have warranted the reinstatement of comparative figures of deferred tax liability, tax expense and retained earning of previous years. The relevant adjustments are as shown hereunder:

1) June 2017
Deferred tax Liability

	None Life Birr' 000	Life Birr '000	Total Birr' 000
Unadjusted balance	3,183.00		3,183.00
Adjustment	27,245	2,055	29,300
Reinstated balance	**30,428**	**2,055**	**32,483**

Retained earning

	None Life Birr' 000	Life Birr '000	Total Birr' 000
Unadjusted balance	131,152	17,129.00	148,281
Adjustment	(27,245)	(2,055)	(29,300)
Otheradjustment	192	(47)	145
Reinstated balance	**104,099**	**15,027**	**119,126**

2) June 2018
Deferred tax Liability

	None Life Birr' 000	Life Birr '000	Total Birr' 000
Unadjusted balance	2,059	-	2,059
Rolled over adjustment	27,245	2,055.28	29,300
Adjustment	(805)	2,994	2,189
Reinstated balance	**28,499**	**5,049**	**33,548**

Tax expense/income

	None Life Birr' 000	Life Birr '000	Total Birr' 000
Unadjusted balance	7,550	-	7,550
Adjustment	(805)	2,994	2,189
Reinstated balance	**6,745**	**2,994**	**9,739**

Legal reserve

	None Life Birr' 000	Life Birr '000	Total Birr' 000
Unadjusted balance	50,167	7,652.50	57,819
Adjustment	80	(299)	(219)
Reinstated balance	**50,247**	**7,353**	**57,600**

Retained earning

	None Life Birr' 000	Life Birr '000	Total Birr' 000
Unadjusted balance	161,921	43,657.00	205,578
Rolled over adjustment	(27,053)	(2,102.28)	(29,155)
Legal reserve adjustment	(80)	299.35	219
Adjustment	805	(2,994)	(2,189)
Reinstated balance	**135,592**	**38,861**	**174,453**

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Appendix F: Actuary's Solvency Certificate

The United Insurance Company S.C.

Actuarial Valuation as at 30 June 2019

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 2019 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

September 2019

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Appendix F: Actuary's Solvency Certificate

The United Insurance Company S.C.

Actuarial Valuation as at 30 June 2019

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 2019 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

24 Million Birr Claims Payment Effected to East African Tiger Brands Industries PLC to Fire Accident on Its Factory Warehouse.

Taking Part in Green Movement August, 2019

Creative Leadership Development Training Program ECA Conference Center Addis Ababa

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Market Outlets

City Branches

S/N	Branch Name	P.O.Box	Telephone Number		Fax
			Direct	Cell/Mobile	
1	Addis Ketema	183091	0112762575	0966215848	0112766868
2	AddisuGebeya	1156	0111546158	0929499116	0111547082
3	Arada	25869	0111558787	0966216356	0111558788
4	Arat-Kilo	1156	0111561162	0912507665	0111564798
5	Ayertena	1156	0113471798	0966216362	0113471799
6	Beklobet	17340	0116655225	0911236520	0114655246
7	Bole M/Alem	1156	0116625799	0966215868	0116625814
8	Bole Road	1156	0116504737	0929319578	0116504485
9	Gerji	1156	0116394699	0929319579	0116394698
10	Gofa	1156	0114703917	0966215867	0114703821
11	Gotera	1156	0114672211	0911254887	0114671630
12	Gulele	183091	0111559986	0966215854	0111579898
13	Head Office	1156	0111263434	0966216350	0111263953
14	Jemo	1156	0114713786	0929319580	0114713665
15	Kality	1156	0114423917	0966216359	0114423916
16	Kazanchis	1156	0115585047	0929319577	0115585038
17	Kirkos	42285	0118685721	0966216347	0115509898
18	Lancha	1156	0114655656	0929499112	0114671934
19	Legehar	1156	0115506052	0935986942	0115516788
20	Lideta	40045	0115545756	0966215860	0115545755
21	Lion	661/1110	0115515656	0911254889	0115534799
22	Megenagna	1156	0116180223	0966215859	0116180983
23	Mesalemia	50118	0112755268	0966215857	0112755271
24	Meskel Flower	1156	0114702028	0910270979	0114701855
25	Misrak	10164	0116628121	0966215866	0116623599
26	T/Haymanot	1156	0112766608	0966215858	0112139107

Up Country Branches

S/N	Branch Name	P.O.Box	Telephone Number		Fax
			Direct	Cell/Mobile	
1	Adama	896	0221113426	0911901091	0221120207
2	Bahir Dar	1082	0582201777	0918760209	0582201798
3	Bale Robe		0222440017	0966216354	0222440014
4	Bishoftu	1357	0114371634	0935986941	0114330925
5	Dessie	1185	0331111128	0966215861	0331111129
6	Dire Dawa	2199	0251110280	0966215865	0251114099
7	Gondar	39	0581114626	0935983424	0581114616
8	Hawassa	931	0462206610	0966215864	0462203793
9	Hossaena	419	0465552151	0966215863	0465553091
10	Jimma	1308	0471119440	0966215862	0471119490
11	Mekelle	1395	0344403934	0966215847	0344403933
12	Woldia	368	0334310647	0920182568	0334312603

Contact Offices

S/N	Branch Name	P.O.Box	Telephone Number		Fax
			Direct	Cell/Mobile	
1	Ambo		0112609559	0911894149	0112609434
2	Genet	1156	0115502956	0910432369	0115509898
3	Harar		0254663604	0913538440	0254663350
4	Shashemene		0462110819	0929499114	0462110523
5	Shalla	1156	0116358059	0911101416	0116358058
6	Sarbet	1156	0113852091	0913099939	0113852090
7	Debrebirhan		0116376552	0941622731	0116375423
8	Woliso		0113664276	0944702518	0113664839
9	Alemgena		0113871729	0988189664	0113871729
10	Semera		0333667815	0911292333	0333660140
11	Beshale	1156	0116683262	0929097759	0116660599
12	Kality Menaheriya		0114715917	0966215849	0114716938

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