ANNUAL REPORT

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2020/21

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THE UNITED INSURANCE COMPANY SC

Tomorrow's Company Today!

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2020/21

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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.

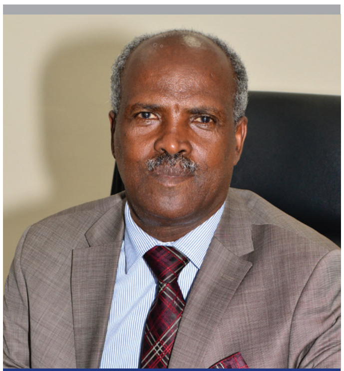
We uphold the value of fair Competition: Level playing Field and same Rule of the Game.

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


Ato Mulualem Berhane
Chairperson

BOARD
OF DIRECTORS


W/ro Akiko Seyoum
Vice Chairperson


Ato Abera Tassew


Eng. Samrawit Getamesay


W/rt Teguest Yilma


Ato Wondwosen Teshome


Ato Amare Gashaw


Ato Ayalew Alemu


Ato Alemayehu Gebre


Ato Yinebeb Derseh
Board Secretary

W/ro Meseret Bezabih
GM/ CEO

EXECUTIVE MANAGEMENT

W/ro Azalech Yirgu
DGM - Life & MEDEXIN

Ato Tesfaye Desta
DGM - Operations Non-Life

Ato Yealemayn H/Mariam
Controller

W/rt Bethlehem Mekbib
Director - U/W & Tec. Services

Ato Tilahun Tadesse
Director - Business Development and Marketing

Ato Engida Kassaye
Director - Finance & Investments

Ato Gizie Alemu
Director - HR & Admin

W/rt Rebecca Legesse
Director - Life & MEDEXIN

Ato Aliye Mohammed
Manager - IT Services

Ato Aron Kassaye
Manager - Legal Services

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NOTICE OF THE 27TH ORDINARY ANNUAL GENERAL MEETING AND 12TH EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 366(1), 367(1), 393 AND 394 OF THE 2021 COMMERCIAL CODE OF ETHIOPIA AND ARTICLE 3(4) OF THE COMPANY'S ARTICLES OF ASSOCIATION, NOTICE IS HEREBY GIVEN TO ALL SHAREHOLDERS THAT THE 27TH ORDINARY **ANNUAL GENERAL MEETING** AND **12TH EXTRAORDINARY GENERAL MEETING** OF SHAREHOLDERS OF THE UNITED INSURANCE COMPANY S.C <UNIC ETHIOPIA> WILL BE HELD AT THE **SHERATON ADDIS ON THE 11TH OF NOVEMBER 2021** FROM 9 A.M TO TRANSACT THE FOLLOWING BUSINESS;

1. AGENDA OF THE 27TH ORDINARY ANNUAL GENERAL MEETING OF SHAREHOLDERS
   - 1.1. TO CONSIDER AND APPROVE THE AGENDA ITEMS OF THE MEETING;
   - 1.2. TO APPROVE THE SALE AND/OR TRANSFER OF SHARES MADE UPTO AND INCLUDING NOVEMBER 10, 2021;
   - 1.3. TO CONSIDER THE 2020/2021FINANCIAL YEAR ANNUAL REPORT OF THE BOARD OF DIRECTORS;
   - 1.4. TO CONSIDER THE EXTERNAL AUDITORS REPORT FOR THE 2020/2021 FINANCIAL YEAR;
   - 1.5. TO APPROVE THE REPORTS STATED UNDER AGENDA 3 AND 4;
   - 1.6. TO DECIDE ON THE ALLOCATION AND DISTRIBUTION OF THE COMPANY'S PROFIT FOR THE 2020/2021 FINANCIAL YEAR TO SHAREHOLDERS;
   - 1.7. TO CONSIDER AND APPROVE THE APPOINTMENT OF EXTERNAL AUDITORS AND THEIR FEES;
   - 1.8. TO CONSIDER AND APPROVE ANNUAL BOARD DIRECTORS' REMUNERATION FOR THE 2020/2021 FINANCIAL YEAR AND THEIR MONTHLY TRANSPORT FEE FOR THE 2021/2022 FINANCIAL YEAR;
   - 1.9. TO CONSIDER THE REPORT OF THE NOMINATION AND ELECTION COMMITTEE MEMBERS OF THE BOARD OF DIRECTORS;
   - 1.10. ELECTION/RE-ELECTION OF BOARD OF DIRECTORS;
   - 1.11. CONSIDERATION AND APPROVAL OF REMUNERATION OF NOMINATION AND ELECTION COMMITTEE MEMBERS OF BOARD OF DIRECTORS;
2. AGENDA OF THE 12TH EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS
   - 2.1. TO CONSIDER AND APPROVE THE AGENDA ITEMS OF THE MEETING;
   - 2.2. TO INCREASE THE CAPITAL OF THE COMPANY AND DECIDE ON THE DISTRIBUTION AND METHOD OF PAYMENT;

By order of the Board

Yinebeb Derseh
Secretary to the Board
Dated 11th day of November, 2021
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 hold original and copy of renewed identity card, passport or yellow card for Ethiopian Diaspora.

CHAIRPERSON'S LETTER
TO SHAREHOLDERS

I am delighted to welcome you all on behalf of the Board of Directors and myself, to the **TWENTY SEVENTH ANNUAL GENERAL MEETING** of Shareholders of The United Insurance Company SC (<UNIC-ETHIOPIA>).

I feel very privileged and greatly honoured to chair this important meeting which takes place once a year in compliance with the provisions of the laws and the Memorandum and Articles of Association of the Company.

In line with the customary practice of the Company, the Board of Directors 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.

In spite of the multiple and overlapping political, economic, and social challenges the country has encountered during the year under report, the year 2020/21 had been a year of success for our Company. The economic slowdown owing to multiple factors; political instability in some parts of the country, inflation, locust infestations, shortage of foreign exchange, low investment activities and COVID-19 pandemic were some of the key challenges that had adversely impacted our Company's performance for the reporting year. Regardless of all the challenges faced, the Company attained most of the plans set at the beginning of the year and registered another round of success in 2020/21 financial year.

Life and Non-Life businesses combined, Gross Written Premium (GWP) for the year ended 30 June 2021 grew to ETB731,363,000 as compared to ETB597,404,000 in 2019/20. While ETB660,034,000 was generated from Non-Life business, Life insurance produced ETB71,329,000 during the reporting year, resulting in a combined GWP growth of 22.4% in 2020/21.

The consolidated net claims incurred (Life and Non-Life) had increased by about 20% to reach ETB288,243,000 in 2020/21 as compared to the previous year of ETB240,642,000. As the result, corporate Loss Ratio increased to about 60% as compared to 55% in 2019/20.

The Company continued to make positive Underwriting (Operational) Profit during the year under report. The combined Underwriting Profit from Life and Non-Life businesses grew to ETB212,276,000 in 2020/21 from ETB210,037,000 in 2019/20. Profit Before-Tax for the reporting year grew by about 15% to reach ETB169,925,000 from ETB147,767,000 in 2019/20. Similarly, the After-Tax Profit grew by 17% from ETB124,279,000 in 2019/20 to ETB145,116,000 for the reporting year (2020/21). Income tax expense for the year was computed to be ETB24,809,000 as compared to last year's figure of ETB23,487,000.

Even though the paid-up capital of the Company grew by about 8.5% to reach ETB473,416,000 in the current year (as at June 30, 2021) from ETB436,228,000 of the preceding year, the earnings per share (EPS) showed a modest growth of about 5.5% as compared to the preceding year. The EPS grew from 29.9% of the preceding year (2019/20) to 31.55% (2020/21).

The consolidated result of the Company for the reporting year was found to be remarkable given the multifaceted and very challenging economic and political environment the country has been witnessing during the year just ended.

The Board had been convening once a month and reviewed and approved annual business plan and budget as well as different policy documents and working manuals and resolved on matters of strategic importance. It held 12 regular meetings and several sub-committee meetings during the year under review from 1st July 2020 to 30th June 2021. Generally, the Board ensured that the operations of the Company had been running prudently, and in accordance with relevant laws, regulations, policies, and procedures.

Ethiopia's current situation and the year ahead seem challenging owing to the highly volatile political and economic situations in the country. However, we will try our level best to attain all the targets set for the coming year by leveraging on our several powerful strengths while countering our weaknesses. While threats are expected to dominate the landscape of the Company's operations, there are also opportunities to be exploited by the Company in the coming year such as government's decision to privatize some key public enterprises including opening up of the telecom sector. At this difficult time, the support and collaboration of key stakeholders, particularly of the shareholders is critically important to make our Company, once again, a standout performer in the market place.

The Board and management are committed to continue to explore different strategic options to achieve targets and aim to add value to shareholders in particular and all stakeholders in general. Despite the apparent challenges, we trust the future of our Company will be brighter than current realities may project and we are optimistic to emerge successful in the year ahead as well.

The Financial Statements of the Company were prepared in line with the International Financial Reporting Standards (IFRS) and other applicable laws. In accordance with Article 3.4 of the Company's Articles of Association as amended by the First Annual General Meeting of Shareholders which was 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 2021.

In accordance with Articles 393 and 394 of the newly revised Commercial Code of Ethiopia, Proclamation No. 1243/2021 and Section-II, 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 2021.

Finally, may I take this opportunity to express my sincere gratitude and gratefulness to our esteemed customers who have vested great trust in our Company and shown their loyalty throughout the year; our shareholders, fellow Directors, the Management and the entire staff of <UNIC-ETHIOPIA> who made this success possible; the government, particularly the Supervisory Authority, NBE, for all-rounded support and direction; the reinsurers and other partners for their persistent backing.

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

THE UNITED INSURANCE COMPANY SC

REPORT OF THE BOARD OF DIRECTORS

PARTNER

Ethiopian | ShebaMiles

PRINCIPAL BANKERS

Hibret Bank

Commercial Bank of Ethiopia

REPORT OF THE BOARD OF DIRECTORS

In preparation of the Report of the Directors, as usual, we followed the Company's long-established reporting set-up. As was in the past, the **Twenty Seventh 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 Planning and Development Commission of the Federal Democratic Republic of Ethiopia (FDRE), the real annual growth rates of the major economic sectors, i.e., agriculture, industry and services were 4.3%, 9.6% and 5.3%, respectively, in 2019/20. The mining and quarrying output increased by 91.4% during the period. This impressive growth rate was partly due to the very conducive policy measures taken by the National Bank of Ethiopia (NBE) which incentivized the miners to opt more for the formal markets for exporting their produce.

The latest World Bank (WB) economic report shows that Ethiopia's economy experienced strong, broad-based growth averaging 9.4% a year from 2010/11 to 2019/20. The main drivers of growth were agricultural production and services, sustained by foreign development aid. According to the report, Ethiopia's real gross domestic product (GDP) growth slowed down to 6.1% in 2020, down from 8.3% in 2019, largely due to COVID-19 pandemic. Industry, mainly construction, and services accounted for most of the growth. Agriculture was not affected by the COVID-19 pandemic and its contribution to growth slightly improved in 2019/20 compared to the previous year. The adverse impact of the COVID-19 pandemic on economic activity is expected to continue in financial year 2021, prior to experiencing possible rebound in financial year 2022 and beyond.

The International Monetary Fund (IMF) expects the GDP growth to be nil in 2021, before picking up at 8.9% in 2022, subject to the post-pandemic global economic recovery. Public debt is expected to increase and may force the government to restructure the nation's debt (IMF).

However, according to the African Development Bank Group, the real GDP growth in 2021 is projected to fall to 2%, and then recover to about 8% in 2022, led by a rebound in industry and services. Monetary policy is expected to remain flexible in response to the government's financing requirements. Increased use of open-market operations is expected to reduce inflation gradually.

Like the rest of the world, Ethiopia has been experiencing the unprecedented social and economic impact of the COVID-19 pandemic. The COVID-19 shock is expected to be transitory with potential recovery possible in the coming year, but the overall adverse economic impact on Ethiopia will be substantial. The economic impact of COVID-19 includes the increased price of basic foods, rising unemployment, slowdown in growth, and increase in poverty.

The Ethiopian Birr (ETB) has continued to depreciate against all major currencies on annual as well as quarterly basis. Further, the acute shortage of foreign currency has also continued to compound the problem. In particular, the shortage will deter industries from producing more for both local markets and exports.

According to the UN Conference on Trade and Development's Investment Trends Monitor, Ethiopia saw a decline in foreign direct investment (FDI) inflows during 2020 as a result of the COVID-19 pandemic. FDI in Ethiopia has taken a hit from the COVID-19 pandemic, but seems to be holding on, and the government is betting on it as part of the country's future. However, there is still a long road ahead for post-pandemic economic recovery and the ongoing conflicts and political instability in the country will not make it easy either.

As per the Central Statistical Agency's (CSA) report, the country-level overall inflation rate rose by 20.2% in June 2021 as compared to the one observed in a similar period a year ago. The monthly report further stated that the country-level food inflation rate increased by 23.1% as compared to last year same period while non-food inflation rate increased by 16.4%. The twelve months moving average inflation rate showed the longer term inflationary situation. Inflation had been fuelled by a supply-side shortage, mainly as a result of the conflicts in the northern and other parts of the country. Inflation was a major threat for macroeconomic stability during the last year and will remain as one of the major challenges in the year to come as well. The IMF forecasted the inflation to decrease to 11.5% in 2021 and 8% in 2022.

Though the government is in the process of privatizing some of the state-owned businesses (e.g. Ethio Telecom) and moving more towards a vibrant market economy, the public sector still holds a predominant role in the economy.

The Ten-Year Perspective Development Plan (TYPDP) of the country which will run from 2020/21 to 2029/30 was already approved by the House of Peoples Representatives. The plan aims to sustain the remarkable economic growth achieved under the previous Growth and Transformation Plans (GTP I & II). One of the strategic pillars of the TYPDP is to ensure private sector's leadership in the economy. The government aims to expand the role of the private sector through attraction of foreign direct investment (FDI) and development of industrial parks to make Ethiopia's growth momentum more sustainable. Among others, the plan envisages to create conducive investment climate and incentivize domestic investors in key sectors. It also intends to build strong and market-led public-private partnerships (PPP). The plan predicts average annual GDP growth of 10% during the period.

The short and medium term economic outlook of the country is contingent on the resolution of the COVID–19 crisis, the pace of the economic recovery, and such other shocks as civil strife and climate change. As key macroeconomic and structural reforms are to be fully implemented by 2022; foreign direct investment, exports, and economic growth are expected to strengthen in the medium term (WB), holding all other things normal.

1.2. THE INSURANCE INDUSTRY PERFORMANCE

According to the data obtained from NBE, the number of insurance companies stood at 18, of which 17 were private and one state-owned. Out of the 18 insurance companies currently operating in Ethiopia, 10 were composite and 8 general insurers. As of June 30, 2021, the total branches of the insurers increased to 635 from 605 a year ago, showing a modest growth of about 5%. Of the total branches, about 56% were situated in Addis Ababa.

The total assets of the insurance industry increased by nearly 25% to reach ETB39.064 billion (ETB2.789 billion for Life and ETB36.275 billion for Non-Life) as at the year ended June 30, 2021.

Registering a growth of about 19%, the industry's total paid-up capital grew to ETB5.899 billion in 2020/21 from ETB4.971 billion in 2019/20. The total paid up capital for Life business increased to ETB301 million from ETB297 million of the previous year. Similarly, the Non-Life business's paid up capital grew to ETB5.598 billion from ETB4.674 billion of the preceding year.

Market Gross Written Premiums (GWP), Life and Non-Life combined, grew considerably by about 24% to reach ETB13.874 billion at the close of business on 30 June 2021. Life business increased markedly from ETB579 million in 2019/20 to ETB959 million in 2020/21, shot up by close to 66%, while Non-Life also grew significantly by 22% to reach ETB12.915 billion from ETB10.579 billion of the preceding year.

Accounting for 93%, Non-Life insurance business continued to take the lion's share of the premium portfolio, ETB12.915 billion Non-Life premium against ETB959 million for Life for the reporting year.

The market loss ratio in respect of Non-Life insurance decreased to 57% in the year under review from 62% in 2019/20. At 61%,<UNIC-ETHIOPIA>'s loss ratio was computed to be slightly higher than the industry average. With regard to Life insurance, market loss ratio remained constant at 58% for the preceding as well as the reporting year. Our loss ratio for Life insurance, at 43%, was by far less than the industry's average for the year under report.

The Ethiopian insurance industry is characterized by cutthroat and brutal competition in which all competitors are engaged in protracted price wars that are mutually destructive to profitability. The battle for market share is so vigorous that the profit margins of most industry members remained very tiny. Premium rates undercutting is considered as the only viable competitive strategy for industry members. This critical problem of the insurance industry will only be solved by setting floor premium rates. In this regard, expediting the actuarial study being conducted and implementing it soon is of paramount importance to rescue the industry.

1.3. STATUS REPORT ON MATTERS HAVING IMPACT ON THE INSURANCE INDUSTRY

Every year, <UNIC-ETHIOPIA> has a tradition of indicating pertinent and significant issues impacting the insurance industry in one way or the other. The Company's Annual Report of Directors attempts to shade some light on such important matters. Unless appropriate measures are taken by the concerned organs, we continue to state them in our reports even though it may sound redundant.

The country has continued to make legal reforms in the last couple of years in general and particular attention was also given to reforms in the financial industry's legal framework. The most relevant changes that were made in terms of legal/regulatory issues are noted below:

More close to businesses, the endorsement of the New Commercial Code which replaced, in part, the over sixty years old Code was one of the most prominent of the legal reforms introduced by the government in recent past. In addition, the newly adopted Capital Market Proclamation constitutes another milestone move in the country's agenda to stimulate economic development. The two important pieces of laws are expected to add further optimism to the business community at large and the private sector including the financial industry in particular.

With the view to bring the insurance industry more onboard, the NBE, very recently, required the Association of Ethiopian Insurers (AEI) to submit what NBE referred to as "The Roadmap for the Insurance Industry", which will be made part of the government's 10-Year Perspective Development Plan. The AEI proposed policy measures to be taken by the government to help the development of the Insurance Industry, the following are the major policy proposals submitted with detail justifications to NBE:

- Open the industry to foreign nationals or investment;
- Install independent insurance regulatory commission;
- Consolidation of the insurance industry's major mainstream duties and responsibilities divided among and scattered over several entities; like compulsory motor third party insurance, pension fund administration and health insurance management and the like;
- Put in place policy framework to enhance insurance capacity development;
- Craft policy to improve insurance distribution system development and
- Introduce changes in liability law.

During the reporting fiscal year, NBE issued different Directives having positive or unfavorable impacts on the insurance industry. Most probably, the last year was the year in which the regulator issued the highest number of Directives ever. We will try to briefly touch upon some of them as follows:

Directive No. STB/1/2020: A Directive to License a Takaful Operator or Authorize a Takaful Window Operator.

The Directive established a mechanism for regulating Takaful business (Islamic or Sharia-compliant insurance) and set requirements and minimum standards for operation of Takaful business. It permitted the existing insurance companies to transact Takaful business through a Takaful window or branch alongside conventional insurance business. The establishment of a separate full-fledged Takaful operator was also allowed.

Since coming into force of the Directive (as of the 15th day of June 2020), two insurance companies have started Takaful window operation. Our Company is in the process of establishing Takaful (window) operations and most likely will launch the product in the second quarter of the financial year 2021/2022 after product approval by NBE. No full-fledged Takaful operator was formed as of now.

Directive No. SIB/51/2020 (1st Amendment): Prohibition of Issuance of Certain Types of Bonds by Insurance Companies.

The Directive allowed the NBE to grant exemption, where appropriate, from the restriction imposed on issuance of unconditional bonds. The Directive entered into force as of the 4th day of August 2020. Issuance of unconditional bonds was totally prohibited under the previous Directive (Directive No. SIB/24/2004). The exemption might work only for Customs Guarantee Bond applicable to COMESA (Common Market for Eastern and Southern Africa) member countries; same policy will be developed with other member countries to enhance cross boarder businesses.

Directive No. SIB/52/2020: Amendment to Investment of Insurance Funds.

This Directive came into force as of the 4th day of August 2020. Although the title reads amendment to investment of insurance funds, virtually no significant amendment was made to the previous Directive. The Directive requires insurance companies to invest not less than 60% of their total admitted assets in treasury bills and bank deposits. The new Directive reduced the limit from 65% to only 60%. This may expose the Company to higher financial risks and endanger the safety of its investment. At worst, the Directive requires not to invest more than 10% of its total assets in purchase or construction of buildings exclusively or predominantly used for rent (real estate) and capital appreciation. In this regard, no change was made to the threshold indicated in the previous Directive. Taking this opportunity, we appeal to the NBE to revise the Directive by considering the existing realities of the insurance industry.

Directive No. FCP/01/2020: Financial Consumer Protection.

This directive came into force as of the 25th day of August 2020. The primary objective of the directive is to build trust and confidence of financial consumers which in turn promote financial inclusion, healthy financial transactions, and stimulate growth, stability, ethical innovation and efficiency in the financial system. It established financial consumer protection regulation, supervision, complaint handling and dispute resolution mechanisms.

Among others, the directive prohibits the financial service providers from requiring their customers to take out insurance policies from a particular insurer. This is a positive development from the government side and paves the way for level playing field and same rule of the game.

Directive No.: SIB/46/2018 Limits on Board Remuneration and Number of Employees who sit on the Board of an Insurer (as Amended)

The Directive was issued to revise the remuneration payable to Directors in consideration of the evolving circumstances and to also separate board and executive functions, so as to ensure proper check and balance. Accordingly, the Directive put a limit on the annual compensation and monthly allowance amounts to be paid to Directors. The Directive also prohibits any employee from being elected to or becoming a Director of an insurance company.

The decision that no employee of an insurer shall have a seat on the board can be regarded as appropriate and right for obvious reason. However, part of the Directive that sets remuneration for Directors has remained the subject of concern for our Company. Apart from the monthly transport allowance, the fixed annual remuneration determined by the NBE would by no means be adequate given the huge responsibilities the Directors shoulder. The remuneration lacks to take into consideration, for example, the size of the financial institution (as risks and responsibilities increase with width and breadth of the Company) and the economic situation of the country where the purchasing power of the Birr has continued to deteriorate with time.

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. We are of the opinion that the remuneration should match up with the performance of each insurer and the changing economic realities at any given time.

The Challenges of Uneconomic Premiums

As in the preceding years, unfortunately, the year under report also came to an end with no change taking place in the price-driven industry's competitive marketplace. Insurers continued to engage in premium undercutting to attract new businesses or retain existing ones with the view not to lose customers or keep hold of existing market position for better or else to grow market share at best.

While the cost of doing business in general and prices of vehicles spare parts in particular are skyrocketing due to the growing rate of inflation, premium rates are ever decreasing owing to unethical business practices. The adverse outcome of premium undercutting would be the ultimate cost insurers would be forced to pay by way of exorbitant claims that could be expected to grow to levels that could threaten their very existence overtime.

Needless to point out, the lasting remedy to this problem is setting floor premium rates which are mutually beneficial to all stakeholders. In this regard, timely finalization of the actuarial study on minimum premium rates for all classes of business and implementing it without further delay (after getting approval of the NBE) is of paramount importance for the sustainability of the Ethiopian insurance industry.

The Directors wish to seize this occasion to sincerely thank NBE for the unreserved support and due attention it has given to this critically important issue that would have the potential to stabilize the market for assured sustainability.

Once again, <UNIC-ETHIOPIA>would like to reaffirm its position and commitment to extend any assistance required to realize the determination of minimum rates for the good of all concerned. Time is of essence in this regard.

2. THE COMPANY'S PERFORMANCE

2.1. OPERATIONAL AND FINANCIAL PERFORMANCE AND RESULTS

2.1.1. Gross Written Premium and Underwriting Result (Combined)

Life and Non-Life businesses combined, Gross Written Premium (GWP) for the year ended 30 June 2021 grew to ETB731,363,000 as compared to ETB597,404,000 in 2019/20 amidst the multiple and overlapping challenges encountered during the year under report. While ETB660,034,000 was generated from Non-Life business, Life insurance (Long-term insurance) produced ETB71,329,000 during the reporting year. The combined GWP grew by 22.4% in 2020/21.

The consolidated net claims incurred (Life and Non-Life) had increased by about 20% to reach ETB288,243,000 in 2020/21 as compared to the previous year of ETB240,642,000. As the result, corporate Loss Ratio increased to about 60% as compared to 55% in 2019/20.

The Company had continued to make positive Underwriting (Operational) Profit during the year under report. The combined Underwriting Profit from Life and Non-Life businesses grew to ETB212,276,000 in 2020/21 from ETB210,037,000 in 2019/20.

The major reasons for increase in claims ratio is ever-escalating cost of goods and services in general and skyrocketing prices of spare parts in particular on the one hand and continual under pricing of risks due to stiff competition among insurers and increase in the frequency and severity of road accidents on the other. It is only insurance premium that goes down while prices for other goods and services are continually going up in leaps and bounds.

2.1.2. NON-LIFE BUSINESS

Gross Premiums Written

As at 30 June 2021, the Company's Non-Life premium had reached ETB660,034,000, registering a commendable growth of nearly 20% over that of the previous year (ETB551,594,000). All classes of business recorded growth during the financial year under report with the exception of Accident/Health class of businesses which registered negative growth of 5%. The highest growth of 121% had occurred in the 'Miscellaneous' class of businesses comprising of insurance products with small premiums; followed successively by Pecuniary which grew by 46%; Marine by 32%; Fire and General Accident by 23%; Motor by 15%; Engineering by 11%; and Liability by 3%.

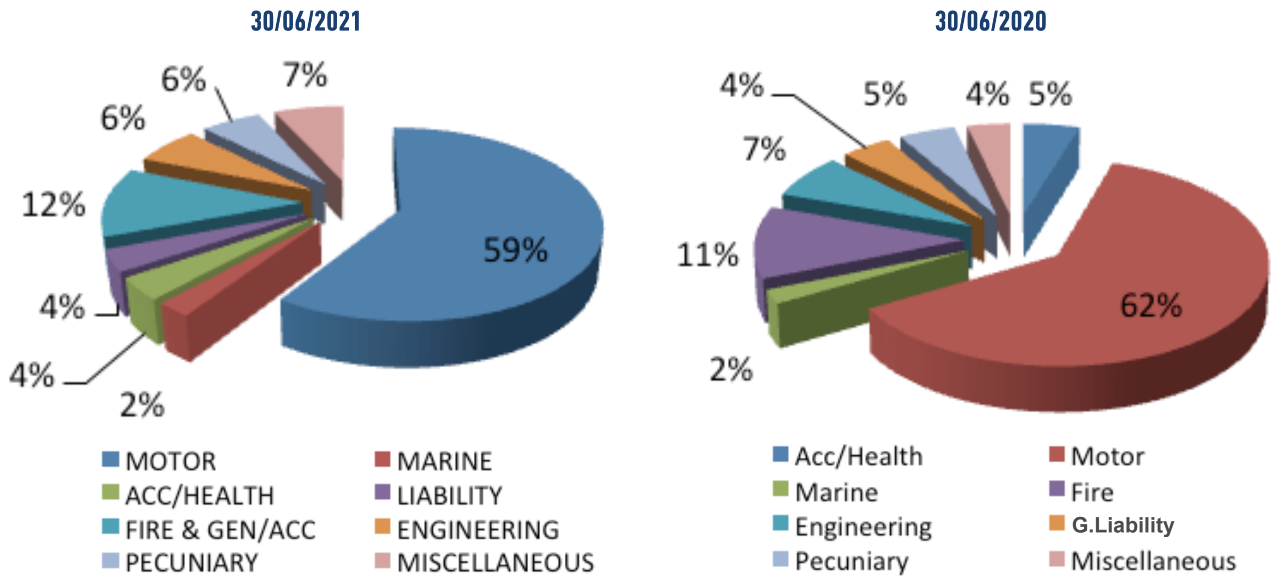
The Company attained commendable results in premium income despite the multifaceted challenges encountered during the year under report.

Portfolio Mix

As usual, Motor class of business had continued to dominate the total premium portfolio of the Company accounting for 59% as at 30 June 2021, not a significant decrease relative to the preceding year which was computed to be 62%. The decreasing trend in motor portfolio is encouraging and it is in tandem with the Company's strategy to diversify its business portfolio by focusing more on less risky classes of business.

Fire and General Accident classes of business became a far off second with a share of 12% (against 11% of last year) followed by the Miscellaneous classes of business with a share of 7%. Engineering and Pecuniary classes of business took a share of 6% each while Liability and Accident/Health accounted for 4% each. It was Marine class of business that contributed the least to total GWP, only 2%. This least contribution by Marine class of business was mainly attributable to the shortage of foreign currency.

COMPARATIVE PREMIUM STRUCTURE /PORTFOLIO MIX



Claims and Profitability – Loss Ratio and Underwriting Surplus/Deficit

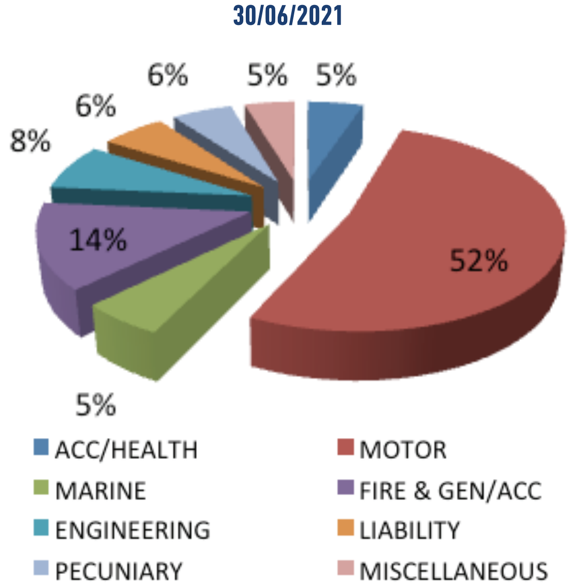
The Company's overall claims ratio for Non-Life business showed a notable increase for the year that ended on 30 June 2021. Loss Ratio for Non-Life Business of 2020/21 was computed to be 61%, showing an increase by 5 percentage point from what it was in 2019/20 (56%). There is a natural tendency for claims to grow normally along with increase in written premiums. Furthermore, uneconomic premiums charged in acceptance of risks in response to stiff competition and upsurge in the frequency and severity of road accidents coupled with the escalating motor repair costs continued to be the major challenges for the loss ratio to be on the high side, particularly for motor classes of business at 69% (against 66% of last year).

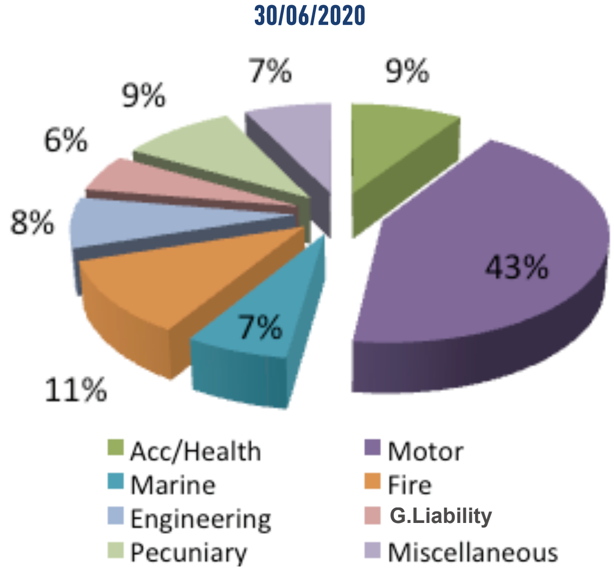
The total Non-Life Underwriting Profit for the year 2020/21 slightly decreased to ETB186, 054,000 from the previous year of ETB187,557,000. One of the reasons for the decline of Underwriting Profit was the increase of unearned premium by ETB37,168,000 (18%) from ETB212,140,000 in 2019/20 to ETB249,308,000 in 2020/21, which will be converted to income through time. It should be noted that all classes of business underwritten during the year under report yielded positive result to the Company's Underwriting Profit.

As was in the preceding year, Motor class of business was the largest contributor to the Underwriting Surplus /Profit of the year under report. Constituting about 59% of the Company's total premium portfolio, Motor contributed about 52% (against 43% of last year) to this year's underwriting surplus.

This was followed by a very far second contribution of Fire and General Accident classes to the Underwriting Profit by 14%; Engineering by 8%; Pecuniary and Liability by 6% each; and Accident/ Health, Marine and Miscellaneous classes of business by 5% each.

COMPARATIVE UNDERWRITING SURPLUS/DEFICIT





2.1.3. LIFE & MEDEXIN – PREMIUM GROWTH AND OVERALL PERFORMANCE

At the close of the financial year on 30 June 2021 and as per the latest actuarial valuation undertaken following the closing date, the Company's long-term business (Life Insurance) registered a tremendous growth of about 56%, generating a GWP of ETB71,329,000 during the reporting year as compared to ETB45,811,000 in the preceding year. The loss ratio for the year was about 44%, far below the industry's average of 58%. This was an exceptional achievement attributable to the underwriting prudence and skills of our Life Department which deserve appreciation.

The Company submitted Financial Statements of the long-term business for the year ended 30 June 2021 to external actuarial firm for valuation in compliance with NBE Directive and accepted practices. Accordingly, an actuarial valuation of the Company's Life business as of 30 June 2021 was carried out by Kenya based consulting actuaries, ZAMARA Actuaries, Administrator and Consultant Limited. The valuation revealed ETB44,000,000 for distribution from surplus to shareholders for the year ended 30 June 2021. We are very much thankful to the actuarial firm for professional valuation it carried out and for producing relevant certificate thereon in good time.

2.1.4 CONSOLIDATED RESULTS: PROFIT – LIFE AND NON-LIFE

Profit Before-Tax for the reporting year grew by about 15% to reach ETB169,925,000 from ETB147,767,000 in 2019/20. Similarly, the After-Tax Profit grew by 17% from ETB124,279,000 in 2019/20 to ETB145,116,000 for the reporting year (2020/21). Income tax expense for the year was computed to be ETB24,809,000 as compared to last year's figure of ETB23,487,000.

The consolidated result for the reporting year was found to be commendable given the very tough economic and political environment the country had been witnessing for some years in recent past. Even though the paid-up capital of the Company grew by about 8.5% to reach ETB473,416,000 in the year under report from ETB436,228,000 of the preceding year, the earnings per share (EPS) showed a modest growth of about 5.5% as compared to the preceding year. The EPS grew from 29.9% of the preceding year (2019/20) to 31.55% (2020/21).

2.2 INVESTMENTS CONSOLIDATED (LIFE AND NON-LIFE)

The Company owns four buildings, namely, Headquarters Building at Tewodros Square, Multi-purpose Building at Kality, Commercial Building at Bole Medhanealem, and Commercial Building at Bahirdar. The total rent income grew by about 17.5% to reach ETB40,331,000 in the current year from ETB34,312,000 of the preceding year due to the additional rent income. Rent income generated from the buildings not only augmented our revenue, it also helped make huge savings in rent expense that otherwise would have been paid for the Head Office and some of our branches.

Almost all spaces on the commercial buildings of the Company are occupied, except some at Kality building. We are making every effort to let out the remaining spaces as much as possible. More than half of the spaces of Kality building had already been leased out. Lack of demand in the area coupled with massive public road construction underway were the major problems not to let out the entire space. Since the road construction is being completed, we are optimistic to get lessees in the near future.

Income from dividend had shown a significant growth of about 29% and reached ETB29,161,000 in 2020/21 from ETB22,641,000 of 2019/20. Dividend income had accrued to the Company during the reporting period from equity investment in shares of United Bank SC and Ethiopian Reinsurance Company SC. However, no dividend income was generated from similar investment in Habesha Cement SC as of yet. The Company also earned substantial income from interest on time deposits maintained at various banks.

2.3 HUMAN RESOURCE DEVELOPMENT

People have always been central to <UNIC-ETHIOPIA>. We consider employees as one of the most valued assets of the Company. The Company's human resource strategy is based on ideas and procedures developed to increase employee motivation, productivity and performance. We believe that the most satisfied, highly motivated and loyal employees can contribute to not only increased production but also customer service quality. Cognizant of this fact, the Company recruits, hires and retains skilled and competent workers who work productively and add value to the Company. As equal opportunity employer, the Company is committed to its consistent and persistent policy of attracting and retaining the best professionals in the industry. Such a policy together with thoughtful investment in human capital helped the Company harness the commitment and dedication of its entire workforce in order to make sure that the continuity of growth and lasting success is kept on track. <UNIC-ETHIOPIA> reiterates its commitment to maintain its well-rooted corporate culture in creating merit-based job opportunities for all Ethiopians.

On 30 June 2021, the Company's total staff strength stood at 434 employees. Out of the total, 219 or almost 51% were women and the rest, 215 or about 49%, were men. The gender mix remained almost the same as in the preceding years.

The total staff was composed of 412 (nearly 95%) regular employees and 22 (about 5%) casual workers as at 30 June 2021. The proportion of casual workers dropped to 5% for the reporting year from 7% in the preceding year. In terms of education, out of the total, 292 staff were degree holders (36 having second degree while 256 holding first degree), 72 had Diplomas while 70 held Certificates or pre-college papers.

<UNIC-ETHIOPIA> is well aware of the fact that its success increasingly depends on the knowledge, skills, and abilities of its employees. Therefore, the Company provides continuous training and management development programs to its employees to enhance their job performance. 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. Accordingly, during the year under report, various trainings were given to 218 staff members including senior management. Of the total, 35 staffs participated in in-house training and all the rest had attended short-term local trainings on various topics. No employee was sent for overseas training during the year under report. Staff training expense incurred stood at ETB1,398,000 during the reporting year as compared to ETB1,932,000 in 2019/20. Less was expended on training relative to the last year primarily because of COVID-19 pandemic which hindered local training institutions to operate at full capacity and also made overseas travel difficult.

As at 30th June 2021, 44 employees have resigned making employee turnover rate to be about 10% while it was about 5% last year same period. As per exit-interviews conducted with the resigned staff, most of them left the Company looking for better pays. In order to abate this alarming situation, the Company has recently made reasonable salary adjustment to make its remuneration package competitive by considering the ever rising cost of living. We believe that this would enable the Company to attract and retain qualified and competent staff.

We would like to point out that the Company had firmly stuck to its corporate culture of maintaining conducive working environment which is characterized by family-like relations among employees. We are of the opinion that this culture greatly helped sustain friendly, smooth, harmonious and collaborative relationships among the entire workforce.

2.4 MARKET AND BUSINESS DEVELOPMENT

During the year under report, we opened only one contact office at German Adebabay area in Addis Ababa. Accordingly, at close of the year on 30 June 2021, the number of market outlets – branches and contact offices - grew to 52 (40 full-fledged branches and 12 contact offices).

Our plan for the year was to open more offices based on market assessment. However, we were later forced to temporarily suspend the expansion in the interest of cost minimization. We will continue reaching out to important locations, both in the city and in the upcountry, by way of opening market outlets as situations change and as deemed necessary.

During the reporting year, 14 new sales agents were trained and/or licensed 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.

2.5 IT DEVELOPMENT

The online sales of Life Insurance to domestic workers traveling to Arab countries resumed during the year. It is to be recalled that the business was disrupted or interrupted due to the outbreak of COVID-19 pandemic in the second half of the preceding year. The system is quite reliable and about 55 employment agencies are working from their office by using our online system.

As part of its business continuity strategy in the face of COVID-19 pandemic, the Company developed online insurance policy renewal system including user's guide and made it public for use or application. Customers can renew their policies online from wherever they are without any physical contact.

The biometric devices were installed at the Head Office for employees' attendance and were put to use.

The Company is at the verge of finalizing the project to automate its Human Resource and Fixed Assets Management Systems. The systems will become operational shortly.

Our Company uses IT as a strategic tool to make its business easy, simple, accessible and reliable. In this regard, several applications were developed in-house and put to use.

The Company has planned to purchase a new system or upgrade the existing one in the next budget year. Accordingly, system requirements specifications are being prepared to expedite the procurement process.

3. CORPORATE GOVERNANCE

<UNIC-ETHIOPIA>'s members of the Board of Directors were nominated and elected through a transparent process handled by an independently organized Nomination and Election Committee. The Board consists of 9 members fulfilling a mixture of gender and core competencies, representation of the interest of non-influential shareholders, educational qualification and experience as per the Corporate Governance Directive of the NBE.

The full Board had been convening once a month and reviewed and approved annual business plan and budget as well as different policy documents and working manuals and resolved on matters of strategic importance. It had 12 regular meetings during the year under review from 1 July 2020 to 30 June 2021.

The Board had been assessing the performance of the Company quarterly based on the reports presented to it by the Management and was giving strategic direction to the Company.

The Board had also been strictly following-up the implementation of findings and recommendations of the on-site examination and off-site surveillance reports of the NBE, external auditor, internal audit and risk management and compliance.

The Board ensured that appropriate and timely actions were taken to address the regulatory and supervisory concerns and instructions of the NBE.

The Board had also ensured that effective internal audit system, staffed with qualified personnel to perform internal audit functions is put in place.

The Board had been overseeing the operational and administrative affairs of the Company in light of the emerging risks and opportunities.

The Board has four Sub-Committees, i.e. Audit Sub-Committee, Risk Management and Compliance Sub-Committee, Human Resource Affairs Sub-Committee and Business Development Sub-Committee. All the Sub-Committees had been functioning effectively throughout the year under report. The Sub-Committees were effectively discharging the duties and responsibilities entrusted to them by the Corporate Governance Directive of the NBE and had been regularly reporting their resolutions to the full Board.

Following the decision of the eleventh Extraordinary General Meeting of Shareholders held on 27 November 2018 to increase the paid-up capital to ETB500,000,000 until November 2022, the capital had reached ETB473,416,000 at the close of business on 30 June 2020.

Generally, the Board ensured that the operations of the Company had been running prudently, and in accordance with relevant laws, regulations, policies, and procedures.

4. FUTURE PROSPECTS

In spite of the multiple and overlapping political, economic, and social challenges the country has encountered during the year under report, we could see a glimmer of light at the end of the tunnel.

The Ten-Year Perspective Development Plan of the country envisages expanding the role of the private sector by building strong and market-led public-private partnerships. The plan predicts average annual GDP growth of 10% during the period. If executed as intended, the plan would certainly bring meaningful changes and development for the country as a whole which ultimately helps business to thrive in general.

The adverse impact of the COVID-19 pandemic on economic and social activities is transitory with potential recovery possible in the coming years. Now that the life-saving COVID-19 vaccines have reached billions of people worldwide, the spread of this deadly virus may subside in a couple of years to come. As a result, it is expected that the economy will experience a rebound in the financial year 2022 and beyond.

The IMF forecasted that the GDP would flatten at zero percent in 2021, before picking up at 8.9% in 2022, subject to the post-pandemic global economic recovery. Although, no officially published economic report of the country has come out for the year 2020/21 as of yet, we are highly optimistic that there will be positive economic growth in the year ahead, all other things being equal.

Several new conventional and interest free banks are under formation and some of them have already secured their license from the NBE and started operations. The biggest microfinance institutions in the country are also evolving into commercial banks. This is the opportunity to be exploited by our Company and requires closely working with the banking sector in general and with the newly established ones in particular.

Following its privatization program, the government has recently granted a telecom license for one of the two additional new telecom operators and took further decision to float another bid in the near future to give the second license to another operator. In addition to modernizing the telecom sector, the opening up of the market will also create additional employment opportunities besides expansion and improvement in connectivity and the quality of services. Privatization generally increases government budget, lowers its indebtedness and strengthens market economy. Therefore, government's privatization program can be considered as an opportunity for private insurers to secure more businesses.

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 is expected to create supportive business environment for the industry to grow and thrive.

The Company is renovating its Bole Medhanealem building in order to create more space and enhance the occupants' comforts by bringing the building up to latest technical standards. Undoubtedly, the refurbishment work will not only improve appearance of the building, it will also help the Company earn additional rent income starting 2021/22 budget year. More investment in real estate would be difficult due to the restrictions imposed by the newly amended Investment Directive of the NBE. We continue appealing to the NBE for revision of the amended Directive in light of economic realities of the country, experience of the insurance industry and protection of the rights of policyholders.

The Company will continue investing in equity shares of different firms based on their viabilities. After appraisal of the feasibilities of the projects 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.

The Company will also continue developing strong product innovation capacity and make new insurance products available to the market by offering wider product selection to customers based on new developments in the marketplace and in response to specific needs and expectations that may arise from customers. In this regard, our Company is in the process of establishing Takaful (Sharia-compliant insurance product) window operations and most likely will launch the product in the second quarter of the financial year 2021/2022. It is expected that the Company may get additional income from this new product in the coming year.

Strengthening the online services, enhancing personal-selling by way of deploying or engaging intermediaries, promoting the company using different cost-effective media outlets are just some of the approaches to be pursued to remain successful in the years ahead.

The existing IT system of the Company is becoming outdated and therefore should be upgraded or replaced by a new one to enhance competitiveness. Thus, the Company has planned to purchase a new system or upgrade the existing one in the next budget year. The upgrading of our IT system will enhance customer service; improve management information system, and the overall integration of operational activities of the Company. The procurement process for the proposed system will be finalized in the coming budget year pending its full implementation in the subsequent period.

In <UNIC-ETHIOPIA>, human resource development is one of the primary concerns. Accordingly, the Company will continue focusing on staff development and capacity building at all levels by providing trainings and management development programs (both locally and overseas).

Customers' price sensitivity coupled by stiff competition which is mainly characterized by premium undercutting and unethical business practices makes the insurance industry environment very tough and rough to do business. Thus, in order to be competitive and maintain our market share and emerge successful at the end of the year, we need to offer competitive premiums without compromising our professionalism. Be that as it may, we continue urging and pressing actively for the implementation of the long overdue project under study by Association of Ethiopian Insurers (AEI) with the primary objective of determining minimum premiums for the industry as a whole. We are highly optimistic that the NBE will approve the actuarial study submitted to it on certain classes of business for implementation in the coming budget year.

In summary, the year ahead seems unpredictable owing to the current highly volatile political and economic situations in Ethiopia. Given all odds, however, we will try our level best to attain all the targets set for the coming year by leveraging on our several powerful strengths and countering our weaknesses. While threats are expected to dominate the landscape of the Company's operations, there are also opportunities to be exploited by the Company in the coming year such as government's decision to privatize some key public enterprises including opening up of the telecom sector. At this hardest time, the support and collaboration of key stakeholders, particularly of the shareholders is critically important to make our Company, once again, a standout performer in the market place.

5. VOTE OF THANKS

The Board of Directors, Management and Staff of <UNIC-ETHIOPIA> wish to express their deepest gratitude to all the esteemed Customers of the Company for their continued support and patronage. All shareholders of the Company also deserve special recognition for their investment and persistent backing.

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

The Board and Management would like to accord sincere gratitude to the National Bank of Ethiopia (NBE) for its good understanding, cooperation and all-rounded support.

A special gratitude 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 myself, 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
Chairperson, Board of Directors
23 October, 2021

Meseret Bezabih
Chief Executive Officer
23 October, 2021

THE UNITED INSURANCE COMPANY SC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2021

The directors submit their report together with the financial statements for the period ended 30 June 2021, 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 499 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 Birr473 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 2021 are set out on page 30 The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2021 Birr'000	30June2020 Birr'000
Net Underwriting Income	537,030	486,766
Profit before income tax	169,925	147,767
Income tax expense	(24,809)	(23,487)
Profit for the year	145,116	124,279
Other comprehensive income net of taxes	(531)	804
Total comprehensive income for the year	144,585	125,084

Directors

The directors who held office during the year and to the date of this report are set out on page 26

Meseret

Meseret Bezabih
Chief Executive Officer
23 October, 2021

THE UNITED INSURANCE COMPANY SC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2021

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 thepreparation 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
Chairperson, Board of Directors
23 October, 2021

Meseret Bezabih
Chief Executive Officer
23 October, 2021

THE UNITED INSURANCE COMPANY SC
DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30 JUNE 2021

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, 2021)		Date of Appointment
Ato Mulualem Berhane	Chairperson	03/11/2016
W/o Akiko Seyoum	Vice Chairperson	03/11/2016
W/t Teguest Yilma	Member	11/02/2017
Ato Abera Tassew	Member	28/07/2015
Eng. Samrawit Getamessay	Member	28/07/2015
Enat Bank reprsented By Ato Wondwoson Teshome	Member	11/02/2017
Ato Amare Gashaw	Member	14/02/2019
Ato Ayalew Alemu	Member	14/02/2019
Ato Alemayehu Gebre	Member	14/02/2019

EXECUTIVE MANAGEMENT (as of 30 June, 2021)		Date of Appointment
W/o Meseret Bezabih	General Manager/CEO	25/10/2011
Ato Tesfaye Desta	DGM Operations-Non-Life	09/01/2016
W/o Azalech Yirgu	DGM Life & Medexin	07/01/2010
Ato Gizie Alemu	Director, HR & Admin.	06/01/2018
W/t 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
W/t Rebecca Legesse	Director, Life & Medexin	01/07/2018
Ato Tilahun Tadesse	Director, Business Development & Marketing	01/09/2021
Ato Aliye Mohammed	Manager, IT Services	01/01/2016
Ato Aron Kassaye	Manager, Legal Services	02/08/2021
Ato Yealemayn H/mariam	Controller-Compliance & Risk Management Service	01/09/2021

INDEPENDENT AUDITOR
Degefa & Tewodros Audit 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>BLG, Arada Subcity, Woreda 02, H.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

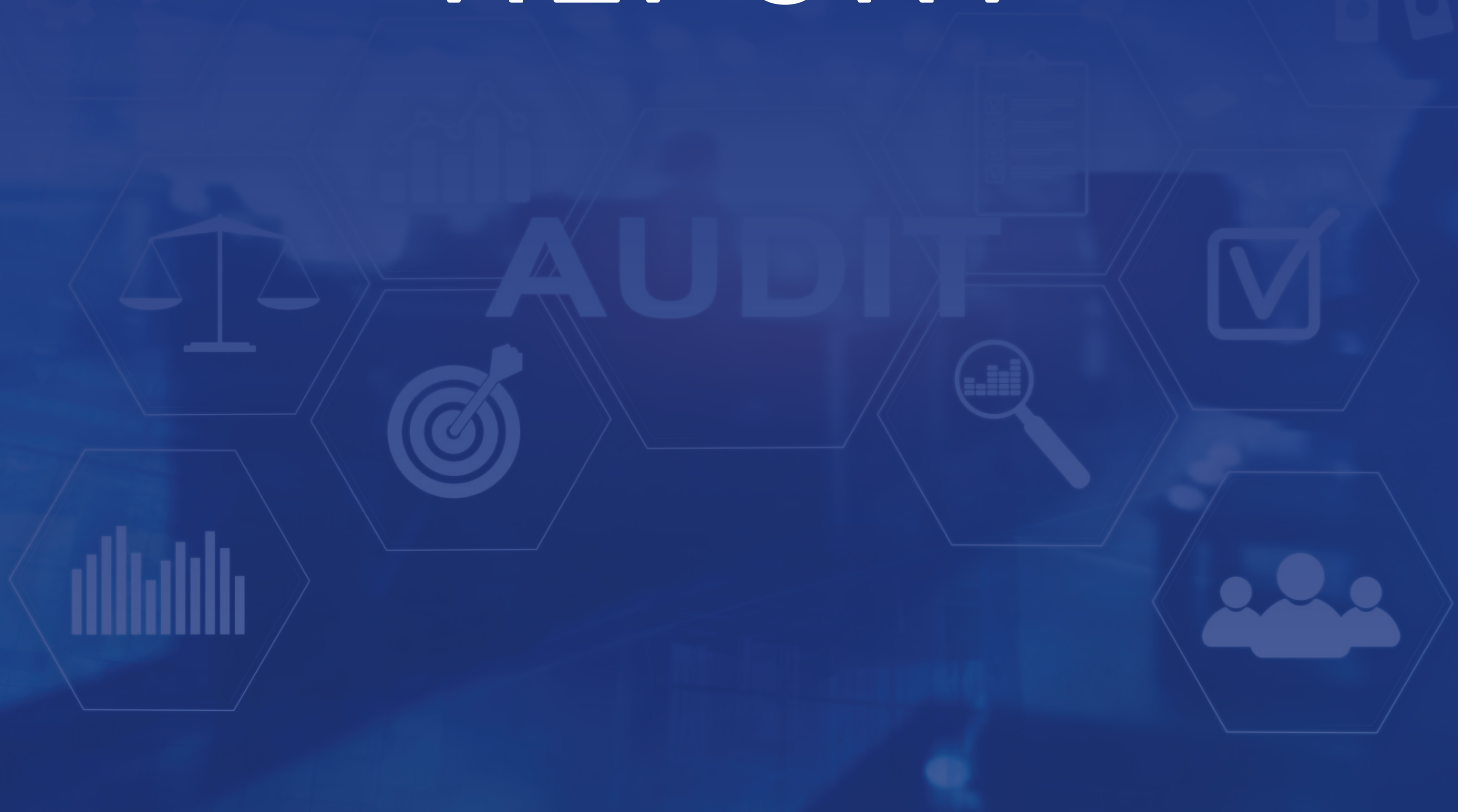
CONSULTING ACTUARIES

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

THE UNITED INSURANCE COMPANY SC

AUDITORS' REPORT



PRINCIPAL REINSURERS

Africa Re
African Reinsurance Corporation

Ethiopian Reinsurance

hannover re

ZEP-RE
(PTA Reinsurance Company)
Committed to Quality Service

THE UNITED INSURANCE COMPANY SC
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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Tel: +251 114 661 157
Mobile: +251 911 223 210
+251 966 215 921

Degefa and Tewodros Audit Services Partnership

P.O. Box 8118
E-mail: deg.lem@ethionet.et
chalatewodros@gmail.com
Addis Ababa, Ethiopia

Partners
Degefa Lemessa, B.A, FCCA & Tewodros Hailu, M.A, FCCA

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE UNITED INSURANCE COMPANY S.C

OPINION

We have audited the accompanying financial statements of THE UNITED INSURANCE COMPANY SHARE COMPANYwhich comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2021,statement of financial position as at 30 June 2021,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 SHARE COMPANY as at 30 June 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IASB.

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.

THE UNITED INSURANCE COMPANY SC
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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 there are no the key audit matters to be communicated in our report

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.

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

Degefa& Tewodros Audit Services Partnership
Chartered Certified Accountants
Addis Ababa
October 07/2021

THE UNITED INSURANCE COMPANY SC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
Gross written premiums	6	731,363	597,404
Change in unearned premium reserve	6	(52,328)	(16,513)
Gross earned premiums		**679,036**	**580,891**
Less: Premiums ceded to reinsurers	6	195,833	140,821
Net earned premiums		**483,203**	**440,070**
Commission income	7	53,827	46,696
Net underwriting income		**537,030**	**486,766**
Claims and policy holder benefits payable	10	369,246	258,273
Less : claims recoveries from reinsurers		(81,004)	(17,630)
Net claims and benefits		**288,243**	**240,642**
Underwriting expenses	13	36,511	36,086
Total underwriting expenses		**324,754**	**276,729**
Underwriting profit		**212,276**	**210,037**
Investment income	8	137,668	111,854
Other income	9	2,605	2,482
Net income		**352,549**	**324,373**
Operating and other expense	12	173,466	164,565
Impairment on insurance receivable	12	4,948	5,497
		174,135	**154,312**
Finance (income) / costs	14	4,210	6,545
Profit before income tax		**169,925**	**147,767**
Income tax expense	32	(24,809)	(23,487)
Profit for the year		**145,116**	**124,279**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	35	(759)	1,149
Deferred tax (liability)/asset on remeasurement gain or loss		228	(345)
Total comprehensive income for the year		**144,585**	**125,084**
Basic earnings per shares (in Birr)		**315.56**	**298.96**

Mulualem Berhane
Chairperson, Board of Directors
23 October, 2021

Meseret Bezabih
Chief Executive Officer
23 October, 2021

THE UNITED INSURANCE COMPANY SC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
ASSETS			
Property, plant and equipment	15	336,662	340,572
Investment properties	16	277,194	280,627
Intangible assets	17	604	822
Right-of-use assets	34	11,570	12,388
Investment securities :			
Available for sale	18	191,146	157,576
Loans and receivables	18	5,680	-
Statutory deposits	19	73,762	68,015
Reinsurance receivables	20	4,301	3,190
Insurance receivables	21	7,348	1,898
Reinsurance assets	22	153,379	155,169
Policy holder loans	23	180	877
Deferred acquisition costs	24	20,274	15,468
Salvage property held for sale	25	16,803	4,839
Other assets	26	27,212	75,949
Deposits with financial institutions	27	619,736	464,503
Cash and cash equivalents	27	64,550	43,699
Total assets		**1,810,402**	**1,625,592**
LIABILITIES			
Insurance contract liabilities	28	710,975	609,243
Deferred reinsurance commission	29	27,305	18,700
Insurance Payables	30	55,738	48,907
Other liabilities	31	93,644	67,784
Current income tax liabilities	32	12,338	14,901
Long term Loan	33	16,120	33,354
Lease Liabilities	34	4,653	5,913
Defined benefit obligations	35	3,971	3,190
Deferred income tax	32	40,863	36,121
Total liabilities		**965,607**	**838,113**
EQUITY			
Share capital	36	473,416	436,228
Share premium	36	-	-
Retained earnings	38	196,544	177,905
Legal reserve	39	95,319	80,808
Life fund reserve	40	79,890	92,381
Other reserves	41	(374)	157
Total equity		**844,795**	**787,479**
Total equity and liabilities		**1,810,402**	**1,625,592**

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Degefa and Tewodros Audit Service Partnership

The financial statements and notes to the financial statement shown on pages 30 to 113 were approved and authorized for issue by the board of directors on 23 October 2021 and were signed on its behalf by:

Mulualem Berhane
Chairperson, Board of Directors
23 October, 2021

Meseret Bezabih
Chief Executive Officer
23 October, 2021

THE UNITED INSURANCE COMPANY SC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Life fund reserve Birr'000	Other reserves Birr'000	Total Birr'000
As at 1 July 2019		375,578	1,369	176,227	68,380	90,394	(646)	711,302
Profit for the year	38			124,279	-	-	-	124,279
Deferred tax accounted for undistributable profit				(15,245)				(15,245)
Transfer to legal reserve	39			(12,428)	12,428			-
Transfer to capital		60,650						60,650
Transfer to life fund	40					1,987	-	1,987
Premium availed for distribution			(1,369)					(1,369)
Adjustment								
owners:								-
Contribution of equity net of transaction costs								-
Dividends declared and paid				(94,929)				(94,929)
								-
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							804	804
Total comprehensive income for the year		60,650	(1,369)	1,677	12,428	1,987	804	76,177
As at 30 June 2020		**436,228**	**-**	**177,904**	**80,808**	**92,381**	**158**	**787,479**
As at 1 July 2020		**436,228**	**-**	**177,904**	**80,808**	**92,381**	**158**	**787,479**
Profit for the year				145,116				145,116
								-
Transfer to legal reserve				(14,512)	14,512			-
Transfer to capital		37,188		-				37,188
Transfer to life fund				-		(12,491)		(12,491)
Premium availed for distribution			-					-
								-
Transaction with owners in their capacity as owners								-
Contribution of equity net of transaction costs								-
Dividends declared and paid				(111,965)				(111,965)
								-
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							(531)	(531)
								-
Total comprehensive income for the year		**37,188**		**(952)**	**14,512**	**(12,491)**	**(531)**	**57,317**
As at 30 June 2021		**473,416**	**-**	**196,544**	**95,319**	**79,890**	**(374)**	**844,795**

Mulualem Berhane
Chairperson, Board of Directors
23 October, 2021

Meseret Bezabih
Chief Executive Officer
23 October, 2021

THE UNITED INSURANCE COMPANY SC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
Cash flows from operating activities			
Cash generated from operations	42	362,903	247,772
Interest income	8	(68,176)	(54,901)
Dividend income	8	(29,161)	(22,641)
Income tax paid	32(d)	(22,630)	(17,526)
Rent income	8	(40,331)	(34,312)
Net cash (outflow)/inflow from operating activities		**202,605**	**118,392**
Cash flows from investing activities			
Purchase of investment securities	18	(33,571)	(22,640)
Investment in Fixed time deposit	8	(155,233)	(67,305)
Purchase of investment property	16	(2,657)	(1,496)
Right of use assets	34	(6,023)	(7,801)
Proceeds from sale of equity investment	9	-	-
Purchase of intangible assets		-	(450)
Purchase of property, plant and equipment		(12,399)	(61,927)
Proceeds from sale of property, plant and equipment	15	12	156
Dividends received		29,161	22,641
Proceeds from policy loans		697	(176)
Rent income received		40,331	34,312
Interest income received		68,176	54,901
Increase in statutory deposit	19	(5,746)	(9,947)
Net cash (outflow)/inflow from investing activities		**(77,251)**	**(59,732)**
Cash flows from financing activities			
Dividends paid		(111,965)	(96,298)
Proceeds from issues of shares		37,189	60,649
Decrease in life fund		(12,491)	1,987
Proceeds from borrowings		-	-
Repayment of borrowings	33	(17,234)	(14,796)
Net cash (outflow)/inflow from financing activities		**(104,501)**	**(48,459)**
Net increase/(decrease) in cash and cash equivalents		**20,852**	**10,201**
Cash and cash equivalents at the beginning of the year	27	43,699	33,498
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	27	**64,550**	**43,699**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 499 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 Br473 million. The Company's registered office is at:

The United Insurance Company SC
Corporate Head Office: Tewodros Square, <UNIC-ETHIOPIA>BLDG, Arada Subcity, 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. Thesepolicies 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 2021 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 2021.

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 thousands, 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'sfinancial 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 have no doubt that the Company would remain in existence for the next 12 months.

2.2.2 Changes in accounting policies and disclosures

(i) New Standards, amendments and interpretations applied in financial year ended.

Effect from July 1, 2020, the Company has applied the following new or amended standards that have come into effect.

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THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following which are relevant to its operations, unless stated otherwise, the adoption of these new standards, amendments to existing standards or interpretations to published standards did not have a material impact on the operations of the Company.

Amendment to IFRS 3 : Definition of a business

The amendment to IFRS 3 Business combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statement of the Company, but may impact future periods should the Company enter into any business combinations. The mandatory effective date of amendment to IFRS 3 business combination is 1 January 2020.

Amendment to IFRS 7, IFRS 9 and IAS39 interest rate benchmark reform

The mandatory effective date of the amendment is 1 January 2020. The amendments to IFRS 9 and IAS 39 Financial instruments: Recognition and measurement provide a number of reliefs, which apply to all hedging relationships thatare directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These Amendments have no impact on the financial statement as it does not have any interest rate hedgerelationships.

Amendments to IAS 1 and IAS 8 definition of material

The effective date of the amendment is, annual reporting periods beginning on or after 1 January 2020. The amendments provide a new definition of material that states, " information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statement. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statement of, nor is there expected to be any future impact to the Company.

Amendments to references to the conceptual Framework in IFRS standards

The Conceptual Framework for is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the conceptual framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the conceptual framework. The revised conceptual framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statement of the Company.

Amendments to IFRS 16 Covid-19 related rent concessions

On 28 may 2020, the IASB issued Covid-19 related rent concessions amendment to IFRS 16 leases the amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 related rent concessions from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concessions the same way it would account for the change under IFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statement of the Company.

(ii) New Standards, amendments and interpretations applicable in future financial years.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2020, 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:

Amendments to IAS 1 Presentation of financial statements

Amendments to IAS 1, “Presentation of financial statements" effective for annual periods beginning on or after 1 January 2023. These amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The Company is currently assessing the impact of these amendments.

Amendment to IAS 16 Property, Plant and equipment

Effective for annual periods beginning on or after 1 January 2022. This amendment prohibits an entity from deducting from the cost of an item of PP & E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related cost in profit or loss. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The Company is currently assessing the impact of these amendments.

Amendments to IAS 37 Provisions, Contingent liabilities and Contingent assets

Effective for annual periods beginning on or after 1 January 2022. This amendment specifies which costs a company includes when assessing whether a contract will be loss making. It clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The Company is currently assessing the impact of these amendments.

The Company has concluded that all other standards, interpretations and amendments to existing standards, which are published but not yet effective are either relevant to its operations but will have no material impact on adoption; or are not relevant to its operations and will therefore have no impact on adoption; or contain inconsequential clarifications that will have no material impact when they come into effect.

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, for insurers, the International accounting standards board (IASB) has voted to delay the implementation of IFRS 17 for one year to 1 January 2023.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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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:
(i). The fulfillment cash flows—the current estimates of amounts that the insurer expects to collect from premiums andpay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and
(ii). 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 2023 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 contracts.

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.

2.3 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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THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2.4 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.

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

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

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FOR THE YEAR ENDED 30 JUNE 2021

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

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

2.6 INVESTMENT PROPERTY

Properties that are held for rent by the Company to earn rental income or for capital appreciation, or both, and are 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 that has recent experience in the location and category of the investment property being valued. Professional values were not involved.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

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

Earned rental income is recorded in profit or loss for the year within (other operating income). Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately. Investment properties are derecognized when they have been disposed. Where the insurance disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale's adjusted to the transaction price, and the adjustment is recorded in the statement of changes in net assets available for benefit.

2.7 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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2.8 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.

2.9 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.

2.10 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 units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

2.10.1 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.

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2.10.2 Financial assets

2.10.2.1 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.

2.10.2.2 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.

c) 'Day 1' profit or loss

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

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

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d) Reclassification of financial assets

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

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

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) Derecognition of financial assets

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

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

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 defaults.

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(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 loss estimates and actual loss experience.

(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 premeasured to fair value directly through equity, is impaired, the impairment loss is recognized in profit or loss.

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If any loss on the financial asset was previously recognized directly in equity as a reductionin 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 betweenthe 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.

2.10.2 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:

c) Financial liabilities at amortized cost

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

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

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

d) Derecognition of financial liabilities

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

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

2.10.3 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.

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2.11 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.

2.12 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.

2.13 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, subject to the advice of the relevant local appointed actuary.

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2.14 INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF

a) Recognition and Measurements

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.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

(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 eachperiod; 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 from the DPF 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.

(C) Reinsurance contracts

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 liabilityestablished 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 a portion of commission received on reinsurance contracts which are booked during the financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying the reinsurance commission income to the ratio of prepaid reinsurance to reinsurance cost.

2.15 INSURANCE CONTRACTS LIABILITIES

The recognition and measurement of insurance contracts have been set out under Note2.11. Insurance contract Liabilities arising from insurance contracts are determined as follows:

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(a) Non- Life Insurance contracts

(i) 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 2.14.

(ii) Reserves for unearned premium and unexpired 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.

(iii) Reserve methodology

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

. Accidents

. Air Craft/Aviation

. Burglary and housebreaking and/or theft

. Engineering

. Employer's Liability

. Fire

. Goods in transit

. Liability

. Marine

. Medical Expense

. Motor

. Pecuniary and;

. Others

(b) Life Insurance contracts

This is made up of net liabilities on policies enforce as determined by qualified actuaries at the reporting date. Surplus ordeficit 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

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2.16 RECOGNITION OF INCOME AND EXPENSES

Revenue is measured as the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of taxes or duty.

Revenue is recognized at an amount that reflects the consideration to which the insurance expects to be entitled for performing its services for a customer. Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The insurance recognizes income when it has fulfilled its obligation and the right to receive the related sum as assured.

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the insurance's activities. Income is recognized when it is probable that the economic benefits associated with transaction will flow to the insurance and the amount of income, and associated costs incurred or to be incurred can be measured reliably.

The insurance, earns income from written premium, Fees and commission, Investment and dividend.

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.

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e) Dividend income

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

f) Foreign exchange revaluation gains or losses

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

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

2.17 GROSS BENEFITS AND CLAIM

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.

2.18 REINSURANCE CLAIMS

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

2.19 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.

2.20 EMPLOYEE BENEFITS

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post employment 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 Insurance operates two defined contribution plans;

i) Pension scheme in line with the provisions of Ethiopian pension of private organization employee's 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 Companyrespectively based on the employees' salary

Once the contributions have been paid, the insurance 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 insurance's obligations are recognized in the profit and loss account.

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(C) Defined benefit plan

The insurance operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in service of the insurance 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 defined contribution plan. Typically defined benefit plans define an amount of gratuity benefit that an employee will receive onretirement, 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.Remeasurement 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.

(d) Termination benefits

Termination benefits are payable to employees when employment is terminated by the insurance before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The insurance recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(e) Profit- sharing and bonus plan

The insurance recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after some adjustments. The insurance recognizes a provision where contractually obliged or where is a past practice that has created a constructive obligation.

2.21 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 principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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- 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 isunobservable.

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 available- for-sale financial assets.

2.22 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 incomestatement 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.

2.23 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.

2.24 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.

2.25 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.

2.26 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.

2.27 RETAINED EARNINGS

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

2.28 LEGAL RESERVE

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.

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2.29 DIVIDEND

Dividends are recorded in equity in the period in which they are declared. Any dividend declared after the end of the reporting period and before the financial statements are authorized for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations.

2.30 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.

2.31 LEASES

The Company assesses at contract inception whether a contract is, or contains, a lease. If the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration-i.e. the customer has the rights to:

- Obtain substantially all of the economic benefits from using the assets; and
- Direct the use of the asset.

As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and right-of use assets representing the right to use the underlying assets.

a) Right-of use assets

The Company recognizes right-of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of use assets arising from a lease are initially measured on a present value basis and also subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest bearing finance lease liabilities.

c) Short term leases and leases of low value assets

The Company applies the short term lease recognition exemption to its short term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognized as expense on a straight line basis over the lease term.

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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. Lease income arising is accounted for on a straight line basis over the lease terms and is included in investment income in the statement of profit or loss due to its operating nature. 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 lease income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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:

Determining the lease term of contracts with renewal and termination options - as a lessee

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgments in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension option (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Operating lease commitments -Company as a 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 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.

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.

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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 674,757 (2020: 591,528)

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.

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 is highly subjective.

c) Liabilities arising from insurance contracts

Liabilities for nun paid 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.

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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 amountof 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 interest rate 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 circumstancesthat 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 the specific asset. The fair value is determined by reference to observable market prices. The fair value of investment property does not reflect the related future benefits from this future expenditure. These valuations are performed by external appraisers. Assumptions are made about expected future cash flows and the discounting rates.

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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4.1 INTRODUCTION

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

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

4.1.1 Risk Management Structure

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 statically 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.

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.

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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 programmed. 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

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

Life Insurance Contracts

The main risks that the Company is exposed to are as follows:

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

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

Key assumptions

Material 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.

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▸ 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 liability	
		30 June 2021	30 June 2020
	Change in assumptions	Birr'000	Birr'000
Mortality/morbidity rate	10%	214,743	267,496
Investment return	1%	(2,935,038)	(3,542,410)
Expenses	10%	3,461,677	3,995,276
Lapse and surrenders rate	10%	(297,595)	(355,470)

		Change in liability	
		30 June 2021	30 June 2020
	Change in assumptions	Birr'000	Birr'000
Mortality/morbidity rate	-10%	(208,762)	(263,777)
Investment return	-1%	3,171,649	3,864,552
Expenses	-10%	(3,454,189)	(3,970,847)
Lapse and surrenders rate	-10%	310,789	372,642

The above analyses 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 climates. 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:

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30 June 2021	Claims reported			Incurred but not reported		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accident	858	43	816	629	39	590
Medical expense	1,207	84	1,123	333	21	312
W/c	2,138	105	2,034	1,401	72	1,329
Motor	229,104	14,646	214,459	28,960	1,703	27,257
Marine	505	52	453	641	102	539
Goods in transit	900	45	855	350	56	294
Aviation				57	51	6
Fire	8,102	6,225	1,876	4,718	2,213	2,505
Burglary and House breaking	50	3	48	318	149	169
Engineering	21,528	16,481	5,047	2,952	560	2,392
Liability	6,089	265	5,825	2,669	136	2,533
Pecuniary	6,145	4,004	2,141	4,603	4,139	464
Total	**276,628**	**41,951**	**234,677**	**47,631**	**9,241**	**38,390**

30 June 2020	Claims reported			Incurred but not reported		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accident	153	8	145	950	34	916
Medical expense	575	45	530	386	14	372
W/c	779	37	742	1,155	18	1,137
Motor	182,219	12,397	169,822	26,397	1,134	25,264
Marine	906	241	665	1,298	331	967
Goods in transit	330	16	313	289	74	215
Fire	890	375	515	2,624	1,387	1,237
Burglary and House breaking	415	245	170	125	37	88
Engineering	15,013	12,346	2,667	3,189	1,200	1,989
Liability	6,879	347	6,532	2,707	50	2,657
Pecuniary	58,292	55,420	2,872	3,761	1,050	2,711
Total	**266,451**	**81,477**	**184,974**	**42,883**	**5,330**	**37,553**

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. Judgments 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.

a) The table below looks at how changes in in the claims cost affects the current liability. A 10% increase will lead to liability increase of ETB 4.76 million.

		Change in liability	
		30 June 2021	30 June 2020
	Increase in gross Liabilities	Birr'000	Birr'000
Average claim cost	+10%	4,763,243	97,649
Average number of claims	+10%	4,763,243	97,649

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b) A 10% decrease will lead to a liability decrease of ETB 4.76 million

		Change in liability	
	Decrease in gross liabilities	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Average claim cost	-10%	(4,763,028)	(91,262)
Average number of claims	-10%	(4,763,028)	(91,262)

c) The gross IBNR is estimated at ETB 47.6million and the outstanding claims are estimated at ETB 265.8 million and the total

d) Actuarial liability is estimated at ETB 313.40million.

IBNR	47,631	42,883
Outstanding claims	265,783	256,708
Total Actuarial Liability	**313,414**	**299,591**

e) Based on the triangles the average claims settlement period in years for each class is shown below:

Class of Business	**30 June 2021**	**30 June 2020**
Accident	6.50	7.25
Engineering	6.50	7.25
Fire	6.50	7.25
Liability	5.50	6.25
Marine cargo	6.50	7.25
Motor	7.00	8.00
Pecuniary	6.50	7.25
Workmen's Compensation	5.50	6.25
Average	**6.31**	**7.09**

f) The average claims settlement period for 2020 was 7.09 years while in 2021 the average claim settlement period was 6.31 years. This signifies a change of approximately 0.78 years/ 9 months in the average claims settlement period.

Claims development Triangle

The following table 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 2020:

	2016	**2017**	**2018**	**2019**	**2020**	**2021**
Accident year	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
At the end of claim year	173,058,611	200,481,246	204,842,385	241,527,106	245,579,672	276,836,009
One year later	3,915,600	13,460,973	21,925,504	7,107,118	9,801,605	8,142
Two year later	158,871	184,786	39,036	471,177	0	0
Three year later	183,399	40,000	154,370	0	0	0
Four year later	0	24,417	0	0	0	0
Five year later	849,930	0	0	0	0	0
Cumulative incurred claims	178,166,411	214,191,422	226,961,295	249,105,401	255,381,277	276,844,151
IBNR	**0**	143	56,462	401,698	11,736,493	35,436,703
Ultimate claims projected	178,166,411	214,191,565	227,017,757	249,507,099	267,117,770	312,280,854

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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:

30 June 2021	Notes	Available-For-Sale	Loans and receivables	Total
Financial Assets		Birr'000	Birr'000	Birr'000
Investment securities:				
- Loan and receivables	18	0	5,680	5,680
- Available for sales	18	191,146		191,146
Other assets	26		16,147	16,147
Reinsurance assets	22		153,379	153,379
Loan to life policy holders	23		180	180
Deposit with financial institutions	27		619,736	619,736
Cash and cash equivalents	27		64,550	64,550
Total financial assets		**191,146**	**859,671**	**1,050,817**

30 June 2020	Notes	Available-For-Sale	Loans and receivables	Total
Financial Assets		Birr'000	Birr'000	Birr'000
Investment securities:				
- Loan and receivables	18		0	0
- Available for sales	18	157,576		157,576
Other assets	26		16,565	16,565
Reinsurance assets	22		155,169	155,169
Loan to life policy holders	23		877	877
Deposit with financial institutions	27		464,503	464,503
Cash and cash equivalents	27		43,699	43,699
Total financial assets		**157,576**	**680,813**	**838,389**

30 June 2021		Other financial liabilities	Total
Financial Liabilities		Birr'000	Birr'000
Insurance Payables	30	55,738	55,738
Insurance contract liabilities	28	710,975	710,975
Long term loan	33	16,120	16,120
Other payables	31	26,412	26,412
Total financial Liabilities		**809,245**	**809,245**

30 June 2020		Other financial liabilities	Total
Financial Liabilities		Birr'000	Birr'000
Insurance Payables	30	48,907	48,907
Insurance contract liabilities	28	609,243	609,243
Long term loan	33	33,354	33,354
Other payables	31	15,446	15,446
Total financial Liabilities		**706,950**	**706,950**

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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:

- 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.

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.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)

.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.

. 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 creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

In line with 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:

.Receivables arising out of direct insurance arrangements;

.Receivables arising out of Reinsurance arrangements ;and

. Receivables arising out of short term investments

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 2021	30 June 2020
Financial Asset		**Birr'000**	**Birr'000**
Investment securities:			
- Loan and receivables	18	5,680	0
- Available for sales	18	191,146	157,576
other assets	26	16,147	16,565
Reinsurance assets	22	153,379	155,169
Loan to life policy holders	23	180	877
Deposit with financial institutions	27	619,736	464,503
Cash and cash equivalents	27	64,550	43,699
Total financial assets		**1,050,817**	**838,389**

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 is 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

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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 neither advances loan to life policy holders nor is the risk of default 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 2021 and 30 June,2020 and 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 manages 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

	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
30 June 2021					
Insurance receivables:					
Due from Contract holders	21			16,457	16,457
				16,457	16,457
Less: Impairment allowance	21			(9,109)	(9,109)
Net Insurance receivable				**7,348**	**7,348**
Other assets					
Rent receivable		198			198
Inter office receivable - Life		4,875			4,875
Restricted cash		1,081			1,081
Receivables on policy loan		26			26
Staff debtors		8,234			8,234
Sundry debtors		1,733			1,733
Gross amount		16,147			16,147
Less: Specific impairment allowance					
Net other assets		**16,147**			**16,147**

	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
30 June 2020					
Insurance receivables :					
Due from Contract holders	21			10,982	10,982
				10,982	10,982
Less : Impairment allowance	21			(9,084)	(9,084
Net Insurance receivable				**1,898**	**1,898**
Other assets					

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Rent receivable	26	974	974
Inter office receivable - Life		1,120	1,120
Restricted cash		1,081	1,081
Receivables on policy loan	26	26	26
Staff debtors	26	8,234	8,234
Sundry debtors	26	1,733	1,733
Gross amount		**13,168**	**13,168**
Less: Specific impairment allowance		0	0
Net other assets		**13,168**	**13,168**

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. TheCompany 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 2021 Birr'000	30 June 2020 Birr'000
Due from contract holders	21	9,109	9,084
Other loans and receivables		0	0
Total allowance for impairment		**9,109**	**9,084**

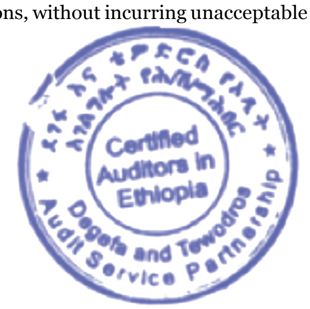
4.4 LIQUIDITY RISK

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 toconduct 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 are 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 strategies 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 2021	Notes	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
Financial Liabilities						
Insurance contract liabilities	28	710,975	-	-	- -	710,975
Insurance Payables	30	55,738	-	-	-	55,738
Long term Loan	33	16,120				16,120
Other liabilities	31	26,412	-	-	-	26,412
Total financial liabilities		**809,245**	-	-	-	**809,245**

30 June 2020	Notes	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
Financial Liabilities					-	
Insurance contract liabilities	28	609,243	-	-	-	609,243
Insurance Payables	30	48,907	-	-	-	48,907
Long term Loan	33	33,354				33,354
Other liabilities	31	15,446	-	-		15,446
Total financial liabilities		**706,950**	-	-	-	**706,950**

4.5 MARKET RISK

Market risk is the risk of adverse financial impact due to changes in the value or future cash flows of financial instruments from fluctuations in , interest rates and equity prices. Changes in price may occur to a specific investment or in general to the portfolio of investment. Market risk encompasses the risk of financial loss resulting from movements in market prices which reflects the standard deviation of the change in value of a financial instrument with a specific time horizon. The Company does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

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 we regulated equity market could enhance initiatives to establish new and expand/diversify existing business by providing venture capital and th 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 th status of the current investment portfolio and transactions made over the reporting period. Besides, investment committee has been established and is responsible for assessing investment options and recommending the viable options to senior management.

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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. Tota 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 th 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 tl 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 witl benchmark performance, and tracking errors and distributions of fixed interest assets. Market risk is further monitored by measuring anc comparing the actual risk exposure in terms of economic capital to an approved limit, based on a value at risk calculation.

- **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 its 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 are to limit the net change in value o assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities thar 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 ir 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 2021

	Notes	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	27	684,285	-	684,285
Investment securities :				
available for sale	18		191,146	191,146
Loans and receivable	18	5,680	-	5,680
Insurance receivables	21	7,348	-	7,348
Reinsurance assets	22	153,379	-	153,379
Other assets	26	16,147	-	16,147
Total		**866,839**	**191,146**	**1,057,98**
Liabilities				
Insurance contract liabilities	28	710,975	-	710,975
Insurance payables	30	55,738	-	55,738
Long term Loan	33	16,120		16,120
Other payables	31	26,412	-	26,412
Total		**809,245**		**809,245**

30 June 2020

	Notes	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Cash and bank balances	27	508,202	-	508,202
Investment securities :				
Available for sale	18	-	157,576	157,576
Loans and receivable	18	-		-
Insurance receivables	21	1,898		1,898
Reinsurance assets	22	155,169		155,169
Other assets	26	16,565	-	16,565
Total		**681,834**	**157,576**	**839,41**
Liabilities				
Insurance contract liabilities	28	609,243	-	609,243
Insurance payables	30	48,907	-	48,907
Long term Loan	33	33,354		33,354
Other payables	31	15,446	-	15,446
Total		**706,950**		**706,950**

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- **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.

- **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 Company'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 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 whether the company has adequate capital as security.

		30 June 2021 Birr'000	30 June 2020 Birr'000
General business			
Admissible assets	A		
Property, plant and equipment		315,028	315,906
Investment properties		235,386	258,255
Less : Unrealizable asset		(76,502)	(79,369)
Intangible assets			
Investment securities :			
Available for sale		146,776	121,083
Loans and receivables			
Statutory deposits		66,374	61,207
Reinsurance receivables			
Insurance receivables		7,348	1,898
Reinsurance assets		149,674	152,367
Salvage property held for sale		16,803	4,839
Other assets		18,701	61,460
Over invested in real estate		(4,343)	(86,623)
Deposits with financial institutions		505,928	342,454
Cash and cash equivalents		59,607	39,860
Total		**1,440,782**	**1,193,336**
Admissible Liabilities	B		
Insurance contract liabilities		674,757	591,528
Deferred reinsurance commission		27,163	18,499
Insurance Payables		51,569	44,182
Other liabilities		86,541	65,760
Current income tax liabilities		6,691	9,742
Long term Loan		16,120	33,354
Lease Liabilities		4,653	5,913
Defined benefit obligations		3,844	3,093
Deferred income tax		37,591	33,253
Total		**908,929**	**805,324**
Excess (admitted capital) (A)-(B)	C	**531,853**	**388,012**

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Net premium (preceding year)	**D**	417,111	379,839
Technical provision (current year)	**E**	674,757	591,528
Solvency margin			
Limit of net premium i.e. 20% of net premium	**F**	83,422	75,968
Limit of technical provision i.e. 25% of technical provision	**G**	168,689	147,882
Minimum paidup Capital		60,000	60,000
Required Minimum of paid up capital	**H**	168,689	147,882
Margin of solvency	**(C-D)**	**114,742**	**8,173**
Solvency ratio	**C/H**	**3.2**	**2.6**

Life business

		30 June 2021 Birr'000	30 June 2020 Birr'000
Admissible assets	**A**		
Property, plant and equipment		15,931	16,234
Investment properties		41,808	22,372
Less : Unrealizable asset		(5,989)	(6,161)
Available for sale		44,370	36,493
Loans and receivables			
Statutory deposits		7,387	6,808
Reinsurance receivables		4,301	3,190
Insurance receivables			
Reinsurance assets		3,704	2,802
Other assets		526	217
Deposits with financial institutions		113,807	122,049
Cash and cash equivalents		4,943	3,839
Total		**230,789**	**207,842**
Admissible Liabilities	**B**		
Insurance contract liabilities		36,217	17,715
Deferred reinsurance commission		142	201
Insurance Payables		4,169	4,725
Other liabilities		7,104	2,024
Current income tax liabilities		5,647	5,159
Life fund reserve		79,890	92,381
Lease Liabilities			
Defined benefit obligations		127	97
Deferred income tax		3,272	2,867
Total		**136,569**	**125,171**
Excess (admitted capital) (A)-(B)	**C**	**94,220**	**82,672**
Technical provision (current year)	**D**	**110,096**	**104,182**
Solvency margin			
Limit of technical provision i.e. 10% of technical provision	**E**	**11,010**	**10,418**
Minimum paid up Capital	**F**	**15,000**	**15,000**
Required Minimum of paid up capital	**G**	**15,000**	**15,000**
Margin of solvency	**(C-D)**	**(15,876)**	**(21,510)**
Solvency ratio	**C/G**	**6**	**6**

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 is significant to the fair value measurement as a whole.

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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 within 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 (un observable inputs). This Category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the un observable 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 un observable adjustments or assumptions are required to reflect differences between the instruments.

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 2021		30 June 2020	
		Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000
Financial assets					
Cash and Cash equivalents		64,550	64,550	43,699	43,699
Deposits with financial institutions		619,736	619,736	464,503	464,503
Investment securities:					
Available for sales		191,146	191,146	157,576	157,576
Loans and receivables		5,680	5,680		
Reinsurance assets		153,379	153,379	155,169	155,169
Other assets		16,147	16,147	16,565	16,565
Total		**1,050,637**	**1,050,637**	**837,512**	**837,512**
Financial Liabilities					
Insurance contract liabilities		710,975	710,975	609,243	609,243
Insurance Payables		55,738	55,738	48,907	48,907
Long term loan		16,120	16,120	33,354	33,354
Other liabilities		26,412	26,412	15,446	15,446
		809,245	**809,245**	**706,950**	**706,950**

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.

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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.

5 Segment information

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

Business segments
The Company operates the following main business segments:

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

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

The segment information for the reporting segments for the year ended 30 June 2021 is as follows:

Statement of Financial Position - 30 June 2021

	Note	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	15	320,427	16,235	336,662
Investment properties	16	235,386	41,808	277,194
Intangible assets	17	361	243	604
Right-of-use assets	34	11,570		11,570
Investment securities :				-
Available for sale	18	146,776	44,370	191,146
Loans and receivables	18	5,680		5,680
Statutory deposits	19	66,374	7,387	73,761
Reinsurance receivables	20	-	4,301	4,301
Insurance receivables	21	7,348	-	7,348
Reinsurance assets	22	149,674	3,704	153,378
Policy holder loans	23	-	180	180
Deferred acquisition costs	24	18,104	2,170	20,274
Salvage property held for sale	25	16,803	-	16,803
Other assets	26	26,632	580	27,212
Deposits with financial institutions	27	505,928	113,807	619,735
Cash and cash equivalents	27	59,607	4,943	64,550
Total assets		**1,570,673**	**239,729**	**1,810,402**

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LIABILITIES				
Insurance contract liabilities	28	674,757	36,217	710,974
Deferred reinsurance commission	29	27,163	142	27,305
Insurance Payables	30	51,569	4,169	55,738
Other liabilities	31	86,541	7,103	93,644
Current income tax liabilities	32	6,691	5,647	12,338
Long term Loan	33	16,120	-	16,120
Lease Liabilities	34	4,653	-	4,653
Defined benefit obligations	35	3,844	127	3,971
Deferred income tax	32	37,591	3,272	40,863
Total liabilities		**908,929**	**56,677**	**965,606**
EQUITY				
Share capital	36	426,126	47,290	473,416
Retained earnings	38	158,712	37,831	196,544
Legal reserve	39	77,267	18,052	95,319
Life fund reserve	40	-	79,890	79,890
Other reserves	41	(361)	(12)	(373)
Total equity		**661,745**	**183,051**	**844,796**
Total equity and liabilities		**1,570,673**	**239,729**	**1,810,402**

Statement of Financial Position - 30 June 2020

		General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	15	323,993	16,579	340,572
Investment properties	15	258,255	22,372	280,627
Intangible assets	17	541	281	822
Right-of-use assets	34	12,388		12,388
Investment securities :				-
Available for sale	18	121,083	36,493	157,576
Loans and receivables	18	-	-	-
Statutory deposits	19	61,207	6,808	68,016
Reinsurance receivables	20	-	3,190	3,190
Insurance receivables	21	1,898	-	1,898
Reinsurance assets	22	152,367	2,802	155,169
Policy holder loans	23	-	877	877
Deferred acquisition costs	24	13,765	1,703	15,468
Salvage property held for sale	25	4,839		4,839
Other assets	26	75,661	288	75,949
Deposits with financial institutions	27	342,454	122,049	464,503
Cash and cash equivalents	27	39,860	3,839	43,699
Total assets		**1,408,311**	**217,280**	**1,625,590**
LIABILITIES				
Insurance contract liabilities	28	591,528	17,715	609,243
Deferred reinsurance commission	29	18,499	201	18,700
Insurance Payables	30	44,182	4,725	48,907
Other liabilities	31	65,760	2,024	67,784
Current income tax liabilities	32	9,742	5,159	14,901
Long term Loan	33	33,354	-	33,354
Lease Liabilities	34	5,913		5,913
Defined benefit obligations	35	3,093	97	3,190
Deferred income tax	32	33,253	2,867	36,120

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Total liabilities		**805,324**	**32,790**	**838,113**
EQUITY				
Share capital	36	392,707	43,520	436,227
Share premium	36	-	-	-
Retained earnings / Surplus fund	38	143,640	34,265	177,906
Legal reserve	39	66,462	14,345	80,807
Life fund reserve	40	-	92,381	92,381
Other reserves	41	178	(20)	158
Total equity		**602,987**	**184,491**	**787,479**
Total equity and liabilities		**1,408,312**	**217,280**	**1,625,592**

30 June 2021

		General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	660,034	71,329	731,363
Change in unearned premium reserve	6	37,169	15,159	52,328
Gross earned premiums		**622,865**	**56,170**	**679,036**
Less: Premiums ceded to reinsurers	6	186,582	9,251	195,833
Net earned premiums		**436,283**	**46,920**	**483,203**
Commission income	7	50,600	3,227	53,827
Net underwriting income		**486,883**	**50,146**	**537,030**
Claims and policy holder benefits payable	10	339,675	29,572	369,247
Less : claims recoveries from reinsurers	10	(71,938)	(9,066)	(81,004)
Net claims and benefits		**267,737**	**20,505**	**288,243**
Underwriting expenses	13	33,092	3,419	36,511
Total underwriting expenses		**300,829**	**23,924**	**324,805**
Underwriting profit		**186,054**	**26,222**	**212,276**
Investment income	8	113,344	24,324	137,668
Other income	9	1,970	635	2,605
Net income		**301,368**	**51,181**	**352,549**
Operating and other expense	12	166,284	7,181	173,465
Impairment on insurance receivables		4,948	-	4,948
		130,136	**44,000**	**174,135**

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Finance (income) / costs	4,210	-	4,210
Profit before tax from reportable segments	**125,925**	**44,000**	**169,925**
Income tax expense	(17,876)	(6,933)	(24,809)
Profit for the year	**108,049**	**37,066**	**145,116**
Assets and liabilities 2021			
Total assets	1,570,673	239,729	1,810,402
Total liabilities	908,929	56,677	965,606
Net assets/(liabilities)	661,744	183,052	844,796
External revenue 2021			
Net premium earned	436,283	46,920	483,203
Net underwriting income	486,883	50,146	537,030
Net investment income	113,344	24,324	137,668
Other income	1,970	635	2,605
Total segment revenue	**602,197**	**75,105**	**677,303**
Reportable segment profit before tax	**125,925**	**44,000**	**169,925**
Reportable segment assets	**1,570,673**	**239,729**	**1,810,402**
Reportable segment liabilities	**908,929**	**56,677**	**965,606**

30 June 2020

	Notes	General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	551,594	45,811	597,404
Change in unearned premium reserve	6	(12,949)	(3,565)	(16,513)
Gross earned premiums		**538,645**	**42,246**	**580,891**
Less: Premiums ceded to reinsurers	6	134,483	6,338	140,821
Net earned premiums		**404,162**	**35,908**	**440,070**
Commission income	7	43,982	2,714	46,696
Net underwriting income		**448,144**	**38,622**	**486,766**
Claims and policy holder benefits payable	10	242,838	15,434	258,272
Less : claims recoveries from reinsurers	10	(15,585)	(2,046)	(17,630)
Net claims and benefits		**227,254**	**13,389**	**240,642**
Underwriting expenses	13	33,333	2,753	36,086
Total underwriting expenses		**260,587**	**16,142**	**276,729**
Underwriting profit		**187,557**	**22,480**	**210,037**
Investment income	8	90,375	21,479	111,854

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Other income	9	1,788	694	2,482
Net income		**279,720**	**44,653**	**324,373**
Operating and other expense	12	159,080	5,485	164,565
Impairment on insurance receivables		5,497	-	5,497
Total benefits , claims and other expense		**115,144**	**39,168**	**154,312**
Finance (income) / costs	11	6,545	-	6,545
Profit before tax from reportable segments		**108,599**	**39,168**	**147,767**
Income tax expense	32	(17,422)	(6,065)	(23,487)
Profit for the year		**91,176**	**33,103**	**124,279**
Assets and liabilities 2020				
Total assets		1,408,312	217,280	1,625,592
Total liabilities		805,324	32,790	838,113
Net assets/(liabilities)		602,987	184,490	787,479
External revenue 2020				
Net premium earned		404,162	35,908	440,070
Net underwriting income		448,144	38,622	486,766
Net investment income		90,375	21,479	111,854
Other income		1,788	694	2,482
Total segment revenue		**540,307**	**60,795**	**601,102**
Reportable segment profit before tax		**108,599**	**39,168**	**147,767**
Reportable segment assets		**1,408,311**	**217,280**	**1,625,590**
Reportable segment liabilities		**805,324**	**32,790**	**838,113**

		30 June 2021	30 June 2020
		Birr'000	**Birr'000**
6	**Net premiums**		
a)	**Gross premiums on insurance contracts**		
	General business		
	Motor	391,511	341,486
	Good in transit	5,644	2,779
	Marine	10,524	9,497
	Accident	8,383	8,251
	Liability	24,365	23,696
	Workmen's compensation	12,181	11,750
	Fire	75,419	60,458
	Engineering	42,250	38,070
	Pecuniary	38,559	26,413
	Aviation	2,209	-
	Burglary and house breaking	2,542	2,954
	Miscellaneous	42,105	20,036
	Medical	4,341	6,203
	General business gross premiums	**660,034**	**551,594**
	Life business		
	Individual life	16,360	19,253
	Group life	35,194	18,841
	Medical	19,747	7,691
	Funeral	29	25
	Life business gross premiums	**71,329**	**45,811**
	Total	**731,363**	**597,404**

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		30 June 2021	30 June 2020
b)	**Change in unearned premium reserve**	**Birr'000**	**Birr'000**
	General business		
	Engineering	(179)	1,609
	Liability	(254)	(441)
	Pecuniary	6,965	(1,115)
	Fire	1,211	1,651
	Burglary and house breaking	(236)	420
	Accident	(47)	319
	Medical	(1,714)	(349)
	Workmen's compensation	1,447	(543)
	Motor	27,816	12,385
	Aviation	144	-
	Marine	899	(146)
	Goods in transit	1,032	(122)
	Miscellaneous	85	(720)
	Unearned premium reserve	**37,169**	**12,949**
	Life business		
	Medical expense	-	-
	Group life	15,159	3,565
	Unearned premium reserve	**15,159**	**3,565**
	Total	**52,328**	**16,513**

		30 June 2021	30 June 2020
		Birr'000	**Birr'000**
c)	**Premiums ceded to reinsurers**		
	General business		
	Motor	21,076	19,118
	Marine	2,994	2,464
	Goods in transit	993	595
	Accident	745	700
	Medical	501	1,940
	Workmen's compensation	668	605
	Liability	3,323	3,063
	Fire	55,472	42,763
	Burglary and house breaking	1,516	1,390
	Engineering	29,243	26,536
	Pecuniary	27,894	18,013
	Aviation	1,967	-
	Miscellaneous	40,193	17,295
	Premiums ceded to reinsurers	**186,582**	**134,483**
	Life business		
	Individual life	1,140	1,770
	Group life	7,122	4,183
	Group medical	987	385
	Group funeral	1	1
		9,251	**6,338**
	Total premiums ceded to reinsurers	**195,833**	**140,821**
	Total net earned premiums		
	General business	436,283	404,162
	Life business	46,920	35,908
		483,203	**440,070**

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		30 June 2021 Birr'000	30 June 2020 Birr'000
7	**Reinsurance Commission income**		
	General business		
	Reinsurance ceding commission	41,193	32,376
	Profit commission	9,407	11,606
	Commission income	**50,600**	**43,982**
	Life business		
	Reinsurance ceding commission	349	314
	Profit commission	2,878	2,400
	Commission income	**3,227**	**2,714**
	Total commission income	**53,827**	**46,696**

		30 June 2021 Birr'000	30 June 2020 Birr'000
8	**Investment income**		
	General business		
	Interest on time deposits	46,888	36,307
	Interest on savings	82	20
	Interest on staff loans	1,600	846
	Dividend income	22,165	17,215
	Interest on government bond	5,287	4,333
	Rent income	37,323	31,655
		113,344	**90,375**
	Life business		
	Interest on time deposits	13,585	12,751
	Interest on savings	148	100
	Interest on staff loans	-	1
	Interest on policy loans	26	64
	Dividend income	6,996	5,426
	Interest on government bond	560	479
	Rent income	3,008	2,657
		24,324	**21,479**
	Total investment income	**137,668**	**111,854**

		30 June 2021 Birr'000	30 June 2020 Birr'000
9	**Other income**		
	General business		
	Service charge	705	1,438
	Provision for bad debts	-	-
	Gain on disposal of Fixed Assets	43	37
	Gain on sale of equity investment	-	-
	Miscellaneous income	1,222	313
		1,970	**1,788**
	Life business		
	Gain on sale of equity investment	-	-
	Miscellaneous income	635	694
		635	694
	Total other income	**2,605**	**2,482**

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		30 June 2021 Birr'000	30 June 2020 Birr'000
9	**Other income**		
	General business		
	Service charge	705	1,438
	Provision for bad debts	-	-
	Gain on disposal of Fixed Assets	43	37
	Gain on sale of equity investment	-	-
	Miscellaneous income	1,222	313
		1,970	**1,788**
	Life business		
	Gain on sale of equity investment	-	-
	Miscellaneous income	635	694
		635	694
	Total other income	**2,605**	**2,482**

		30 June 2021 Birr'000	30 June 2020 Birr'000
10	**Claims and policy holder benefits payable**		
	General business		
	Benefits and claims paid	286,338	218,651
	Change in claims outstanding	49,703	12,421
	Change in incurred but not reported reserve	837	6,455
	Other Technical expenses	4,582	5,452
	Change in unallocated loss adjustment expense	(1,786)	(141)
		339,675	**242,838**
	Recoverable from reinsurance:		
	Claims recoveries from reinsurers	(71,937)	(15,585)
	Net claims and loss adjustment expense	**267,738**	**227,254**
	Life business		
	Benefits and claims paid	40,818	13,292
	Change in Life fund	(13,688)	2,074
	Change in claims outstanding	1,247	(95)
	Change in incurred but not reported reserve	1,194	163
		29,572	**15,434**
	Recoverable from reinsurance:		
	Claims recoveries from reinsurers	(9,066)	(2,046)
	Net claims and loss adjustment expense	**20,505**	**13,389**
	Total	**288,243**	**240,642**

11 Finance costs

The Company has constructed a building for its own office purpose and investment reasons. The Construction of the building is financed though borrowing earlier from United Bank and currently from Awash Bank. The total finance cost incurred at 30 June 2019 Br29, 549. This cost has been capitalized as cost of building as per IAs 38. Since 1st July 2019, interest incurred and paid on the remaining balance is considered as a finance cost expense and this finance expense reached at a total of Br.9, 136,075.17 as at 30 June 2021.

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		30 June 2021 Birr'000	30 June 2020 Birr'000
12	**Operating and other expense**		
	General business		
	Director fixed emoluments	506	947
	Shareholders meeting expense	150	
	Depreciation	20,575	18,638
	Amortization	275	348
	Depreciation-ROU	6,746	5,654
	Financial expense	1,287	1,910
	Office rent	2,792	3,590
	Auditor remuneration	242	186
	Other general expense	6,480	10,280
	Repair and maintenance	4,766	4,149
	Stationeries and office supplies	3,182	3,740
	Gifts and donations	2,210	3,314
	Impairment of receivables-provision	4,948	5,497
	Communication costs	2,880	2,816
	Transportation costs	2,957	3,100
	Advertising and promotion	4,930	5,834
	Insurance costs	1,375	931
	Annual general meeting	-	1,661
	Professional services	865	420
		67,165	**73,014**
	Employee benefits expense		
	Salaries and wages	63,596	56,582
	Staff insurance	4,150	3,086
	Leave pay	1,322	1,224
	Staff bonus	15,029	11,024
	Staff training expense	1,398	1,932
	Defined contribution costs- employers' contribution	8,434	7,511
	Defined benefit costs- severance pay	1,337	1,576
	Other staff expenses	8,802	8,627
		104,068	**91,562**
		171,233	164,577
	Operating and other expense		
	Life business		
	Director fixed emoluments	32	21
	Depreciation	1,131	1,004
	Amortization	38	23
	Financial expense	38	40
	Office rent	-	-
	Auditor remuneration	21	15
	Other general expense	363	93
	Actuarial fee	120	122
	Repair and maintenance	26	9
	Stationeries and office supplies	264	250
	Communication costs	21	11
	Transportation costs	39	110
	Annual general meeting	-	-
	Advertising and promotion	416	414
		2,507	**2,113**

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Employee benefits expense

Salaries and wages	2,018	2,372
Staff insurance	44	-
Leave pay	109	53
Staff bonus	598	512
Defined contribution costs	223	185
Defined benefit costs	41	49
Other staff expenses	1,642	201
	4,674	**3,372**
	7,181	**5,485**
Total operating and Other Expenses	**178,414**	**170,062**

		30 June 2021 Birr'000	30 June 2020 Birr'000
13	**Underwriting expenses**		
	General business		
	Commission expense	37,431	34,534
	Changes in deferred acquisition cost	(4,339)	(1,201)
		33,092	**33,333**
	Life business		
	Commission expense	3,886	2,753
	Changes in deferred acquisition cost	(467)	-
		3,419	**2,753**
	Total underwriting expenses	**36,511**	**36,086**

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

		30 June 2021 Birr'000	30 June 2020 Birr'000
14	**Finance (income) / costs**		
	General business		
	Finance costs-Lease	657	682
	Bank Loan	3553	5863
	Life business		
	Finance costs-Lease	-	-
		4,210	**6,545**

Finance cost is the interest cost paid on long term loan from awash Bank unpaid portion of leased office premises and

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15 Property, plant and equipment

a) General Business

	Buildings	Office equip	Computer equi	Furni and fittings	Motor vehicle	Fence and recovery	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2019	265,553	5,116	6,631	5,801	50,670	1,164	334,935
Additions	32,936	1,103	4,359	8,088	15,213	-	61,699
Disposals / Transfer	-	-	-	(118)	(2,350)	-	(2,468)
Reclassification	(38,349)	2,872	-	(1,425)	-	(105)	(37,007)
As at 30 June 2020	**260,140**	**9,091**	**10,990**	**12,346**	**63,533**	**1,059**	**357,159**
As at 1 July 2020	260,140	9,091	10,990	12,346	63,533	1,059	357,157
Additions	6,006	191	670	1,190	4,272	-	12,329
Disposals / Transfer	-	(40)	-	-	(250)	-	(290)
Reclassification	-	-	-	-	(665)	-	(665)
As at 30 June 2021	**266,146**	**9,242**	**11,660**	**13,536**	**66,890**	**1,059**	**368,531**
Accumulated depreciation							
As at 1 July 2019	-	3,647	3,655	3,275	9,751	115	20,443
Charge for the year	5,055	1,092	1,222	983	5,018	94	13,464
Disposals		-	-	-	(744)	-	(744)
Reclassification	-	-	-	-	-	-	-
As at 30 June 2020	**5,055**	**4,739**	**4,877**	**4,259**	**14,025**	**209**	**33,164**
As at 1 July 2020	5,055	4,739	4,877	4,259	14,025	209	33,164
Charge for the year	5,283	973	1,257	1,140	6,279	105	15,037
Disposals	-	-	-	-	(97)	-	(97)
Reclassification		-	-	-	-	-	-
As at 30 June 2021	**10,338**	**5,712**	**6,134**	**5,399**	**20,207**	**314**	**48,104**
Net book value							
As at 1 July 2019	265,553	1,469	2,976	2,526	40,919	1,049	314,490
As at 30 June 2020	255,085	4,352	6,113	8,087	49,508	850	323,993
As at 30 June 2021	**255,808**	**3,530**	**5,526**	**8,137**	**46,683**	**745**	**320,427**

b) Life business

	Buildings	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	Fence and recovery improvements	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2019	15,000	75	254	114	1,945	-	17,388
Additions	-	-	-	228	-	-	228
Reclassifications	-	-	-	118	-	-	118
Disposals	-	-	-	-	-	-	-
As at 30 June 2020	**15,000**	**75**	**254**	**460**	**1,945**	**-**	**17,734**
As at 1 July 2020	15,000	75	254	460	1,945	-	17,734
Additions	-	-	70	-	-	-	70
Disposals/transfer	-	-	-	-	250	-	250
Reclassification	-	-	-	-	-	-	-
As at 30 June 2021	**15,000**	**75**	**324**	**460**	**2,195**	**-**	**18,054**

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Accumulated depreciation							
As at 1 July 2019	-	42	105	75	390	-	612
Charge for the year	286	5	27	40	185	-	543
Disposals	-	-	-	-	-	-	-
As at 1 July 2020	286	47	132	115	575	-	1,156
Charge for the year	285	5	29	41	304	-	664
Disposals	-	-	-	-	-	-	-
As at 30 June 2021	**571**	**52**	**161**	**156**	**879**	**-**	**1,819**
Net book value							
As at 1 July 2019	15,000	33	149	39	1,555	-	16,776
As at 30 June 2020	14,714	28	122	345	1,370	-	16,579
As at 30 June 2021	**14,429**	**23**	**163**	**304**	**1,316**	**-**	**16,235**

	30 June 2021 Birr'000	30 June 2020 Birr'000
16 Investment property		
a) General business		
Cost:		
Bole Medhanialem Building	93,539	113,786
Kality Buliding	114,605	113,686
Barhidar Building	48,000	48,000
	256,144	**275,472**
Accumulated depreciation:		
Bole Medhanialem Building	9,501	9,140
Kality Buliding	6,696	4,429
Bahirdar Building	4,560	3,648
	20,757	**17,217**
Net book value	**235,385**	**258,255**
b) Life business		
Cost:		
Bole Medhanialem Building	46,200	24,214
	46,200	**24,214**
Accumulated depreciation:		
Bole Medhanialem Building	4,391	1,842
	4,391	**1,842**
Net book value	**41,808**	**22,372**

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 2021 Birr'000	30 June 2020 Birr'000
Rental income	40,331	34,312
Direct operating expenses from property that generated rental income	(11,046)	(10,857)
Net income	**29,285**	**23,455**

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

30 June 2021	**Level 1 Birr'000**	**Level 2 Birr'000**	**Level 3 Birr'000**
Bole Medhanialem	-	138,000	-
Kality Building	-	114,605	
Bahidar building	-	48,000	-
	-	**300,605**	-

30 June 2020	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-	138,000	
Kality Building		113,686	
Bahidar building	-	48,000	
	-	**299,686**	-

17 **Intangible Assets**

	General business Comp software Birr'000	Long term business Comp software Birr'000	Computer software Total Birr'000
Cost:			
As at 1 July 2019	7,553	-	7,553
Acquisitions	146	304	450
Internal development	-	-	-
Transfer from property, plant and equipment	-	-	-
As at 30 June 2020	**7,699**	**304**	**8,003**

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As at 1 July 2020	7,699	304	8,003
Acquisitions	-	-	-
Internal development	-	-	-
Transfer from property and equipment	-	-	-
As at 30 June 2021	**7,699**	**304**	**8,003**
Accumulated amortization and impairment losses			
As at 1 July 2019	6,906	-	6,906
Amortization for the year	252	23	275
Impairment losses	-	-	-
As at 30 June 2020	**7,158**	**23**	**7,181**
As at 1 July 2020	7,158	23	7,181
Amortization for the year	180	38	218
Impairment losses	-	-	-
As at 30 June 2021	**7,338**	**61**	**7,399**
Net book value			
As at 1 July 2019	647	-	647
As at 30 June 2020	541	281	822
As at 30 June 2021	**361**	**243**	**604**

		30 June 2021 Birr'000	30 June 2020 Birr'000
18	**Investment securities :**		
(a)	**Available for sale**		
	General business		
	Equity Investments	146,776	121,083
	Less: Impairment	-	-
		146,776	**121,083**
	Life business		
	Equity Investments	44,370	36,493
	Less: Impairment	-	-
		44,370	**36,493**
	At end of year	**191,146**	**157,576**

The Company holds equity investments in the following entities;

	30 June 2021 Birr'000		30 June 2020 Birr'000	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
United Bank SC	160,596	3.8%	134,817	3.8%
Ethiopian Reinsurance S.C	25,250	2.5%	17,459	2.5%
Habesha Cement Factory SC	5,300	0.5%	5,300	0.5%
	191,146		**157,576**	

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.

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		30 June 2021 Birr'000	30 June 2020 Birr'000
(b)	**Loans and receivables**		
	General business		
	Government securities held to maturity	5,564	-
	Additions		-
	Interest received on Government Bond		-
	Interest receivable on Government Bond	116	-
		5,680	**-**
	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	**5,680**	**-**

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	0	0
Non - Current	196,826	157,576
	196,826	**157,576**

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 2021 Birr'000	30 June 2020 Birr'000
General business		
Statutory deposits	63,841	58,906
Reclassification	0	0
Interest receivable on Government Bond	2,533	2,301
	66,374	**61,207**
Life business		
Statutory deposits	7,042	6,542
Interest receivable on Government Bond	345	266
Statutory deposits	**7,387**	**6,808**
	73,762	**68,014**

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
As at 1 July	68,014	58,067
Additions	5,436	9,111
Interest received on statutory deposit invested in Government Bond	(2,566)	(1,730)
Interest receivable on statutory deposit invested in Government Bond	2,878	2,566
As at 30 June	**73,762**	**68,014**

The minimum amount required to be set aside is Br71,003 (2020 : Br65,434, 2019: Br56,337), accrued interest receivable on the statutory deposit transferred to Ethiopian Government savings Bond of Br2,878(2020: Br2,566 2019: Br1,730) has been included in the above figures.

20 Reinsurance receivables

	30 June 2021 Birr'000	30 June 2020 Birr'000
General Business		
Gross receivables	5,382	5,382
Recovered receivable	(31)	-
Impairment provision	(5,351)	(5,382)
	-	-

	30 June 2021 Birr'000	30 June 2020 Birr'000
Life business		
Gross receivables	4,301	3,190
Impairment provision	-	-
	4,301	**3,190**
	4,301	**3,190**

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

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	4,301	3,190
Non- current		-
	4,301	**3,190**

21 Insurance Receivables

	30 June 2021 Birr'000	30 June 2020 Birr'000
Due from policyholders	14,528	9,221
Due from risk sharing (local insurers)	1,929	1,761
	16,457	**10,982**
Provision for impairment	(9,109)	(9,084)
	7,348	**1,898**

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
At start of the year	9,084	20,085
Increase/ (Decrease) in the year	25	(11,001)
As at 30 June	**9,109**	**9,084**

		30 June 2021 Birr'000	30 June 2020 Birr'000
22	**Reinsurers' share of technical provision and reserves/Reinsurace assets**		
	General business		
	Unearned premium	98,482	65,560
	Notified claims outstanding	41,951	81,477
	Claims incurred but not reported	9,241	5,330
	Impairment provision	-	-
	At end of year	**149,674**	**152,367**
	Life business		
	Unearned premium	3,332	2,472
	Notified claims outstanding	252	74
	Claims incurred but not reported	121	257
	Impairment provision	-	-
	At end of year	**3,704**	**2,802**
	Total General and Life Business	**153,379**	**155,169**

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	153,379	155,169
Non Current	-	-
	153,379	**155,169**

These are Reinsurers" share of technical provisions and reserves. The Company has made a review of an impairment test of the reinsurance assets and no impairments is required in respect of these assets as the Company has the right to set-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.

		30 June 2021 Birr'000	30 June 2020 Birr'000
23	**Policy holder loans**		
	Life Business		
	Policy holder loans	180	877
	At end of year	**180**	**877**
	Maturity profile of policy loans		
	Loans maturing :		
	Within 1 year	46	573
	Within 1 - 5 years	135	275
	In over 5 years	-	29
		180	**877**

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24 Deferred acquisition costs

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
General business	18,104	13,765
Life business	2,170	1,703
At end of year	**20,274**	**15,468**

The movement in deferred acquisition cost is as follows:

	30 June 2021 Birr'000	30 June 2020 Birr'000
As at 1 July	15,468	13,838
Change during the year	4,806	1630
As at 30 June	**20,274**	**15,468**

25 Salvage property held for sale

	30 June 2021 Birr'000	30 June 2020 Birr'000
Non-current asset held for sale	16,803	4,839
	16,803	**4,839**

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
As at 1 July	4,839	12,417
Additions during the year	16,803	4,839
Sold during the year	(4,839)	(12,417)
As at 30 June	**16,803**	**4,839**

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 thefinancial statement by their carrying amount and fair value less cost of disposal as per IFRS 5.They Company's management intention regarding these assets is to dispose through public auction. These assets will are not be heldfor more than a year from the date of compensation and their carrying value will only be recovered through disposal rather than continuing use.

	30 June 2021 Birr'000	30 June 2020 Birr'000
26 Other assets		
Loans and receivables:		
General business		
Rent receivable	198	974
Restricted cash	1,081	1,081
Inter office receivable - Life	4,875	1,120
Staff debtors	8,234	6,592
Sundry debtors	11,138	6,527
	20,546	**16,294**

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Non financial assets:		
Deposits and prepayments	6,262	7,414
Prepaid staff assets	513	65
Deferred prepaid profit tax	-	-
Deferred tax assets. Employee benefit	490	259
VAT	-	48,492
Prepayments For Building	3,800	3,137
	11,065	**59,367**
Less impairment loss on other assets:		
On other receivables	(4979)	-
on non financial assets	-	-
	26,632	**75,661**
Loans and receivables:		
Life business		
Inter office receivable - non life	-	-
Receivables on policy loan	26	217
Sundry debtors	554	54
	580	**271**
		-
Non financial assets:		
Deposits	-	-
Deferred tax assets. Employee benefit	-	17
Prepayments	-	-
	-	**17**
Less impairment loss on other assets:		
On other receivables	-	-
on non financial assets	-	-
	580	**288**
	27,212	**75,949**

	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	27,212	75,949
Non Current	-	-
	27,212	**75,949**

At 30 June, there is no allowance for impairment losses

	30 June 2021 Birr'000	30 June 2020 Birr'000
27 Cash and Bank balances		
General business		
Cash in hand	20,142	13,278
Cash at bank	39,465	26,582
Deposits with financial institutions	505,928	342,454
	565,536	**382,314**

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Maturity analysis	30 June 2021	30 June 2020
Current	510,536	327,314
Non- current	55,000	55,000
	565,536	382,314

Out of the above deposits with financial institution , Birr 55 million is pledged as security for borrowings from United

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 2021	30 June 2020
Cash and Bank balances	**Birr'000**	**Birr'000**
Life business		
Cash in hand	23	37
Cash at bank	4,920	3,802
Deposits with financial institutions	113,807	122,049
	118,750	125,888

Maturity analysis	30 June 2021	30 June 2020
	Birr'000	**Birr'000**
Current	118,750	125,888
Non- current	-	-
	118,750	125,888
Total Cash and Bank balances	684,285	508,202

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 2021	30 June 2020
	Birr'000	**Birr'000**
Cash and cash equivalents		
General business		
Cash in hand	20,142	13,278
Cash at bank	39,465	26,582
Short term deposits with bank		
	59,607	39,860

	30 June 2021	30 June 2020
	Birr'000	**Birr'000**
Life business		
Cash and cash equivalents		
Cash in hand	23	37
Cash at bank	4,920	3,802
Short term deposits with bank	-	-
	4,943	3,839
Total cash and cash equivalents	64,550	43,699

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The movement of deposits with financial institutions

	30 June 2021 Birr'000	30 June 2020 Birr'000
General business		
As at 1 July	342,454	285,061
Additions	155,054	54,577
Interest received on Fixed time deposit	(15,015)	(12,199)
Interest receivable on fixed time deposit	23,435	15,015
As at 30 June	**505,928**	**342,454**

The movement of deposits with financial institutions

	30 June 2021 Birr'000	30 June 2020 Birr'000
Life business		
As at 1 July	122,049	112,137
Additions	(8,232)	9,929
Interest received on Fixed time deposit	(3,887)	(3,904)
Interest receivable on fixed time deposit	3,877	3,887
As at 30 June	**113,807**	**122,049**

28	**Insurance contract liabilities**		
a)	**General business**		
	Gross insurance contracts :		
	Claims reported and loss adjustment expenses	276,628	266,451
	Claims incurred but not reported IBNR	47,631	42,883
	Additional unexpired risk reserve	347,790	277,700
	Unallocated loss adjustment expense	2,708	4,494
	Total insurance liabilities, gross	**674,757**	**591,528**
	Recoverable from reinsurers:		
	Notified claims outstanding	41,951	81,477
	Claims incurred but not reported	9,241	5,330
	Additional unexpired risk reserves	98,482	65,560
	Unallocated loss adjustment expenses	-	-
	Total reinsurers' share of insurance liabilities	**149,674**	**152,367**
	Net Insurance contracts liabilities:		
	Claims reported and loss adjustment expense	234,677	184,974
	Claims incurred but not reported IBNR	38,390	37,553
	Additional unexpired risk reserve	249,308	212,140
	Unallocated loss adjustment expense	2,708	4,494
	Total insurance contract liabilities, net	**525,083**	**439,161**
b)	**Gross Life business insurance contracts:**		
	Gross insurance contracts :		
	Claims reported and loss adjustment expenses	3,134	1,709
	Claims incurred but not reported IBNR	2,411	1,353
	Additional unexpired risk reserves	30,672	14,654
	Unallocated loss adjustment expenses	-	-
	Total insurance liabilities, gross	**36,217**	**17,715**

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Recoverable from reinsurers		
Notified claims outstanding	252	74
Claims incurred but not reported	121	257
Additional unexpired risk reserve	3,332	2,472
Unallocated loss adjustment expense	-	-
Total reinsurers' share of insurance liabilities	**3,704**	**2,802**
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	2,882	1,635
Claims incurred but not reported IBNR	2,290	1,096
Additional unexpired risk reserve	27,340	12,182
Unallocated loss adjustment expense	-	-
Total insurance contract liabilities, net	**32,513**	**14,914**
Total insurance liabilities, gross	710,974	609,243
Total reinsurers' share of insurance liabilities	153,378	155,169
Total insurance contract liabilities, net	**557,596**	**454,074**

Maturity analysis	**30 June 2021 Birr'000**	**30 June 2020 Birr'000**
Current	557,596	454,074
Non- current	-	-
	557,596	**454,074**

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 (actserve) Ltd, an actuary located in Kenya.

Movements in insurance Liabilities and reinsurance assets

a) **General Business insurance contracts:**

		30 June 2021			**30 June 2020**		
				Birr'000			**Birr'000**
		Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
(i)	**Outstanding**						
	At 1 July						
	Notified claims	266,451	81,477	184,974	289,256	116,695	172,561
	IBNR	42,883	5,330	37,553	35,410	4,312	31,098
	ULAE	4,494		4,494	4,634	0	4,634
	As At 30 June	**313,828**	**86,807**	**227,021**	**329,300**	**121,007**	**208,293**

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At 1 July						
Paid claims for the year	(339,675)	(71,937)	(267,738)	(242,839)	(15,585)	(227,254)
Increase In Liability:						
Current and prior period	666,642	123,129	543,513	556,667	102,392	454,275
As at 30 June	**326,967**	**51,192**	**275,775**	**313,828**	**86,807**	**227,021**
Notified claims (Outstanding plus disputed)	276,628	41,951	234,677	266,451	81,477	184,974
IBNR	47,631	9,241	38,390	42,883	5,330	37,553
ULAE	2,708	-	2,708	4,494		4,494
As at 30 June	**326,967**	**51,192**	**275,775**	**313,828**	**86,807**	**227,021**

(ii) **Provision for unearned premiums**

30 June 2021

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering	31,630	18,019	13,611
Liability	13,171	1,570	11,601
Pecuniary	32,587	19,227	13,360
Fire	35,796	25,656	10,140
Burglary and House breaking	1,127	626	501
Accident	3,366	271	3,095
Medical	1,385	237	1,148
Workmen's Compensation	5,349	287	5,062
Motor	193,579	10,386	183,193
Aviation	1,282	1,138	144
Marine	5,681	1,320	4,361
Goods in transit	2,531	417	2,114
Miscellaneous	20,305	19,326	979
	347,790	**98,482**	**249,308**

30 June 2020

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering	27,371	12,620	14,751
Liability	12,361	1,468	10,893
Pecuniary	18,330	11,934	6,396
Fire	28,561	19,632	8,929
Burglary and House breaking	1,328	591	737
Accident	3,390	248	3,142
Medical	1,931	563	1,368
Workmen's Compensation	5,376	267	5,109
Motor	164,036	8,659	155,377
Marine	4,411	949	3,462
Goods in transit	1,293	211	1,082
Micellaneous	9,313	8,419	894
	277,700	**65,560**	**212,140**

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	30 June 2021			30 June 2020		
Movement	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
At 1 July	277,700	65,560	212,140	220,348	35,016	185,332
Change in unearned income	70,090	32,922	37,168	57,352	30,544	26,808
As at 30 June	**347,790**	**98,482**	**249,308**	**277,700**	**65,560**	**212,140**

b) Life business insurance contracts:

(i) **Provision for unearned premiums**

30 June 2021

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Group Term	7,419	2,169	5,250
Arab travelers	14,425	721	13,704
Funeral	1	-	1
Group medical	8,827	441	8,386
	30,672	**3,331**	**27,341**

30 June 2020

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Group Term	10,671	2,276	8,395
Arab travelers	-	-	-
Group medical	3,982	196	3,786
	14,653	**2,472**	**12,181**

	30 June 2021			30 June 2020		
Movement	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
At 1 July	14,653	2,472	12,181	9,128	512	8,616
Change in unearned income	16,019	860	15,160	5,525	1,960	3,565
As at 30 June	**30,672**	**3,332**	**27,341**	**14,653**	**2,472**	**12,181**

(ii) Life insurance funds

	30 June 2021 Birr'000	30 June 2020 Birr'000
At 1 July	92,381	90,394
Net premium received investment income	62,079	39,472
Change in net UPR	(15,159)	(3,565)
Investment income	24,324	21,479
other income	635	694
claims paid	(39,571)	(13,292)
Claims recovered from reinsurers management expenses	9,066	2,046
Change in net IBNR	(1,194)	(163)
Management expenses	(7,181)	(5,485)
Net commission paid/(Received)	(192)	(116)
Changes in outstanding claims	(1,247)	95
Distribution to policy holders	0	0
Other outgo	(50)	(10)
Distribution to shareholders	(44,000)	(39,168)
As at 30 June	**79,890**	**92,381**

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	30 June 2021 Birr'000	30 June 2020 Birr'000
Life Fund Movement		
Actuarial Liabilities	92,381	90,394
Actuarial surplus	31,509	41,155
Distribution to Shareholders	(44,000)	(39,168)
Life Fund	**79,890**	**92,381**

(iii) **Outstanding claims provision**

	30 June 2021 Birr'000	30 June 2020 Birr'000
At 1 July	1,635	1,730
Change in Outstanding claim	1,247	(95)
As at 30 June	**2,882**	**1,635**

29 Deferred reinsurance commission

	30 June 2021 Birr'000	30 June 2020 Birr'000
General business	27,163	18,499
Life business	142	201
	27,305	**18,700**

30 Insurance payables

	30 June 2021 Birr'000	30 June 2020 Birr'000
General business		
Due to Reinsurers	47,441	40,573
Payable to local Insurance	4,128	3,608
Impairment provision	-	-
At end of the year	**51,569**	**44,182**
Life business		
Due to Reinsurers	4,169	4,725
Payable to local Insurance	-	-
Impairment provision	-	-
At end of the year	4,169	**4,725**
Gross amount	**55,738**	**48,907**

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	55,738	48,907
Non- current	-	-
	55,738	**48,907**

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.

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		30 June 2021 Birr'000	30 June 2020 Birr'000
31	**Other liabilities**		
a)	**General business**		
	Financial liabilities		
	Dividend payable	18,015	10,100
	Directors' Fee	-	-
	Commission payable	8,397	5,346
		26,412	**15,446**
	Non financial liabilities		
	Sundry creditors	6,385	2,385
	Uncollected cheques	3,097	5,758
	Deferred tax employee liability	-	-
	Deferred income	17,783	9,838
	Retention fee payable	3,181	3,918
	Inter office A/C with life	-	-
	Provisions	22,671	18,082
	Rent advance	4,657	5,891
	Debtors with credit balance	2,355	4,441
		60,129	**50,313**
		86,541	**65,760**
b)	**Life business**		
	Financial liabilities		
	Dividend payable	-	-
	Directors' Fee		
	Commission payable	-	-
		-	**-**
	Non financial liabilities		
	Sundry creditors	1,435	640
	Uncollected cheques	-	-
	Withholding tax	-	-
	Inter office A/C with Non life	4,875	786
	Retention fee payable		
	Provisions	793	598
	Rent advance	-	-
	Debtors with credit balance	-	-
		7,103	**2,024**
		7,103	**2,024**
	Gross amount	**93,644**	**67,784**

Maturity analysis	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	93,644	67,784
Non- current		
	93,644	**67,784**

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32 Company income and deferred tax

a) Current income tax

	Birr'000	Birr'000
Company income tax	20,066	20,939
Prior year (over)/ under provision	-	-
Deferred income tax/(credit) to profit or loss	4,970	17,794
Total charge to profit or loss	25,036	38,733
Balance charged to undistributable		(15,245)
Tax (credit) on other comprehensive income	(228)	345
Total tax in statement of comprehensive income	**24,809**	**23,833**

b) Reconciliation of effective tax to statutory tax-30 June 2021

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

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Profit before tax	**125,925**	**44,000**	**169,925**
Add : Disallowed expenses			
Entertainment	784	63	847
Penalty	79	-	79
Gifts and donations	-	200	200
Shareholders' meeting expenses	150	-	150
Giveaway items	393	29	422
Medical expenses for UNIC-staff employee family	286	-	286
Staff award expense	227	-	227
Severance pay- provision	349	30	379
Impairment of receivables-Provision	4,948	-	4,948
Depreciation for right of use asset	6,746	-	6,746
Interest on lease liability of right of use asset	587	-	587
Depreciation for IFRS accounting purpose	20,575	1,131	21,706
Amortization for IFRS accounting purpose	275	38	313
Total disallowable expenses	**35,399**	**1,491**	**36,889**
Less : Allowable expense			
Depreciation for tax purpose	34,094	2,383	36,477
Amortization for tax purposes	293	57	350
Dividend income taxed at source	22,165	6,996	29,161
Rent expenses lease term over a year	7,389	-	7,389
Interest income taxed at source-Local Deposit	52,257	14,293	66,550
Total allowable expenses	**116,198**	**23,729**	**139,927**
Taxable profit	**45,126**	**21,762**	**66,888**
Current tax at 30%	**13,538**	**6,529**	**20,066**

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C) Reconciliation of effective tax to statutory tax-30 June 2020

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

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C) Reconciliation of effective tax to statutory tax-30 June 2020

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

Profit before tax	**108,599**	**39,168**	**147,767**
Add : Disallowed expenses			
Entertainment	635	37	672
Penalty	58	-	58
Shareholders' meeting expenses	1,661	-	1,661
Giveaway items	496	37	533
25th Anniversary & inauguration expense	1,776	-	1,776
Additional prior period profit tax	663	-	663
Medical expenses for UNIC-staff employee family	18	-	18
Staff award expense	1,457	-	1,457
Severance Liability	1,442	49	1,491
Impairment of receivables-Provision	5,497	-	5,497
Depreciation for right of use asset	5,654		5,654
Interest on lease liability of right of use asset	394		394
Depreciation for IFRS accounting purpose	18,638	1,004	19,642
Amortization for IFRS accounting purpose	252	23	275
Total disallowable expenses	**38,642**	**1,151**	**39,792**
Less : Allowable expense			
Depreciation for tax purpose	32,461	2,054	34,515
Amortization for tax purposes	263	76	339
Dividend income taxed at source	17,215	5,426	22,641
Gain on sale of equity	6,277	-	6,277
Interest income taxed at source-Local Deposit	40,660	13,331	53,991
Total allowable expenses	**96,876**	**20,887**	**117,763**
Taxable profit	**50,364**	**19,432**	**69,796**
Current tax at 30%	**15,109**	**5,829**	**20,939**

d) Current income tax assets / (liability)

	30 June 2021 Birr'000	30 June 2020 Birr'000
Balance at the beginning of the year	(14,901)	(11,489)
Current year provision	(20,066)	(20,939)
WHT Not utilized	7,728	6,037
Payment during the year	14,901	11,489
Balance at the end of the year	**(12,338)**	**(14,901)**

e) Deferred income tax

Deferred income 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.

	30 June 2021 Birr'000	30 June 2020 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	40,863	36,121
To be recovered within 12 months	-	-
	40,863	**36,121**

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

30 June 2021

Deferred income tax assets/(liabilities):	At 1 July 2020	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2021
	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	37,137	4,983		42,119
Intangibles	(59)	(6)		(65)
Unrealized exchange gain	-			-
Tax losses charged to profit or loss	-	-		-
Post employment benefit obligation	(957)	(6)	(228)	(1,191)
Total deferred tax assets/(liabilities)	**36,121**	**4,970**	**(228)**	**40,863**

30 June 2020

Deferred income tax assets/(liabilities):	At 1 July 2019	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2020
	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	18,914	18,222		37,137
Intangibles	(78)	19		(59)
Unrealized exchange gain	-			-
Tax losses charged to profit or loss	-	-		-
Post employment benefit obligation	(854)	(447)	345	(957)
Total deferred tax assets/(liabilities)	**17,982**	**17,794**	**345**	**36,121**

		30 June 2021	30 June 2020
		Birr'000	**Birr'000**
33	**Borrowings**		
	Borrowings from domestic banks	16,120	33,354
		16,120	**33,354**

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.

Maturity analysis	30 June 2021	30 June 2020
	Birr'000	**Birr'000**
Current	-	-
Non- current	16,120	33,354
	16,120	**33,354**

34 Leases as a Lessee

also has a lease term with no renewal options or variable payments.

A right-of-use asset and a lease liability are recognized at the commencement date of a lease. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date, and any initial direct costs incurred. Lease liabilities are initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate. The Company typically uses National Bank of Ethiopian average lending rate as Company's incremental borrowing rate. Right-of-use assets are presented in the financial position separately from other assets. Lease liabilities are also presented in the financial position separately from other liabilities.

Subsequent to initial recognition, right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the right-of-use asset's useful life, with depreciation expense recorded as operating expenses or other expenses in the statement of profit or loss and other comprehensive income, and lease liabilities are measured at amortized cost using the effective interest method, with accretion of lease liabilities recorded as interest expense in the statement of profit or loss and other comprehensive income. Each lease payment is allocated between principal and interest expense to produce a constant periodic rate of interest on the remaining balance of the lease liability. The interest and principal portions cash payments on lease liabilities are reported as operating activities and financing activities respectively in the statement of cash flows.

Right-of-use assets and lease liabilities are not recognized for short-term leases that have a lease term of twelve months or less, or for low value leases, which principally relate to office premises. Payments for short-term and low value leases are recorded on a straight-line basis over the lease term in the statement of profit or loss and comprehensive income and reported as operating activities anthem statement of cash flows.

Set out below are the carrying amounts of right-of use assets recognized and the movements during the period.

	Office premises	
a) Right- of use assets	**30 June 2021**	**30 June 2020**
	Birr'000	Birr'000
As at 1 July	8,239	8,261
Additions	6,023	5,633
Depreciations expenses	(6,746)	(5,654)
As at 30June 2020	**7,517**	**8,239**

b) Right of use assets/Prepaid operating leasehold land
The Company has leased land for its use. The lease hold period for land at Bahirdar, Kality and Bolemedhanialem is 60, 50 and 12 years respectively. Information about the leases in which the Company is a lessee is presented below:

	30 June 2021	**30 June 2020**
Cost:	Birr'000	Birr'000
At the beginning of the year	5,421	5,421
Accumulated depreciation from prepaid operating leaseholding land	(1,272)	(1,177)
At the end of the year	**4,149**	**4,244**

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Depreciation		
At the beginning of the year	-	-
Charge for the year	95	95
	4,054	**4,149**
Total Right of use assets	**11,570**	**12,388**

c) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	30 June 2021	30 June 2020
	Birr'000	Birr'000
As at 1 July	4,795	4,956
Additions	2,815	2,415
Accretion of interest	587	394
payments	(4,442)	(2,970)
As at 30 June	**3,755**	**4,795**

	30 June 2021	30 June 2020
d) Leasehold land lease liability		
Land Lease Payable	897	1,117
	897	**1,117**
Total lease Liability	**4,653**	**5,913**

Maturity analysis	30 June 2021	30 June 2020
	Birr'000	Birr'000
Current	3,755	4,795
Non current	897	1,117
	4,653	**5,913**

	30 June 2021	30 June 2020
Amount recognized in profit or loss	Birr'000	Birr'000
Depreciation expense of right of use assets	6,746	5,654
Interest expense on lease liabilities	587	394
Expense relating to short term leases (included in other lease expenses)		
Expenses relating to leases of low value assets (included in admin. expenses)	2,792	3,590
Variable lease payments	0	
Total amount recognized in profit or loss	**10,124**	**9,638**

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Amount recognized in the statement of cash flows

	30 June 2021 Birr'000	30 June 2020 Birr'000
Total cash out flow for leases	**4,442**	**2,970**

As a lessor

The Company has entered into operating leases on its investment property portfolio consisting of certain office premises. These leases have terms of leases between one and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Payments received from operating leases are recorded on a straight-line basis over the lease term as investment income in the statement of profit or loss and other comprehensive income. Lease income recognized from investment property by the Company during the year is Birr 40,331 (2020: Birr 34,312).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2021are as follows:

	30 June 2021 Birr'000	30 June 2020 Birr'000
Within one year	44,600	42,476
After one year but not more than five years	223,000	212,380
More than five years	267,600	254,856
	535,200	**509,712**

			30 June 2021 Birr'000	30 June 2020 Birr'000
35	**Defined benefit liability**			
	Defined benefits liabilities:			
	Severance pay - Life business	Note 36(a)	127	97
	Severance pay - Non life business	Note 36(a)	3,844	3,093
	Liability in the company statement of financial position		**3,971**	**3,190**
	Income statement charge included in personnel expenses:			
	Severance costs - Life business	Note 36(a)	86	74
	Severance costs - Non life business	Note 36(a)	2,298	2,586
	Total defined benefit expenses		**2,384**	**2,660**
	Remeasurements for:			
	Life business			
	Remeasurement (gains)/losses - Life business		11	31
	Deferred tax (liability)/asset on remeasurement gain or loss		3	9
			8	22
	General business			
	Remeasurement (gains)/losses - Non life business		(770)	1,118
	Deferred tax (liability)/asset on remeasurement gain or loss		231	(335)
			(539)	783
	Gross amount		**(531)**	**805**

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

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a) Severance pay

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

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
A Defined benefit liability		
Liability recognized in the financial position - Life business	127	97
Liability recognized in the financial position - General business	3,844	3,093
	3,971	**3,190**

	30 June 2021 Birr'000	30 June 2020 Birr'000
B Amount recognized in the profit or loss		
Life business		
Current service cost	70	48
Interest cost	16	12
Past service cost	-	15
	86	**75**
General business		
Current service cost	1,888	1,690
Interest cost	410	411
Past service cost	-	485
	2,298	**2,586**
Gross amount	**2,384**	**2,661**
C Amount recognized in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in demographic assumptions - Life	(11)	(31)
Remeasurement (gains)/losses arising from changes in demographic assumptions - General	770	(1,118)
	759	**(1,149)**

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
Life business		
At the beginning of the year	97	79
Current service cost	70	47
Interest cost	16	12
Remeasurement (gains)/ losses	(11)	(31)
Past service cost	-	15
Benefits paid	(45)	(25)
At the end of the year	**127**	**97**

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General business		
At the beginning of the year	3,093	2,768
Current service cost	1,888	1,690
Interest cost	410	411
Remeasurement (gains)/ losses	770	(1,117)
Past service cost	-	485
Benefits paid	(2,318)	(1,144)
At the end of the year	**3,843**	**3,093**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2021 Birr'000	30 June 2020 Birr'000
Discount rate (p.a)	14.25%	14.25%
Long term salary Increase rate (p.a)	10.00%	8.00%

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	0.111	0.111
25	0.112	0.111
30	0.116	0.113
35	0.132	0.120
40	0.188	0.147
45	0.330	0.231
50	0.599	0.420
55	1.035	0.750
60	1.720	1.272

iii) Withdrawal from Service

The withdrawal rates are as summarized below:

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

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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		

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

General business

	30 June 2021				
	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	14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate	10.00%	10.00%	11.00%	10.00%	9.00%
Net liability at start of period	**3,092,791**	**3,092,791**	**3,092,791**	**3,092,791**	**3,092,791**
Total net expense recognized in income statement	2,298,440	2,298,440	2,298,440	2,298,440	2,298,440
Net expense recognized in other comprehensive income	770,376	770,376	988,058	955,239	575,074
Employer contribution	(2,317,853)	(2,317,853)	(2,317,853)	(2,317,853)	(2,317,853)
Net liability at end of period	**3,843,754**	**3,843,754**	**4,061,436**	**4,028,617**	**3,648,452**

	30 June 2020				
	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 statement	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 period	**2,768,551**	**2,587,228**	**2,977,865**	**2,976,103**	**2,582,782**

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Lifebusiness

	30 June 2021				
	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	14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate	10.00%	10.00%	11.00%	10.00%	9.00%
Net liability at start of period	**97,130**	**97,130**	**97,130**	**97,130**	**97,130**
Total net expense recognized in income statement	86,086	86,086	86,086	86,086	86,086
Net expense recognized in other comprehensive income	(11,360)	(17,549)	(4,665)	(4,440)	(17,404)
Employer contribution	(45,177)	(45,177)	(45,177)	(45,177)	(45,177)
Net liability at end of period	**126,679**	**120,490**	**133,374**	**133,599**	**120,635**

	30 June 2020				
	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%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	**39,833**	**39,833**	**39,833**	**39,833**	**39,833**
Total net expense recognized in income statement	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 period	**79,150**	**74,245**	**84,764**	**84,716**	**74,123**

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 weighted average duration of defined benefit obligation at the end of the reporting period for general insurance staff is 5.0 years and for long term insurance staff is 4.7 years.

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

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		30 June 2021 Birr'000	30 June 2020 Birr'000
36	**Ordinary share capital**		
	Authorized:		
	500,000 ordinary shares of Birr 1000 each	500,000	500,000
	Issued and fully paid:		
	375,578 ordinary shares of Birr 1000 each	436,228	375,578
	37,188 ordinary shares of Birr 1000 each	37,188	60,650
	Total share capital & share premium	**473,416**	**436,228**
	Share premium	-	-

The movements in issued ordinary shares, fully paid share and share premium:

	No. of shares (thousands)	Share Capital ETB'000	Share Premium ETB"000	Total ETB"000
At 1 July 2019	375,578	375,578	1,369	376,947
Issue of ordinary shares	60,650	60,650	-	60,650
Dividend paid			-1,369	-1,369
As at 30 June 2020	**436,228**	**436,228**	**-**	**436,228**
At 1 July 2020	436,228	436,228	-	436,228
Issue of ordinary shares	37,188	37,188		37,188
Dividend paid				
As at 30 June 2021	**473,416**	**473,416**	**-**	**473,416**

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

37 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year

	30 June 2021 Birr'000	30 June 2020 Birr'000
Current year profit Attributable to the shareholders	**145,116**	**124,279**
Weighted Average number of ordinary share in issue	**459,869**	**415,710**
Earnings per share in BIRR	**0.32**	**0.30**

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 no other transactions involving ordinary shares or potential ordinary shares between the reporting date and of compilation of these financial statements.

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		30 June 2021 Birr'000	30 June 2020 Birr'000
38	**Retained earnings**		
	General business		
	At the beginning of the year distributable earnings	82,172	63,019
	At the beginning of the year un distributable earnings	61,468	61,468
	Profit/ (Loss) for the year	108,050	91,176
	Transfer to legal reserve	(10,805)	(9,118)
	Transfer to capital	(31,101)	(54,303)
	Transfer to life fund	-	0
	Dividend provided for	(51,071)	(8,603)
	Total retained earnings- General business	**158,713**	**143,640**
	At the end of the year un distributable earnings	61,468	**61,468**
	At the end of the year distributable earnings	**97,245**	**82,172**
	Life business		
	At the beginning of the year distributable earnings	29,793	32,023
	At the beginning of the year un distributable earnings	4,472	4,472
	Profit/ (Loss) for the year	37,066	33,103
	Transfer to legal reserve	(3,707)	(3,310)
	Transfer to Capital	(3,770)	(6,346)
	Dividend provided for	(26,023)	(25,677)
	Total retained earnings- Life business	**37,831**	**34,265**
	At the end of the year un distributable earnings	**4,472**	**4,472**
	At the end of the year distributable earnings	**33,359**	**29,793**
		196,544	**177,904**

		30 June 2021 Birr'000	30 June 2020 Birr'000
39	**Legal reserve**		
	General business		
	At the beginning of the year	66,462	57,345
	Transfer from profit or loss	10,805	9,118
	At the end of the year	**77,267**	**66,462**
	Life business		
	At the beginning of the year	14,345	11,035
	Transfer from profit or loss	3,707	3,310
	At the end of the year	**18,052**	**14,345**
		95,319	**80,808**

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.

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		30 June 2021 Birr'000	30 June 2020 Birr'000
40	**Life fund reserve**		
	Life business		
	At the beginning of the year	92,381	90,394
	Transfer from / to retained earnings	(31,509)	1,987
	At the end of the year	**79,890**	**92,381**

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

		30 June 2021 Birr'000	30 June 2020 Birr'000
41	**Actuarial (gain)/Loss of employee**		
	General Business		
	At the beginning of the year	178	(604)
	Gross gain/(loss)	(770)	1,117
	Deferred tax asset/(liability)	231	(335)
	Net gain/(Loss)	**(361)**	**178**
	Life Business		
	At the beginning of the year	(20)	(42)
	Gross gain/(loss)	11	31
	Deferred tax asset/(liability)	(3)	(9)
	Net gain/(Loss)	**(12)**	**(20)**
		(374)	**157**

		Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
42	**Cash generated from operating activities**			
	Profit before tax	32(b)	**169,925**	**147,767**
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment	15,16	21,805	19,642
	Amortization of intangible assets	17	218	276
	Right of use asset -depreciation	34	6,841	5,750
	Gain/(Loss) on disposal of property, plant and equipment	42	-	90
	Fixed assets given away as prize net of relating gain		-	1,360
	Change in operational assets:		-	
	Decrease/(Increase) Reinsurance receivables	20	(1,111)	5,898
	Decrease/(Increase) Insurance receivables	21	(5,451)	(1,404)
	Decrease/(Increase) Reinsurance assets	22	1,790	20,270
	-Decrease/ (Increase deferred acquisition costs	24	(4,806)	(1,630)
	Decrease/(Increase) other assets	26	48,737	23,448
	Decrease/(Increase) loan and receivable	18	(5,680)	35
	Decrease/ (Increase) salvage property held for sales	25	(11,965)	7,578
	Change in operational liabilities:			
	-Increase/ (decrease) insurance contract liabilities	28	101,732	15,041
	-Increase/ (decrease) deferred reinsurance commission	29	8,605	3,898
	-Increase/ (decrease) Insurance payables	30	6,831	(2,208)
	-Increase/ (decrease) other liabilities	31	25,432	1,961
	Cash generated from operations		**362,903**	**247,772**

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In the statement of cash flows, profit on sale of property, plant and equipment comprise:	30 June 2021 Birr'000	30 June 2020 Birr'000
Proceeds on disposal	12	156
Net book value of property, plant and equipment disposed	26	246
Gain/(loss) on sale of property, plant and equipment	**(14)**	**(90)**

43 Related party transactions

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

	30 June 2021 Birr'000	30 June 2020 Birr'000
a) ***Transactions with related parties***		
Loan to key management personnel	176	552
	176	**552**

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 June 2021.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Salaries and other short-term employee benefits	5,598	8,259
Post-employment benefits	-	-
Termination benefits	981	-
Sitting allowance	506	1,268
Other expenses		
	7,085	**9,527**

44 Directors and employees

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

	30 June 2021 Number	30 June 2020 Number
Professionals and High Level Supervisors	25	31
Semi-professional, Administrative and Clerical	13	13
Technician and Skilled	-	-
Manual and Custodian	12	20
	50	**64**

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 2021 Birr'000	30 June 2020 Birr'000
10,000 - 30,000	179	159
30,001 - 50,000	22	18
50,001 - 100,000	4	5
Above 100,000	1	-
	206	**182**

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45 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 recognised 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 173 cases amounting to Birr 10,845,312.55 is included in the current financial statement, However, 25 legal cases amounting to Birr 76,967,523.96 disclosed as contingent liability as the probability of payment is remote. The amount is subject of ongoing 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 2021.

46 Commitments

The Company has a capital commitment in connection with Bole medhanialem building site of Birr 9 million of the year 30 June 2021.

47 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 each lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June2021	30 June 2020
	Birr'000	Birr'000
No later than 1 year	3,134	3,906
Later than 1 year and no later than 2 years	621	842
Later than 2 years but not later than 5 years	-	-
Total	**3,755**	**4,748**

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset and align with the Company's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (Note 3).

48 Currency

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

49 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 81.20 million net of deferred tax liability of Birr 16.50 million is included in the retained earning account. This represents the surplus on the revaluation of investment property and property and equipment.

50 Actuarial valuations

An actuarial valuation of the Company's Life business as of 30 June 2021 was carried out by our consulting actuaries, ZAMARA actuaries, administrator and consultant Limited. The valuation revealed Br44, 000,000 for distribution from surplus to shareholders for the year ended 30 June 2021. The Company did not have any with profit policies as at 30 June 2021.

51 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 2021 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

THE UNITED INSURANCE COMPANY SC
REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 30 JUNE 2021

actserv

ACTUARY CERTIFICATE

I have conducted an actuarial valuation of the general insurance liabilities and severance benefits of The United Insurance S.C.

The valuation was conducted in accordance with generally accepted actuarial principles. These principles require the prudent provision for future outgo under the contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the financial statements and the data provided by the company.

In my opinion,

(i) The actuarial value of the liabilities in respect of all classes of general insurance business of the company reflect a fair value as at 30 June 2021.

(ii) The severance benefits as at 30 June 2021 can be incorporated in the financial statements in line with the International Accounting Standards 19.

Signed in my capacity as an employee of Actuarial Services(EA) Ltd.

Abed Mureithi
Fellow of the Institute and Faculty of Actuaries (UK)
Actuary

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THE UNITED INSURANCE COMPANY SC
REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 30 JUNE 2021

zamara
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Appendix E: Actuary's Solvency Certificate

The United Insurance Company S.C.

Actuarial Valuation as at 30 June 2021

Actuary's Solvency Certificate

I , James Israel Omanyala Olubayi of Zamara Actuaries, Administrators and consultants Limited, Land Mark Plzaz 10th floor, Argwings Kodhek Road,PO Box 52439, Nairobi 00200 Kenya, being a fully qualified Actuary and having conducted an actuarial valuation of the Life fund as at 30 June 2021 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 SC 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
Zamara Actuaries , Administrators and Consultants Limited

PHOTO GALLERY

26TH ANNUAL GENERAL MEETING OF SHAREHOLDERS PHOTO
NOVEMBER 10,2020

BEST PERFORMED BRANCHES AWARD,2020

ETB 54.7 million bond claim paid to the Ethiopian Roads Authority (ERA)

MANAGEMENT CONSULTATIVE MEETING
ADDIS ABABA

<UNIC-ETHIOPIA> RECEIVED ESPECIAL RECOGNITION FROM HIS EXCELLENCY PRIME MINISTER ABIY AHMED (DR) FOR ITS LOYALTY IN PAYING TAXES

ADDIS KETEMA
183091
0112 762 575
0966 215 848
0112 766 868

ADDISU GEBEYA
1156
0111 546 158
0929 499 116
0111 547 082

ARADA
25869
0111 558 787
0966 216 356
0111 558 788

ARAT-KILO
1156
0111 561 162
0912 507 665
0111 564 798

AYERTENA
1156
0113 471 798
0966 216 362
0113 471 799

BEKLOBET
17340
0114 655 225
0911 236 520
0114 655 246

BOLE M/ALEM
1156
0116 625 799
0966 215 868
0116 625 814

BOLE ROAD
1156
0116 504 737
0929 319 578
0116 504 485

GERJI
1156
0116 394 699
0929 319 579
0116 394 698

GOFA
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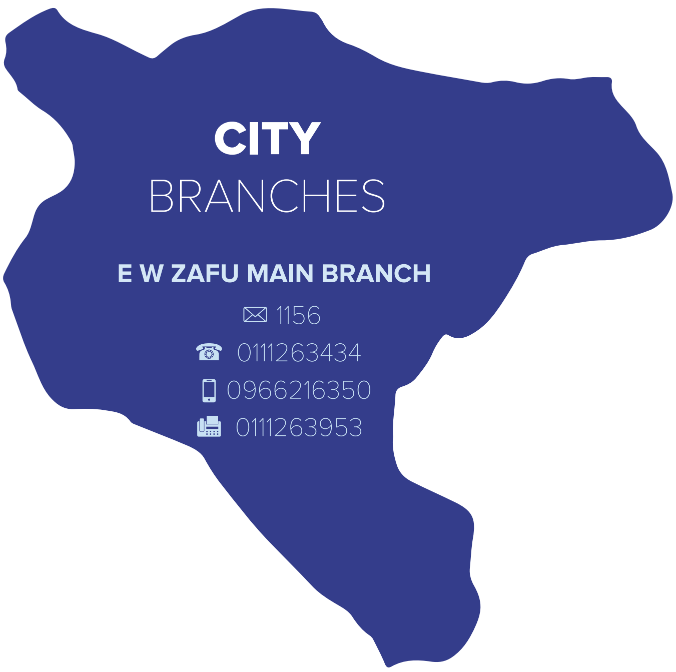
0114 703 917
0966 215 867
0114 703 821



GOTERA
1156
0114 672 211
0911 254 887
0114 671 630

GULELE
183091
0111 559 986
0966 215 854
0111 579 898

JEMO
1156
0114 713 786
0929 319 580
0114 713 665

KALITY
1156
0114 423 917
0966 216 359
0114 423 916

KAZANCHIS
1156
0115 585 047
0929 319 577
0115 585 038

KIRKOS
42285
0118 685 721
0966 216 347
0115 509 898

LANCHA
1156
0114 671 935
0929 499 112
0114 671 934

LEGEHAR
1156
0115 506 052
0935 986 942
0115 516 788

LIDETA
40045
0115 545 756
0966 216 364
0115 545 755

LION
661/1110
0115 515 656
0911 254 889
0115 534 799

MEGENAGNA
1156
0116 180 223
0966 215 859
0116 180 983

MESALEMIA
50118
0112 755 268
0966 215 857
0112 755 271

MESKEL FLOWER
1156
0114 702 028
0910 270 979
0114 701 855

MISRAK
10164
0116 628 121
0966 215 866
0116 623 599

T/HAYMANOT
1156
0112 766 608
0966 215 858
0112 139 107

SHALLA
1156
0116 358 059
0966 216 365
0116 358 058

BESHALE
1156
0116 683 262
0929 097 759
0116 660 599

SARBET
1156
0113 852 091
0912 043 102
0113 852 090

UPCOUNTRY BRANCHES

ADAMA
✉ 896
☎ 0221 113 426
0911 901 091
0221 120 207

BAHIR DAR
✉ 1082
☎ 0582 201 777
0918 760 209
0582 201 798

BALE ROBE
☎ 0222 440 017
0966 216 354
0222 440 014

BISHOFTU
✉ 1357
☎ 0114 371 634
0935 986 941
0114 330 925

DESSIE
✉ 1185
☎ 0331 111 128
0966 215 861
0331 111 129

DIRE DAWA
✉ 2199
☎ 0251 110 280
0966 215 865
0251 114 099

GONDAR
✉ 39
☎ 0581 114 626
0935 983 424
0581 114 616

HAWASSA
✉ 931
☎ 0462 206 610
0966 215 864
0462 203 793

HOSSAENA
✉ 419
☎ 0465 552 151
0966 215 863
0465 553 091

JIMMA
✉ 1308
☎ 0471 119 440
0966 215 862
0471 119 490

MEKELLE
✉ 1395
☎ 0344 403 934
0966 215 847
0344 403 933

WOLDIA
✉ 368
☎ 0334 310 647
0920 182 568
0334 312 603

HARAR
☎ 0254 663 604
0912 386 320
0254 663 350

CONTACT OFFICES

AMBO
☎ 0112 609 559
0911 894 149
0112 609 434

GENET
✉ 1156
☎ 01189 63 900
0912 036 765
0115 509 898

ALEMGENA
☎ 0113 871 729
0988 189 664
0113 871 729

ASHEWA MEDA
☎ 0112 320 146
0943 051 766
0112 320 183

DEBREBIRHAN
☎ 0116 376 552
0941 622 731
0116 375 423

WOLISO
☎ 0113 664 276
0943 051 764
0113 664 839

SEMERA
☎ 0333 667 815
0911 292 333
0333 660 140

ARERTI
☎ 0222 230 572
0923 680 874

SHASHEMENE
☎ 0462 110 819
0929 499 114
0462 110 523

KALITY MENAHERIYA
☎ 0114 715 917
0966 215 849
0114 716 938

GERMAN ADEBABAY
☎ 0113 699 682
0912 047 758
0113 698 495

SENGATERA
☎ 0115 574 187

ሕብረት ባንክ

በሕብረት እንደግ!

ለነገ ዛሬ ይቆጥቡ!

ሕብር የሴቶች የቁጠባ ሒሳብ | ሕብር የወጣቶች የቁጠባ ሒሳብ | ሕብር ወርቃማ ዝግ የቁጠባ ሒሳብ

ሕብር የሕክምና ወጪዎን የሚሸፍኑበት የቁጠባ ሒሳብ | ሕብር ወለድ አስቀድሞ የሚከፈልበት የቁጠባ ሒሳብ | ሕብር የመዝናኛ ወጪ መሸፈኛ የቁጠባ ሒሳብ

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United, We Prosper.

hibretbank.com

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