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THE UNITED INSURANCE COMPANY SC

Tomorrow's Company Today!

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ANNUAL REPORT

2021/ 22

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VISION

< UNIC-ETHIOPIA> aims to be the best insurer in Ethiopia that is committed to a high standard of excellence.

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, Employees, Shareholders, 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.

BOARD OF DIRECTORS

Mulualem Berhane (PhD)
Chairperson

W/ro Tsigereda Tesfaye
Vice Chairperson

Eng. Niguse Abera
Member

W/ro Maryamawit Getamesay
Member

Ato Alemayehu Gebre
Member

Ato Ermias Andarge
Member

Ato Asrat Arega
Member

Ato Ayalew Alemu
Member

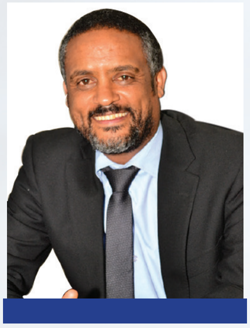
Ato Amare Gashaw
Member

Executive Management

W/ro Meseret Bezabih
GM/CEO

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 Dereje Demessie
Director-Claims & Eng. Services

Ato Tilahun Tadesse
Director-Business Development and Marketing

Ato Engida Kassaye
Director-Finance and Investments

Ato Gizie Alemu
Director-HR and 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 28TH ORDINARY ANNUAL GENERAL MEETING AND 13TH 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 28TH ORDINARY ANNUAL GENERAL MEETING AND 13TH EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE UNITED INSURANCE COMPANY S.C <UNIC ETHIOPIA> WILL BE HELD AT THE SHERATON ADDIS ON THE 10TH OF NOVEMBER 2022 FROM 9 A.M TO TRANSACT THE FOLLOWING BUSINESS;

1. Agenda of the 28th 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 9, 2022;

1.3. To Consider the 2021/2022 Financial Year Annual Report of the Board of Directors;

1.4. To Consider the External Auditors' Report for the 2021/2022 Financial Year;

1.5. To Approve the Reports Stated Under Agenda 1. 3 And 1.4;

1.6. To Decide On the Allocation And Distribution of The Company's Profit For The 2021/2022 Financial Year to Shareholders;

1.7. To Consider And Approve Annual Board of Directors' remuneration For The 2021/2022 Financial Year And Their Monthly Transport Fee For The 2022/2023 Financial Year;

2. Agenda of the 13thExtraordinary 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 Company

Dated 10th day of November, 2022

Addis Ababa

NOTE: A shareholder entitled to attend and vote at the General meeting may appoint a PROXY in his/herstead. 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 Company at or before the General Meeting.

CHAIRPERSON'S LETTER
TO SHAREHOLDERS

It is with great pleasure that I welcome you all, on behalf of the Board of Directors and myself, to the TWENTY-EIGHTH ANNUAL GENERAL MEETING OF SHAREHOLDERS of The United Insurance Company SC (<UNIC-ETHIOPIA>).

I feel both privileged and greatly honoured to chair this important meeting which takes place annually in compliance with the provisions of Articles 366 and 367 of the Commercial Code of Ethiopia 2021 and Article 3(4) of the Company's Memorandum and Articles of Association.

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

I would like to open this grand Assembly by reflecting on the Company's remarkable performance in the year 2021/22. I am glad to report that the Company registered commendable results in spite of the grievous and multi-facetted political, economic, and social challenges the country encountered during the year under report. Once again, the year 2021/22 had been a year of success for our Company.

The protracted civil war in some parts of the country, drought, inflation, continuous depreciation of the Ethiopian Birr (ETB) against the world's major currencies, the acute shortage of foreign exchange and a significant slow-down in investment activities were some of the key challenges that contributed to the economic slowdown during the year under report. Regardless of all the odds, the Company attained most of the plans set at the beginning of the year and registered another round of success in the 2021/22 financial year. Had it not been for those challenges, the Company would have registered even better results in the reporting year.

At a time when the country was grappling with the continued political and economic vulnerabilities, <UNIC-ETHIOPIA> yet again registered commendable results as at the year that ended June 30, 2022. Life and Non-Life businesses combined, recorded a total Gross Written Premium (GWP) of ETB 953,915,000.00 for the year ended 30 June 2022. The figure represented a solid 30.43% growth when compared to the relative figure of ETB 731,363,000.00 as at 30 June 2021. While ETB 860,834,000.00 was generated from Non-Life business, the Company's Life portfolio produced ETB 93,080,000.00 during the reporting year.

The consolidated Net Claims Incurred (Life and Non-Life) had increased by about 21% and reached ETB 349,089,000.00 in 2021/22 as compared to ETB 288,243,000.00 the previous year. As a result, corporate Loss Ratio increased slightly from 60% the previous year to nearly 61% as at 30 June 2022. Some of the major reasons for the increase in the claims ratio observed included: the ever-escalating cost of goods and services in general and sharp rise in the prices of spare parts in particular on the one hand and the unabated market practice of continued under-pricing of risks by pursuing an unwise policy of charging excessively depressed premium rates in spite of an apparent spiral rise in the frequency and severity of road accidents.

Registering a sizable growth rate of nearly 17%, the Company had continued to make Underwriting (Operational) Profit during the year under report. The corporate Underwriting Profit (Life and Non-Life combined) grew to ETB 247,825,000.00 in 2021/22 from ETB 212,276,000.00 of the preceding year. Similarly, Profit Before Income Tax for the reporting year grew by about 21.5% to reach ETB 206,497,000.00 from ETB 169,925,000.00 in 2020/21. The After-Tax Profit grew by about 25% from ETB 145,117,000.00 in 2020/21 to ETB 181,563,000.00 for the reporting year. Income Tax Expense for the year was computed to be ETB 24,934,000.00 as compared to last year's figure of ETB 24,809,000.00.The basic earnings per share (EPS) grew from 31.55% for the preceding year (2020/21) to 37.00% (2021/22) registering a growth rate of about 17%.

The consolidated result of the Company for the year under report was considered remarkable given the multifaceted and very challenging economic and political environment it operated under. In the face of such adversity, everyone at <UNIC-ETHIOPIA> rallied together and responded with determination, resilience and compassion. The true measure of an organization can often best be seen when it faces tough challenges, and the team at <UNIC-ETHIOPIA> performed magnificently. With the indulgence of Shareholders, I would like to congratulate the Board of Directors, the Management and the entire staff of <UNIC-ETHIOPIA> for their outstanding accomplishments over the course of the year.

The Board held regular monthly meetings during the year under report, passed key strategic decisions and took pertinent actions. Between 1 July 2021 and 30 June 2022, it held 12 regular and several sub-committee meetings at which numerous decisions were made on matters ranging from routine institutional issues such as several policy documents, working manuals and the Company's Annual Business Plan and Budget for F/Y 2021/22 to a critically important Five-Year Strategic Plan which incepted on 01 July 2022. The Board had exercised its responsibilities to ensure that the operations of the Company during the year under report continued to be prudent and entirely in accordance and compliance with the Nation's relevant laws, regulations, policies, and procedures.

Though current conditions of the Company's trading environment render predictions less tenable, the Board will continue to work with Management both closely and diligently to attain the targets set for the coming financial year. For their part, they have planned to leverage the Company's strong team spirit and internal strengths to exploit all foreseeable opportunities. However, both your Directors and Management strongly believe that during the current critical juncture in the life of your Company, the support and collaboration of stakeholders and key stakeholders in particular, will be critically decisive in whether or not your Company is to maintain its long established brilliant performance.

The Board and Management are committed to continue exploring 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 by delivering on our promises in the year ahead.

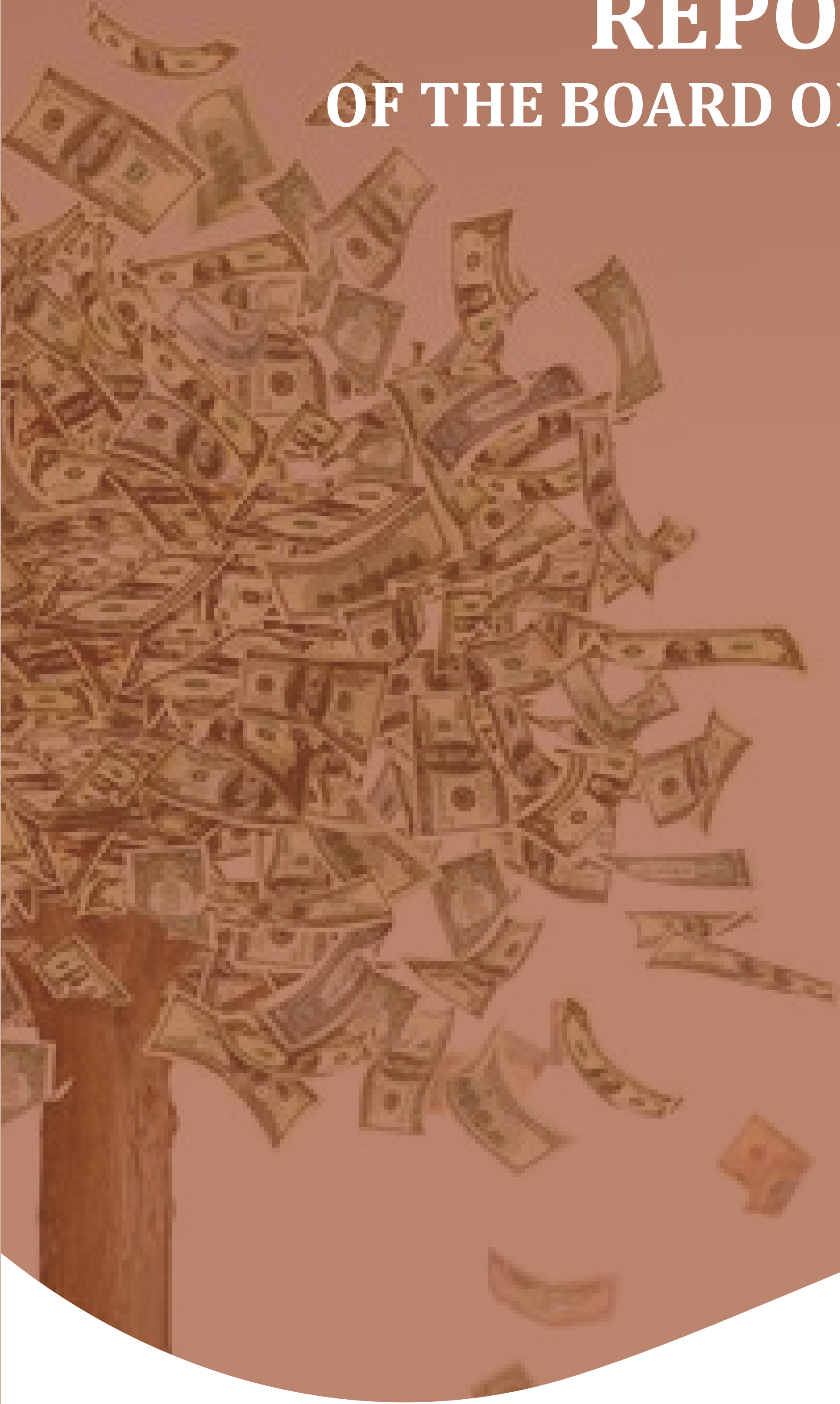
The Financial Statements of the Company were prepared in line with the International Financial Reporting Standards (IFRS) and other applicable laws. In accordance with Article 3(4) of the Company's Articles of Association as amended by the First Annual General Meeting of Shareholders which was held on 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 2022.

In accordance with Articles 393 and 394 of the Commercial Code of Ethiopia (Proclamation No. 1243/2021) and Article 3(4) of the Company's Articles of Association, I present, for your consideration and approval, as appropriate, the Report of the Directors, the Audited Financial Statements together with the Report of the External Auditors for the Financial Year ended 30 June 2022.

I would like to conclude my presentation by expressing my sincere gratitude and gratefulness to our esteemed customers who have continued to vest great trust in and shown loyalty by insuring with us throughout the year; our shareholders, fellow Directors, the Management and the entire staff of <UNIC-ETHOPIA> who made this success happen; the Supervisory Authority (NBE) for its support and direction; and, our reinsurers and other partners for their continued backing.

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

REPORT
OF THE BOARD OF DIRECTORS



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THE UNITED INSURANCE COMPANY SC

REPORT OF THE BOARD OF DIRECTORS

In preparing the Report of the Board of Directors, we followed the Company's long-established reporting structure. As in the past, the Twenty-Eighth 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

The latest World Bank (WB) economic report showed that Ethiopia's economy experienced strong, broad-based growth averaging 9.4% a year from 2010/11 to 2019/20. The main drivers of that growth were agricultural production and services, sustained by foreign development aid. Based on the report, Ethiopia's real Gross Domestic Product (GDP) growth slowed down from 8.4% in 2019 to 6.1% in 2020.

According to the Federal Democratic Republic of Ethiopia (FDRE) Ministry of Planning and Development, real GDP growth of 6.3% was registered during the financial year 2020/21 which was, slightly higher than the 6.1% recorded in the previous year. However, the actual growth of real GDP was 3.7 percentage points lower than the average growth rate target set in the Ten-Year Development Plan. No official information was found regarding the actual economic performance of the country for the 2021/22 fiscal year as of yet.

The FDRE Ministry of Planning and Development estimated the nominal GDP per capita during 2020/21 at ETB 42,599 (USD 1092) as compared to ETB 33,849 (USD 867.5) in 2019/20 showing a rise of 25.84%. On the other hand, the real GDP per capita for 2020/21 was estimated at ETB 21,862 (USD 560) as against the estimate of ETB 21,155 (USD 542) for 2019/20. This indicates a growth of real GDP per capita by 3.34% in 2020/21 over the previous year. During the year 2020/21, the average exchange rate for converting Ethiopian Birr into U.S. Dollars (ETB to USD) was 39.02.

Based on NBE's Annual Report (2020/21), investment to GDP ratio stood at 28% while that of domestic savings was 19%. According to IMF, public debt decreased to 56.1% of GDP, but was expected to increase to 58.5% GDP in 2021 (IMF). This situation may force the Government to restructure the nation's debt.

The structure of Ethiopia's export is dominated by agricultural commodities. Ethiopia's main imports are capital goods, fuel, consumer goods, semi-finished goods and raw materials. Generally, the balance of trade has been deficit (imports substantially exceeding exports).

Owing to the continuous depreciation of the Ethiopian Birr (ETB) against the major currencies, the move towards a market-based exchange rate and foreign exchange market liberalization is well on course. The international partners like the IMF have also urged the Government to increase the pace of exchange rate depreciation. Further, the acute shortage of foreign currency has also continued to compound the problem.

Ethiopia saw a decline in foreign direct investment (FDI) inflows mainly as a result of the ongoing conflicts and political instabilities in different parts of the country. There is still a long road ahead for post-conflict economic recovery.

According to the Central Statistical Agency's (CSA) report, the annual inflation rate has reduced to 34 percent in June 2022 from 37.2 percent in May 2022. Food-price inflation fell to 38.1 percent from 43.9 percent, while non-food inflation remained unchanged at 28.4 percent. Inflation was a major threat for macroeconomic stability during the last years and will remain as one of the major challenges in the years to come as well.

Several conventional and interest free banks are under formation and some of them have already secured their licenses from the NBE and started operations. The biggest microfinance institutions are also evolving into commercial banks. The number of banks operating in Ethiopia reached thirty (30) and most of them are privately owned. These new entrants to the banking sector will be additional sources of business for the Ethiopian insurance industry.

The Council of Ministers recently passed the long-awaited bill that allows foreign banks to operate in Ethiopia. This is a landmark decision in the history of the Ethiopian financial sector. The opening up of the banking sector for foreign investors will not only strengthen linkage of Ethiopia's economy with the rest of the world but will also bring new technologies and knowledge in the industry. It enhances competition, encourages innovation, and enables the mobilization of more resources.

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

The Ethiopian Government has unveiled a Ten-Year Perspective Development Plan which runs from 2020/21 to 2029/30. The plan envisages the continuation of the rapid economic growth that has already been registered over the last decade and a half. Accordingly, in the new plan, an average annual economic growth of 10.2% is envisaged, while the per capita income is expected to increase by 8.2% each year to reach USD 2,220 by 2030.

Nevertheless, it is very difficult to attain sustainable economic growth during the time of conflict. The war economy requires the government to make substantial adjustments to its consumer production to accommodate defense production needs.

Generally, the short and medium term economic outlook of the country is contingent on the resolution of the civil war, the pace of the economic recovery, and such other shocks as climate change.

1.2 The Insurance Industry Performance

According to the most recent data obtained from NBE, the number of insurance companies remained at eighteen (18), of which seventeen (17) were private and one state-owned. Out of the eighteen (18) insurance companies currently operating in Ethiopia, eleven (11) were composite and seven (7) general insurers.

As of June 30, 2022, the total branches of the insurers increased to 691 from 635 a year ago, showing a modest growth of about 9%. Most of the branches are situated in Addis Ababa.

The total assets of the insurance industry increased by about 5% to reach ETB 40.858 billion (ETB 3.043 billion for Life and ETB 37.815 billion for Non-Life) as at the year ended June 30, 2022.

Registering a growth of about 20%, the industry's total paid-up capital grew to ETB 7.084 billion in 2021/22 from ETB 5.899 billion in 2020/21. The total paid up capital for Life business increased to ETB 333 million from ETB 301 million of the previous year. Similarly, the Non-Life business's paid up capital grew to ETB 6.751 billion from ETB 5.598 billion of the preceding year.

Market Gross Written Premiums (GWP), Life and Non-Life combined, grew by about 20% to reach ETB 16.666 billion at the close of business on 30 June 2022 from ETB 13.874 billion in 2020/21. Life business increased markedly from ETB 959 million in 2020/21 to ETB 1.352 billion in 2021/22, increased by nearly 41%, while Non-Life also grew by close to 19% to reach ETB 15.314 billion from ETB 12.915 billion of the preceding year.

Accounting for almost 92%, Non-Life insurance business continued to take the lion's share of the premium portfolio, ETB 15.314 billion Non-Life premium against ETB 1.352 billion for Life for the reporting year.

The market loss ratio in respect of Non-Life insurance decreased to 56% in the year under report from 57% in 2020/21. At 61%, <UNIC-ETHIOPIA>'s loss ratio was computed to be higher than the industry average. With regard to Life insurance, market loss ratio decreased from 58% in 2020/21 to 52% in 2021/22. Our loss ratio for Life insurance (58%) was higher than the industry's average for the year under report.

The Ethiopian insurance industry is characterized by cut-throat 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 thin. There is low product innovation and differentiation in the Ethiopian insurance market. Almost all insurance companies in the industry sell similar products and this caused heightened price competition. Where the products of competitors are virtually indistinguishable, the price is the sole basis for competitions and competitors are plagued by price wars and low profits.

1.3 Status Report on Matters Having Impact on the Insurance Industry

It is a long-held tradition of <UNIC-ETHIOPIA>to indicate 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.

We continue reporting on such issues until appropriate measures are taken by the concerned organs even if it may sound redundant.

The Board of Directors wishes to seize this opportunity to once again pay special tribute to the National Bank of Ethiopia, for several Directives it issued to expedite implementation of the Proclamation to Amend Insurance Business Proclamation (Proclamation No. 1163/2019).

Directive No.: SIB/48/2019 Insurance Corporate Governance (1st Replacement).

This amended Directive came into force effective 1st July 2019. The replacement Directive appears more complete and comprehensive than its predecessor, a welcome development by all measures except the lengthy and costly process for "Board Nomination and Election Committee".

Directive No. SIB/49/2020: Manner of Equity Investment by Foreign Nationals of Ethiopian Origin or Organizations in Insurance Company.

The Directive allowed foreign nationals of Ethiopian origin or organizations to invest in the insurance sector effective from the 5th day of March 2020. The Directive further requires payment of subscribed shares and share premium (if any) in an acceptable foreign currency. However, no insurance company fully owned by the Ethiopian Diaspora came to the fore as of yet.

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 Taka ful 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.

No full-fledged Takaful operator was formed as of now. However, some insurance companies have started Takaful window operations. Our Company is also in the process of establishing Takaful (window) operation.

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 preceding Directive.

The newly issued Directive requires insurance companies to invest not less than 60% of their total admitted assets in treasury bills and bank deposits. The Directive reduced the limit from 65% to only 60%. This may expose the companies to higher financial risks and endanger the safety of their investments. We are of the opinion that the investment limit in treasury bills and bank deposits should further decrease to a reasonable level considering the interest of the insurance industry.

The Directive further requires insurers not to invest more than 10% of their total assets in the 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 in spite of the strong expectation of the industry to increase the limit to a reasonable level. More investment in real estate would be difficult due to the restrictions imposed by this Directive.

We therefore 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.

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. We are of the opinion that the Directive is not strictly implemented in this regard and strong monitoring is required by the concerned organs.

Directive No. SIB/54/2021: Investing in Development Bank Bond.

The Directive entered into force as of the 1st day of September 2021. It requires insurers to invest an amount equivalent to a minimum of 15% of their net income (profit after tax) in Development Bank Bond within 90 days after the close of each financial year. The Directive further states that

Development Bank shall pay a bond rate at least 2 percentage points higher than the minimum interest rate paid on saving deposit at the time of issuance. However, the proposed rate is not attractive owing to the existing high inflationary situation on the one hand and compared to the better rates existing in the market on the other. The decision also negatively affects profitability of the Company resulting in reduced EPS.

Directive No. SIB/55/2022: Risk-Based Internal Audit.

In the Directive which became effective as of the 4th day of April 2022, an insurance company is required to adopt risk-based internal audit methodology and ensure that its importance is understood throughout the company. The Directive further requires that all insurance companies shall submit internal audit reports semi-annually within a period of one month after ending of the six month and disclose matters of regulatory significance/concern in a timely manner to the Insurance Supervision Directorate of the National Bank. However, we are of the opinion that only reports on significant audit findings and special investigation results should be furnished to the National Bank not to inundate the regulator's office with insignificant issues.

DirectiveNo.SIB/56/2022: Requirements for Information Technology (IT) Management.

This Directive entered into force as of the 4th day of April 2022. Among others, the Directive requires an insurance company to fully automate at a minimum its core business processes so as to improve the efficiency and effectiveness of its operations, customer service delivery and risk management system. It further requires fully automating and putting in place a robust, secure, efficient and comprehensive management information system commensurate with the scale and complexity of the insurance company's operations.

The pace in technological advancement is changing the life style of the society in general and the day-to-day operational activities of the Company in particular. Therefore, the Company is utilizing modern information communication technologies in order to compete effectively, grow its business, and enhance customer satisfaction. In response to the rapidly expanding information communication technologies and the ever changing needs of customers, <UNIC-ETHIOPIA> is in the process of upgrading/acquiring new information system for its business operations. This technology may create opportunities to deliver even more efficient, high-quality services to customers using online and mobile applications.

Directive No. SIB/57/2022: Minimum Paid-Up Capital for an Insurance Company.

As of this writing, the long awaited Directive that sets a limit on the minimum paid-up capital for an insurance company has been issued effective from the 15th day of September 2022.The minimum paid-up capital required to obtain both general and long-term insurance businesses license is increased to ETB 500 million from ETB 75 million. All existing composite insurers whose paid-up capital, on the effective date of this Directive, is below ETB 500 million are required to raise their paid-up capital to the stated level within five years. An insurance company that is unable to meet the minimum paid-up capital requirement may undertake voluntary merger or acquisition transactions with another insurance company before the lapse of the stated period. We are of the opinion that the minimum paid-up capital requirement is on the low side owing to the continuous depreciation of the Ethiopian Birr.

<UNIC-ETHIOPIA> welcomes and strongly supports increasing the minimum paid-up capital for a number of reasons. Among others:

- The value of the Ethiopian Birr has been continuously depreciating against the major currencies, causing the Company's current paid-up capital to shrink in real terms;
- Increasing capital allows us to build significant underwriting capacity and strong reinsurance arrangements;
- Raising capital will allow the Company to diversify and expand its investments in profitable businesses;
- By raising its capital, the Company can mitigate its liquidity risks; and,
- Increasing the capital will give us a competitive advantage in the market place.

We would like to point out that our Company has already met the minimum paid-up capital requirement set in the newly issued Directive.

Consolidation of Insurance Services

The insurance industry's major main-stream duties such as compulsory motor third party insurance, pension fund administration, social health and credit life insurances are fragmented and scattered among different institutions. The government's policy to introduce certain forms of compulsory insurance is also minimal. There are no compulsory insurances except motor third party insurance. It is expected that the government will in future introduce additional measures/ services that may require insurance covers which could ultimately help expand/strengthen the Ethiopian insurance industry.

Lack of Level Playing Field

<UNIC-ETHIOPIA> has never faltered to point out the uneven nature of the industry's playing field and its role in distorting the market environment. We had openly expressed our concerns and continue to do so that some entities still receive preferential treatments thereby depriving all the players of the single most important benefit of a market-oriented economy-that of "fair competition". While entities receiving favours become dependent on such "indirect subsidies", the others are deprived of their legitimate right to fair treatment under the law.

We hope that the Government will take appropriate measures to uphold the principle and value of fair competition: "Level Playing Field and Same Rules of the Game".

Minimum Premium Rates

Needless to point out, premium undercutting is the problem child of the Ethiopian insurance industry. The industry is characterized by cut-throat competition based primarily on premium undercutting. Perhaps, it is only insurance premium that endlessly goes down while prices for other goods and services are continually going up due to the ever rising rate of inflation.

The lasting remedy to this critical problem of the insurance industry is setting minimum premium rates considered equitable and mutually beneficial to all stakeholders. In this regard, timely approval of the actuarial study submitted to the NBE and implementing it without further delay is of paramount importance to rescue the Ethiopian insurance industry. The industry is eagerly waiting for approval of the actuarial study by the NBE. Time is of the essence in this regard.

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.

The Need for an Independent Regulatory and Supervisory Body

As presently constituted, the core functions of the NBE include among others, effective administration, supervision, regulation and control of insurance and reinsurance businesses in Ethiopia. The NBE formulates and enforces standards for the conduct of insurance and reinsurance businesses in Ethiopia, issues licenses to all persons involved in or connected with insurance business, including insurance and reinsurance companies, insurance and reinsurance intermediaries and loss assessors/adjusters. The NBE issues Directives that promote the insurance and reinsurance businesses, investment of insurance funds and such other matters as may be conducive to the attainment of sound insurance business in Ethiopia.

We are of the opinion that the insurance industry is not given adequate attention because the NBE, which regulates the financial sector as a whole, mainly focuses on banks and this has negatively affected the growth of the insurance sector. The insurance sector is not given as much emphasis and concern by the Government as those of the banking and microfinance sectors. Literally, the insurance industry is overlooked by the Government.

With advances of globalization and liberalization, competition in insurance markets has become increasingly stiffer, and the role of insurance regulation and supervision is growing. Among other things, setting up a separate and capable regulatory body that is operationally independent and accountable in the exercise of its functions and powers is of paramount importance before opening up the insurance sector to foreign investors. The Ethiopian insurance sector needs a highly qualified separate insurance regulatory body that gives high emphasis and focus to the insurance industry. We would like to point out that most countries with successful or matured insurance markets have independent regulatory body.

We therefore strongly recommend, as always, establishment of a separate insurance regulatory authority or commission with a clear legal framework, structure and composition to ensure the sustainable growth and stability of the Ethiopian insurance industry. We believe that this would create a fair, safe and stable insurance market by ensuring a level playing field for all players.

2. THE COMPANY'S PERFORMANCE

2.1. OPERATIONAL AND FINANCIAL PERFORMANCE AND RESULTS

2.1.1. Gross Written Premium (GWP) and Underwriting Result: Life and Non-Life Businesses Combined

Gross Written Premium (GWP) for the year ended 30 June 2022 grewto ETB 953,915,000.00 as compared to ETB 731,363,000.00 in 2020/21. While ETB 860,834,000.00 was generated from Non-Life business, Life insurance (Long-term insurance) produced ETB 93,080,000.00 during the reporting year. A robust growth rate of 30.43% was recorded in 2021/22.This remarkable growth was achieved amidst multiple and overlapping challenges encountered in the year under report.

The consolidated net claims incurred (Life and Non-Life) had increased by about 21% and reached ETB 349,089,000.00 in 2021/22 as compared to the previous year of ETB 288,243,000.00. As a result, corporate Loss Ratio slightly increased to nearly 61% as compared to 60% in 2020/21.

The major reasons for increase in claims ratio include, the 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 unethical competition among insurers and increase in the frequency and severity of road accidents on the other.

Registering a growth rate of nearly 17%, the Company had continued to make Underwriting (Operational) Profit during the year under report. The combined Underwriting Profit from Life and Non-Life businesses grew to ETB 247,825,000 in2021/22 from ETB 212,276,000 in 2020/21.

2.1.2. NON-LIFE BUSINESS

Gross Premiums Written

The Company's premium income from Non-Life insurance business registered a tremendous growth of about 30% and reached ETB 860,834,000.00 as at 30 June 2022 compared to ETB 660,034,000.00 in the previous year. All classes of business recorded growth during the financial year under report. The highest growth of 908% had occurred in the Aviation class of business; followed successively by Marine which grew by 58%; Pecuniary by 47%; Fire and General Accident by 41%; Liability by 37%; Miscellaneous by 26%; Motor by 24%; Accident and Health by 14%; and Engineering by 6%. Aviation recorded the highest growth due to the additional aircrafts insured during the period under review.

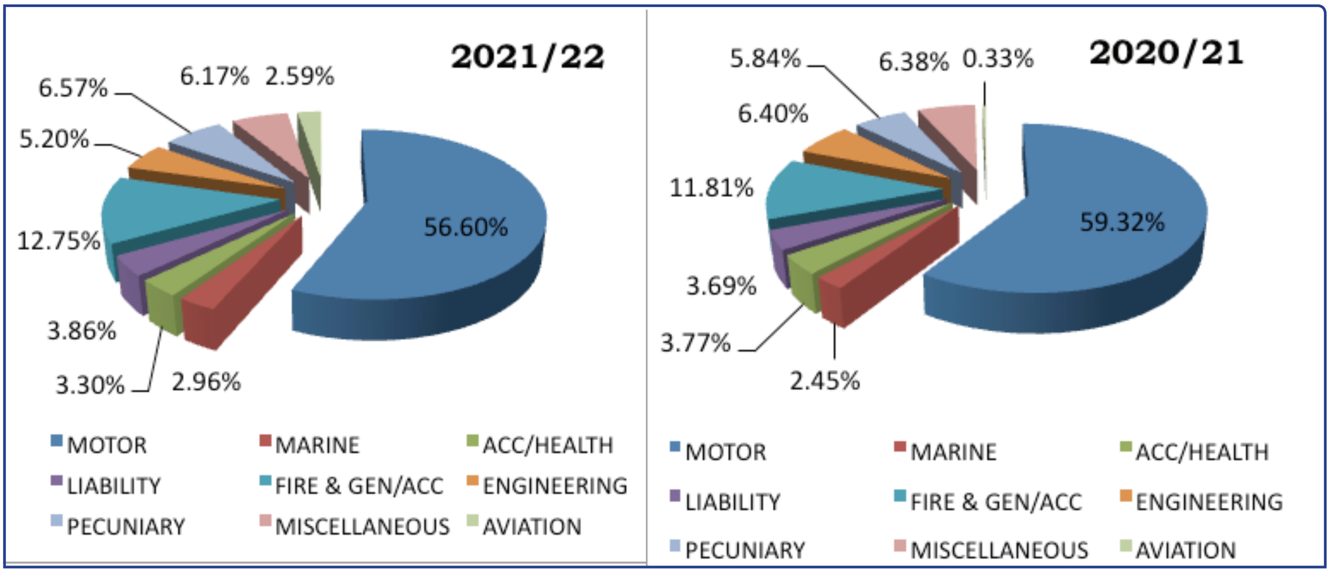
The Company attained commendable results in premium income despite the multifaceted challenges encountered during the year under report.

Portfolio Mix

Motor insurance continued to constitute the lion's share of the Company's Non-Life premium portfolio. Accounting for nearly 57%, Motor class of business remained the largest source of premium income in the year 2021/22, showing a declining tendency relative to the preceding year which was computed to be about 59%. Even though this trend would definitely define the premium mix of the industry in general and that of our Company in particular, efforts to reduce the share of Motor business in the Company's premium portfolio did bear fruits in the last couple of years. Its share fell from 65.61% in 2018 to 59.32% in 2021. The decreasing trend in Motor portfolio was encouraging and consistent with the Company's strategy of maintaining a healthy balance between the various classes of business considering their relative contributions to the Company's underwriting result.

Fire and General Accident class of business became a very far second with 12.75 % share of the Non-Life premium portfolio; followed by Pecuniary with a share of 6.57%; Miscellaneous 6.17%; Engineering 5.20%; Liability 3.86%; Accident and Health 3.30%; Marine 2.96%; and Aviation 2.59%.

COMPARATIVE PREMIUM STRUCTURE /PORTFOLIO MIX



Claims and Profitability – Loss Ratio and Underwriting Surplus/Deficit

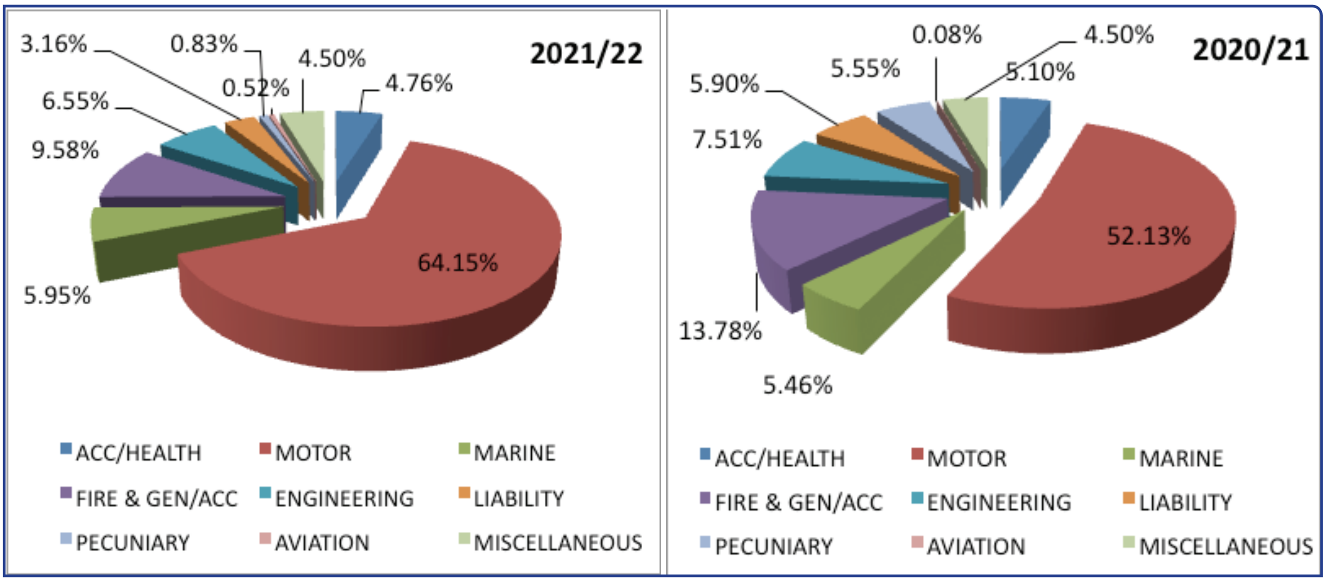
No change was observed in the Company's claims ratio for Non-Life business for the year that ended on 30 June 2022. It remained unchanged at 61% for the preceding as well as the reporting year. In spite of the inadequate premiums charged in response to stiff competition and the upsurge in the frequency and severity of road accidents coupled with the ever escalating motor repair costs, the Company was able to maintain the Loss Ratio for Non-Life Business for the year 2021/22 at 61%.

The total Non-Life Underwriting Profit for the year 2021/22 increased by about 22% and reached ETB 226,245,000.00 compared to that of the previous year which was ETB 186, 054,000.00. It should be noted that each class of business underwritten during the year under report yielded positive result to the Company's Underwriting Profit.

As was the case in the preceding year, Motor class of business was the largest contributor to the Company's Underwriting Surplus/Profit of the year under report. Constituting about 57% of the Company's total premium portfolio, Motor contributed about 64.15% (against 52.13% of last year) to this year's Underwriting Surplus.

Fire and General Accident class of business was a distant second with 9.58%; followed by Engineering 6.55%; Marine 5.95%; Accident/Health 4.76%; Miscellaneous 4.50%; Liability 3.16%; Pecuniary 0.83%; and Aviation 0.52%.

COMPARATIVE UNDERWRITING SURPLUS/DEFICIT



2.1.3 LIFE & MEDEXIN – PREMIUM GROWTH AND OVERALL PERFORMANCE

The Company's Long-Term business (Life Insurance) registered a remarkable growth of about 30.5%, generating a GWP of ETB 93,080,000.00 during the reporting year as compared to ETB 71,329,000.00 in the preceding year. The loss ratio for the year was about 58%, significantly higher than the previous year of 44%. The rise in the loss ratio of the current year was mainly attributable to the increased portfolio of Medical Insurance business.

The Company submitted Financial Statements of the Long-Term business for the year ended 30 June 2022 to an external actuarial firm for valuation in compliance with NBE Directives and accepted practices. Accordingly, an actuarial valuation of the Company's Life Fund as at 30 June 2022 was carried out by Kenya based consulting actuaries, ZAMARA Actuaries, Administrator and Consultant Limited. The actuarial valuation of the Company's Life Fund had revealed an actuarial surplus of ETB 40 million. The actuarial firm recommended that the entire surplus of ETB 40 million revealed at the valuation be made available to shareholders.We are very thankful to the consulting firm for the professional valuation it carried out as well as for promptly availing the relevant certificate thereon.

2.1.4 CONSOLIDATED RESULTS: PROFIT –LIFE AND NON-LIFE

As can be seen from the IFRS Financial Statements for the year ended 30 June 2022, corporate Underwriting Profit (Life and Non-Life combined) had witnessed a growth of close to 17%, a sizable increase to ETB 247,825,000.00 in 2021/22 from ETB 212,276,000.00 of the preceding year. Similarly, Profit Before Income Tax for the reporting year grew by about 21.5% to reach ETB 206,497,000.00 from ETB 169,925,000.00 in 2020/21. The After-Tax Profit grew by about 25% from ETB 145,117,000.00 in 2020/21 to ETB 181,563,000 for the reporting year (2021/22). Income Tax Expense for the year was computed to be ETB 24,934,000.00 as compared to last year's figure of ETB 24,809,000.00. The basic earnings per share (EPS) grew from 31.55% of the preceding year (2020/21) to 37.00% (2021/22) showing a respectable growth of about 17%.

The consolidated financial result for the reporting year was found to be commendable given the increasingly tough economic and political environment in which the Company had to operate.

2.2 Investments Consolidated (Life and Non-Life)

Total investment income increased by 26% during the year under report, reaching ETB 173,581,000.00 in 2021/22, up from ETB 137,668,000.00 in 2020/21.

The Company owns four buildings, namely, Headquarters complex at Tewodros Square, a multi-purpose Building at Kality, a mixed use commercial building at Bole Medhanealem and a multi-use commercial Building at Bahirdar. The total rent income grew by about 14% to reach ETB 45,826,000.00 in the current year from ETB 40,331,000.00 in the preceding year. Almost all the rentable spaces on the commercial buildings of the Company were occupied, except some at the Kality building. More than half of the space 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 for not letting out the entire space. We are making every effort to let out the remaining space as soon as possible. Since the road construction is just about to be completed, we are optimistic to get lessees in the near future.

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.

Dividend income from dividend and other investments had shown a growth of about 13% and reached ETB 33,052,000.00 in 2021/22 from ETB 29,161,000.00 of 2020/21. Dividend income had accrued to the Company during the reporting period from equity investment in shares of Hibret Bank SC and Ethiopian Reinsurance Company SC. However, no dividend income was generated from similar investments in Habesha Cement SC as of yet. The Company also earned substantial income of about ETB 85,264,000from interest on time deposits maintained at various banks as compared to ETB 60,473,000.00 in the preceding year.

2.3 Human Resource Development

The Company's professional and experienced, interdisciplinary and energetic personnel continued to serve as an indispensable source of competitive advantage. The skills and attributes of the staff reflect diversity, result orientation, and mission-mindedness. 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 an equal-opportunity employer, the Company is committed to a consistent policy of attracting and retaining the best professionals in the industry. <UNIC-ETHIOPIA> maintained its commitment to maintain its mature and deep-rooted corporate culture and esprit de corps by faithfully continuing to practice its long-established policy of being a merit-based, equal-opportunity Employer.

On 30 June 2022, the Company's total number of staff stood at 463 employees. Out of the total, 238 or almost 51% were women and the rest, 225 or about 49%, were men. The gender mix remained almost the same as in the preceding year. The total number of staff was 434 last year same period.

The total staff was composed of 426 (nearly 92%) regular employees and 37 (about 8%) contract workers as at 30 June 2022. The proportion of contract workers increased to 8% for the reporting year from 5% in the preceding year.

In terms of education, out of the total staff, 310 were degree holders (45 held second degrees while 265 held first degrees), 94 had diplomas while 59 held certificates or pre-college papers.

During the year under review, 89 new staff were employed and 60 employees had resigned producing an employee turnover rate of about13% compared to a similar rate of about 10% last year same period. As per exit-interviews conducted with some of the resigned staff, most of them left the Company looking for better pays. Although the Company had recently made reasonable salary adjustments to make its remuneration package competitive, further study is also being conducted to ensure that the Company's remuneration package stays competitive.

To maintain competent, motivated, and well-trained workforce, the Company provides continuous training and management development programs to its employees. Accordingly, the Company has continued to invest in its human resource development to maintain its policy of having the best talent and skill in the industry.

During the year under report, various training programmes were given to 275 staff members including senior management. Of the total, three senior management members had participated in overseas workshops and all the rest had attended short-term local training programmes on various topics. Staff training expenses incurred stood at ETB 2,020,000.00 during the reporting year as compared to ETB 1,398,000.00 in 2020/21.

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

2.4 Market and Business Development

The total market outlets (Branches and Contact Offices) of the Company reached 54 as at June 30, 2022. Out of the 54 outlets, 30 branches were located in Addis Ababa and 13 in upcountry while the remaining 11 were contact offices spread over the country (three in Addis Ababa and eight in upcountry).

Two additional market outlets, namely, Arerti Contact Office in North Shoa Zone of the Amhara Regional State and Senga Tera Branch in Addis Ababa were opened and became operational during the period under report.

Two Contact Offices, namely, Sar Bet in Addis Ababa and Harar in Harar City Administration were also upgraded to full-fledged branches starting from July 1, 2021.

Mekelle Branch was not operational for two consecutive years due to the prevailing situation in the region. During the year under consideration, Dessie and Woldiya Branches were also closed for over three months due to the conflict in the area and resumed operations only recently.

During the year under report, 19 new sales agents were trained and deployed to the market with the objective of strengthening our capabilities to explore and exploit the insurance market to the best advantage of the Company.

2.5 IT Development

During the year under review, the Company invested heavily in datacenter hardware such as servers, storage, and backup systems, as well as application software such as online insurance, group life insurance, and human resource and fixed asset management systems.

<UNIC-ETHIOPIA> developed and effectively implemented Online Life Insurance System three years ago for use by local employment agencies to facilitate overseas employment opportunities in countries in the Middle East. The system has proved quite reliable and about 55 employment agencies are currently working from their offices by using our online system.

The Company also introduced web-based Online Insurance policy sales services including policy renewal for selected types of products (Motor Third Party, Travel Insurance, Family Funeral Plan, and Group Life Insurance). Customers can renew their policies online anytime from anywhere, get free online quotes and purchase our selected products using our web portal (www.unicportal.com.et).

An insurance software system called PREMIA was installed before a decade ago at all our market outlets all over the country to facilitate customer service. Via this networking system, all <UNIC-ETHIOPIA>'s branches and contact offices located throughout the country are interconnected. A policyholder can get insurance service at any of our market outlets irrespective of the branch or contact office where the policy may have been underwritten using our information technology system.

The Company understands that utilizing cutting-edge information communication technologies are very important in order to compete effectively, grow its business, and enhance customer satisfaction. Being aware of this fact, <UNIC-ETHIOPIA> is in the process of acquiring a new general insurance core system.

3. CORPORATE GOVERNANCE

The Board held monthly regular meetings over the reporting period, passed key strategic decisions and had taken pertinent actions. It had 12 regular meetings during the year under review from 1 July 2021 to 30 June 2022 and deliberated and taken decisions on institutional affairs of the Company including approval of the five-year strategic plan, annual business plan and budget as well as different policy documents and working manuals and resolved on matters of strategic importance.

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 activities to the full Board.

The Board had been thoroughly assessing the performance of the Company quarterly based on the reports presented to it by Management to enable it effectively discharge its responsibilities of giving strategic direction to and supervision of Management of 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, the External Auditors as well as reports by the Internal Audit, Risk Management and Compliance Officer of the Company.

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 an effective, internal audit system, staffed with qualified personnel to perform internal audit functions was put in place. The Board had also been overseeing the operational and administrative affairs of the Company in light of the emerging risks and opportunities.

Following the decision of the Eleventh Extraordinary General Meeting of Shareholders held on 27 November 2018 to increase the Company's paid-up capital to ETB 500,000,000.00 until November 2022, such paid-up capital had already reached ETB 499,278,000 at the close of business on 30 June 2022. As at the time of preparing this Report, the subscribed capital of the Company of ETB 500,000,000.00 was fully paid up.

At all times, 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

One of our major activities for the year ended 30 June 2022 was the preparation of the Five-Year Strategic Plan of the Company for the period 2022/23 to 2026/27. The strategic plan is believed to elevate the Company to the highest level of growth and service excellence. The execution of the plan has just been started on the 1st of July 2022. Using the plan as a road map, the Company is expected to register credible growth in all aspects.

The Company envisages growing by leaps and bounds in the strategic plan period. Hence, we are working on market growth and expansion to stave off market-slippage, improve the Company's market share and competitive position.

Relentlessly working on improved customer service is not an option but a necessity to survive and grow in such a highly competitive market environment. Therefore, the Company will continue exerting maximum efforts to improve the quality of its customer services in all areas of operations.

The pace in technological advancement is changing the life style of the society in general and the day-to-day operational activities of the Company in particular. Customers are looking for better solutions to manage their risks in a way that is not only efficient but also convenient to them. Therefore, the Company will continue developing solutions that meet those needs. In this regard, <UNIC-ETHIOPIA> is in the process of acquiring a new general insurance core system. The new system will enhance customer service, improve management information system, and the overall integration of operational activities of the Company. The procurement process of the new system will be finalized in the current budget year (2022/23) pending its full implementation in the subsequent period.

Several new conventional and interest free banks were established during the year under report. 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.

Government's privatization program can also be considered as an opportunity for our Company to secure more businesses.

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 further improve its product enhancement and enrichment capacity and make tailor-made insurance products available to the market by offering wider product selection to customers based on new developments in the market place and in response to specific needs and expectations that may arise from time to time.

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 industry environment in which the Company operates requires capable, adequate and experienced workforce to successfully compete and grow in the market. Thus, human resource development is a prior concern for <UNIC-ETHIOPIA>. Accordingly, we shall vigorously work on attracting and retaining qualified and competent employees, skill development, development of clear promotion policy and succession planning and the provision of competitive salaries and benefits to enhance performance and service delivery through people. The present organizational structure of the Company will also be revised in the current budget year for successful accomplishment of the strategic plan objectives.

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. We are highly optimistic that the NBE will approve the actuarial study submitted to it regarding the minimum premium rates for the industry as a whole.

To sum up, the year ahead appears pretty unpredictable owing to the current highly volatile political and economic conditions the country finds itself in. Given all the odds, however, we will try our level best to attain all the targets set for the coming year by leveraging on our several internal strengths and confronting our weaknesses with both wisdom and determination. While threats are expected to dominate the landscape of the Company's operations, there will also be opportunities to be exploited by our Company in the coming years. Such opportunities could possibly include government's decision to privatize some key public enterprises including further opening up of the telecom and banking sectors. At this critical juncture in the life of our Company, the support and collaboration of all stakeholders in general, and our key stakeholders in particular are bound to make the difference between success and failure for the Company we had worked so hard for so long. If its past performance could help us to reliably portend its future, then <UNIC-ETHIOPIA> is bound to emerge as a truly strong, undisputedly professional and commercial insurer of choice not only in Ethiopia but also in the Sub-Region.

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 wise 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-round support.

A special gratitude is due to all its Sales Agents 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
27 October, 2022

Meseret Bezabih
Chief Executive Officer
27 October, 2022

THE UNITED INSURANCE COMPANY SC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2022

The directors submit their report together with the financial statements for the period ended 30 June 2022, 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 517 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 Birr499 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 2022 are set out on page 29. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2022 Birr'000	30 June 2021 Birr'000
Net Underwriting Income	647,907	537,030
Profit before income tax	206,497	169,925
Income tax expense	(24,934)	(24,809)
Profit for the year	181,563	145,117
Other comprehensive income net of taxes	(973)	(531)
Total comprehensive income for the year	180,590	144,585

Directors

The directors who held office during the year and to the date of this report are set out on page 25.

MeseretB

Meseret Bezabih
Chief Executive Officer
27 October, 2022

THE UNITED INSURANCE COMPANY SC
STATMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2022

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 2021, 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 2021 and the relevant Directives issued by the National Bank of Ethiopia.

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

The board further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Mulualem Berhane
Chairperson, Board of Directors
27 October, 2022

MeseretB
Meseret Bezabih
Chief Executive Officer
27 October, 2022

THE UNITED INSURANCE COMPANY SC
DIRECTORS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30 JUNE 2022

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, 2022)*		Date of Appointment
Mulualem Birhane (Dr.)	Chairperson	*03/11/2016*
Tsegereda Tesfaye (W/o)	Vice chairperson	*20/04/2022*
Aserat Arega (Ato)	Member	*20/04/2022*
Negussie Aberra (Eng.)	Member	*20/04/2022*
Omedad PVT.LTD.Co. represented by Mariamawit Getamessay (W/o)	Member	*20/04/2022*
Enat Bank reprsented By Eremias Andarege (Ato)	Member	*20/04/2022*
Amare Gashaw (Ato)	Member	*14/02/2019*
Ayalew Alemu (Ato)	Member	*14/02/2019*
Alemayehu Gebre (Ato)	Member	*14/02/2019*

Executive management *(as of June 30, 2022)*

Meseret Bezabih (W/o)	General Manager/CEO	*25/10/2011*
Tesfaye Desta (Ato)	DGM Operations-Non-Life	*01/09/2016*
Azalech Yirgu (W/o)	DGM Life & MEDEXIN	*01/07/2010*
Gizie Alemu (Ato)	Director, HR & Admin.	*30/05/2018*
Bethlehem Mekbib (W/t)	Director, U/W & Tech. Service	*01/03/2015*
Dereje Demissie (Ato)	Director, Claims and Engineering	*08/11/2021*
Engida Kassaye (Ato)	Director, Finance & Investment	*01/03/2015*
Aliye Mohammed (Ato)	Manager, IT	*01/01/2016*
Tilahun Tadesse (Ato)	Director, BD & Marketing	*01/09/2021*
Yealemayn Hailemariyam (Ato)	Director, Contro11er Compliance & Risk	*01/09/2021*
Aron Kassaye (Ato)	Manager, Legal service	*02/08/2021*

Independent auditor

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

Corporate office

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

Principal Bankers

United Bank SC
Commercial Bank of Ethiopia Bank of Abyssinia

Principal Reinsurers

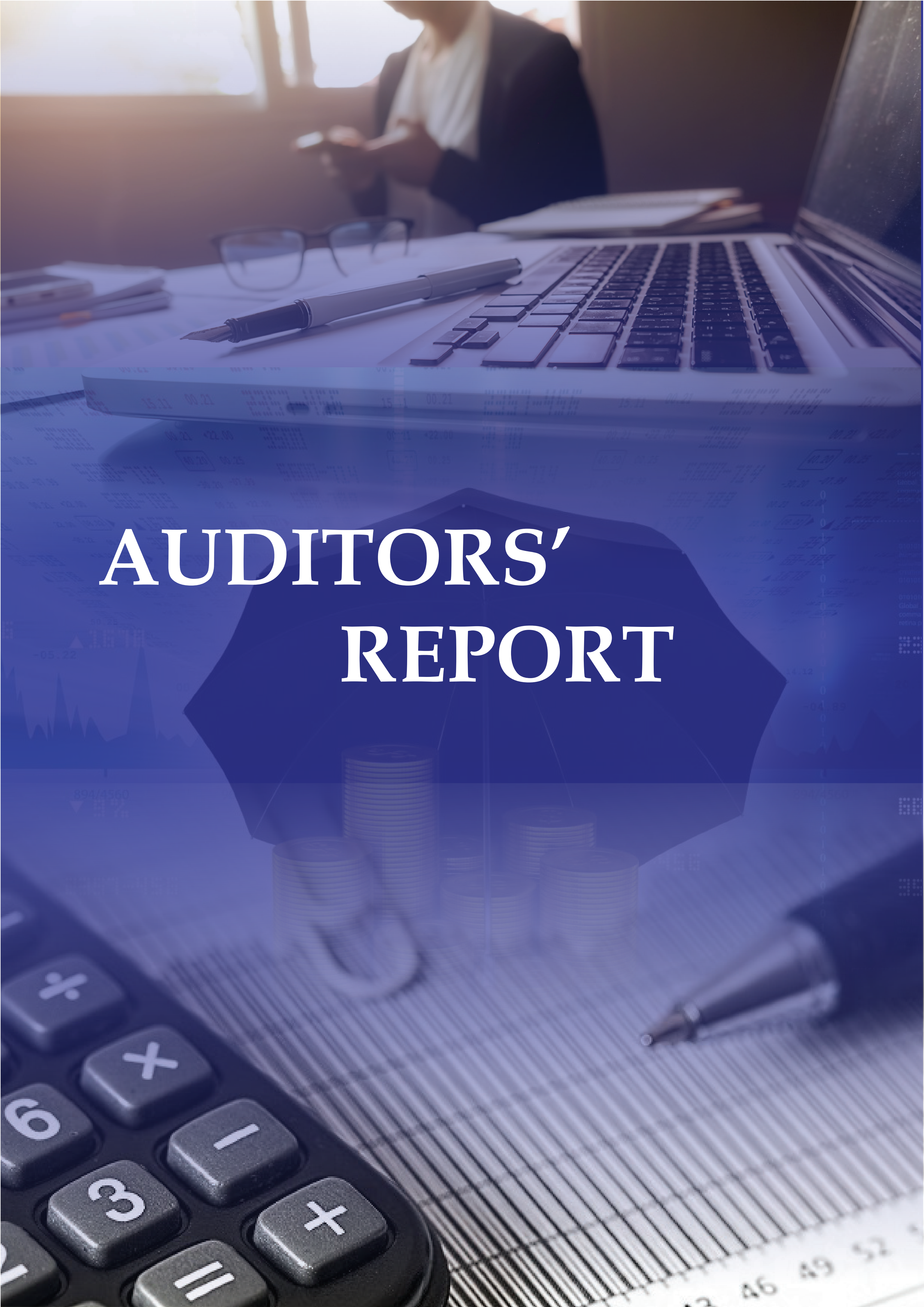
Africa Re-insurers
Ethiopian Reinsurance Share Company Hannover Reinsurers
ZEP Reinsurers

Consulting Actuaries

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

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

AUDITORS' REPORT



THE UNITED INSURANCE COMPANY SC
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Kokeb & Melkamu Audit Partnership

Chartered Certified Accountants (UK)

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

Report on the Audit of the Financial Statements

Unqualified Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **the United Insurance Company(S.C.)** as at June 30, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the financial statements of the Company, which comprise the Statement of Financial Position as at June 30, 2022, and statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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, and we do not provide a separate opinion on these matters. We have determined that there is no key audit matter to be communicated in our report.

Responsibilities of and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards and the Insurance Business Proclamation No. 746/2012and directives and circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, whether the financial statements are properly prepared in accordance with IFRS, the relevant provisions of the Commercial Code of Ethiopia 2021the Insurance Business Proclamation No. 746/2012, Insurance Business Amendment Proclamation No. 1163/2019 and to issue and auditor's report that includes our opinion.

Kokeb&Melkamu Audit Work Partnership
Chartered Certified Accountants (UK)

THE UNITED INSURANCE COMPANY SC
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Reasonable assurance is a high level of assurance, and not a guarantee that and audit conducted in accordance with ISA(s) will always detect a material statement when it exits.

Misstatement can arise from fraud or errorand are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit we also;

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.

Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that immaterial uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the data of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We have communicated with management of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

Report on other Legal and Regulatory Requirement

We have no comment to make on the report of your Board of Directors so far as it relates to the financial statements and pursuant to Article 349 (1 and 2) of the Commercial Code of Ethiopia 2021, and recommend approval of the financial statements.

Kokeb & Melkamu Audit Partnership Addis Ababa
Chartered Certified Accountants (UK) October 10, 2022
Authorized Auditors in Ethiopia

Kokeb & Melka

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work Partnership

Kokeb & Melkamu Audit Partnership- Chartered Certified Accountants (UK)
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P.O Box 33645

THE UNITED INSURANCE COMPANY SC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 Birr'000	30 June 2021 Birr'000
Gross written premiums	6	953,915	731,363
Change in unearned premium reserve	6	(99,138)	(52,328)
Gross earned premiums		**854,777**	**679,036**
Less: Premiums ceded to reinsurers	6	281,399	195,833
Net earned premiums		**573,378**	**483,203**
Commission income	7	74,529	53,827
Net underwriting income		**647,907**	**537,030**
Claims and policy holder benefits payable	10	390,197	369,246
Less : claims recoveries from reinsurers		(41,108)	(81,004)
Net claims and benefits		**349,089**	**288,243**
Underwriting expenses	13	50,993	36,511
Total underwriting expenses		**400,082**	**324,754**
Underwriting profit		**247,825**	**212,276**
Investment income	8	173,581	137,668
Other income	9	5,898	2,605
Net income		**427,304**	**352,550**
Operating and other expense	12	217,240	173,466
Impairment on insurance receivable	12a	1,816	4,948
		208,248	**174,135**
Finance (income) / costs	14	1,751	4,210
Profit before income tax		**206,497**	**169,925**
Income tax expense	32	(24,934)	(24,809)
Profit for the year		**181,563**	**145,117**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	35	(1,390)	(759)
Deferred tax (liability)/asset on Remeasurement gain or loss		417	228
Total comprehensive income for the year		**180,590**	**144,585**
Basic earnings per shares (in Birr)		**370.79**	**315.56**

Chartered Certified Accountants (UK)
Tekeb&Melkamu Audit Work Partnership

Mulualem Berhane
Chairperson, Board of Directors
27 October, 2022

Meseret Bezabih
Chief Executive Officer
27 October, 2022

THE UNITED INSURANCE COMPANY SC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 Birr'000	30 June 2021 Birr'000
ASSETS			
Property, plant and equipment	15	346,047	336,662
Investment properties	16	285,057	277,194
Intangible assets	17	1,461	604
Right-of-use assets	34	14,539	11,570
Investment securities :			
Available for sale	18	216,376	191,146
Loans and receivables	18	1,734	5,680
Statutory deposits	19	77,810	73,762
Reinsurance receivables	20	3,659	4,301
Insurance receivables	21	7,166	7,348
Reinsurance assets	22	207,664	153,379
Policy holder loans	23	101	180
Deferred acquisition costs	24	25,829	20,274
Salvage property held for sale	25	25,785	16,803
Other assets	26	31,958	27,245
Deposits with financial institutions	27	862,050	619,736
Cash and cash equivalents	27	51,180	64,550
Total assets		**2,158,418**	**1,810,434**
LIABILITIES			
Insurance contract liabilities/Gross/	28	930,315	710,974
Deferred reinsurance commission	29	33,329	27,305
Insurance Payables	30	98,539	55,738
Other liabilities	31	104,954	93,644
Current income tax liabilities	32	11,465	12,338
Long term Loan	33	-	16,120
Lease Liabilities	34	6,778	4,653
Defined benefit obligations	35	5,586	3,971
Deferred income tax	32	43,858	40,863
Total liabilities		**1,234,824**	**965,605**
EQUITY			
Share capital	36	499,278	473,416
Retained earnings	38	229,344	196,542
Legal reserve	39	113,475	95,319
Life fund reserve	40	82,843	79,925
Other reserve	41	(1,346)	(373)
Total equity		**923,594**	**844,828**
Total equity and liabilities		**2,158,418**	**1,810,434**

Chartered Certified Accountants (UK)

The financial statements and notes to the financial statement shown on pages 29 to 114 were approved and authorized for issue by the board of directors on .....2022 and were signed on its behalf by:

Mulualem Berhane
Chairperson, Board of Directors
27 October, 2022

Meseret Bezabih
Chief Executive Officer
27 October, 2022

THE UNITED INSURANCE COMPANY SC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Share capital	Share premium	Retained earnings	Legal reserve	Life fund reserve	Other reserves	Total
		Birr'000	irr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2020		**436,228**		**177,905**	**80,808**	**92,380**	**158**	**787,479**
Profit for the year	38			145,117	-	-	-	145,117
Transfer to legal reserve	39			(14,512)	14,512			-
Transfer to capital		37,188						37,188
Transfer to life fund	40					(12,455)	-	(12,455)
Premium availed for distribution			-					-
owners:								-
Dividends declared and paid				(111,966)				(111,966)
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							(531)	(531)
Total comprehensive income for the year		37,188	-	18,639	14,512	(12,455)	(531)	57,352
As at 30 June 2021		**473,416**	**-**	**196,543**	**95,319**	**79,925**	**(373)**	**844,830**
As at 1 July 2021		**473,416**	**-**	**196,543**	**95,319**	**79,925**	**(373)**	**844,830**
Profit for the year	38			181,563				181,563
Deferred tax accounted for in undistributable profit								-
								-
Transfer to legal reserve	39			(18,156)	18,156			-
Transfer to capital	36	25,862		-				25,862
Transfer to life fund				-		2,918		2,918
Transaction with owners in their capacity as owners								-
Contribution of equity net of transaction costs								-
Dividends declared and paid	38			(130,606)				(130,606)
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							(973)	(973)
								-
Total comprehensive income for the year		**25,862**		**32,803**	**18,156**	**2,918**	**(973)**	**78,764**
As at 30 June 2022		**499,278**	**-**	**229,346**	**113,476**	**82,843**	**(1,346)**	**923,594**

Mulualem Berhane
Chairperson, Board of Directors
27 October, 2022

Meseret Bezabih
Chief Executive Officer
27 October, 2022

Chartered Certified Accountants (UK)
Yokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022 Birr'000	30 June 2021 Birr'000
Cash flows from operating activities			
Cash generated from operations	42	445,742	362,903
Interest income	8	(94,705)	(68,177)
Dividend income	8	(33,052)	(29,161)
Income tax paid	32 (d)	(22,812)	(22,630)
Rent income	8	(45,824)	(40,331)
Net cash (outflow)/inflow from operating activities		**249,349**	**202,605**
Cash flows from investing activities			
Purchase of investment securities	18	(25,230)	(33,570)
Investment in Fixed time deposit	27	(242,315)	(155,233)
Purchase of investment property	16	(14,757)	(2,657)
Right of use assets	34	(4,742)	(2,206)
Purchase of intangible assets	17	(1,145)	-
Purchase of property, plant and equipment		(26,873)	(12,399)
Proceeds from sale of property, plant and equipment	15	4,092	12
Dividends received	8	33,052	29,161
Proceeds from policy loans	23	79	697
Rent income received	8	45,824	40,331
Interest income received	8	94,705	68,177
Increase in statutory deposit	19	(4,048)	(5,746)
Net cash (outflow)/inflow from investing activities		**(141,358)**	**(73,433)**
Cash flows from financing activities			
Dividends paid	38	(130,606)	(111,966)
Proceeds from issues of shares	36	25,862	37,188
Repayment of lease liability	34	(3,415)	(3,817)
Decrease in life fund	40	2,918	(12,491)
Repayment of borrowings	33	(16,120)	(17,234)
Net cash (outflow)/inflow from financing activities		**(121,361)**	**(108,321)**
Net increase/(decrease) in cash and cash equivalents		**(13,370)**	**20,852**
Cash and cash equivalents at the beginning of the year	27	64,550	43,699
Cash and cash equivalents at the end of the year	27	**51,180**	**64,550**

Chartered Certified Accountants (UK)
Alemayehu Mokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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 517 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 Br499 million.

The Company's registered office is at:

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

The Company is principally engaged in the business of non life and life insurance services and other ancillary business activities to clients in Ethiopian Market.

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the year ended 30 June 2022 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 2022.
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's financial statements therefore present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management 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, 2021, the Company has applied the following new or amended standards that have come into effect.
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, 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, Business combinations- "reference to the conceptual framework"

The amendments update the references in IFRS 3 to the revised 2018 conceptual framework. The amendment introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that this update does not change which assets and liabilities qualify for recognition in a business combination, or create new day to gains or losses.

An acquirer applies the definition of a liability in IAS 37 not the definition in the conceptual framework to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC21, the acquirer applies the criteria in IFRIC21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred as of the acquisition date. In addition, the amendments clarify that the acquirer does not recognize a contingent asset at the acquisition date.

Amendment to IAS 16, Property, plant and equipment (PPE) - proceeds before intended use

The amendments introduces new guidance that proceeds from selling items before the related PPE is available for its intended use can no longer be deducted from the cost of PPE. Instead, such proceeds are recognized in profit or loss, together with the cost of providing those items. Therefore, a company will need to distinguish between costs of producing and selling items before the PPE is available for its intended use; and costs of making the PPE available for its intended use.

Determining how to characterize such costs may require significant estimation and judgment. Companies in the extractive industry in particular may need to monitor costs at a more granular level. The amendments apply retrospectively but only for new PPE that reaches its intended use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

Amendments to IAS37, provisions, contingent liabilities and contingent assets

Onerous contracts- cost of fulfilling a contract clarifies that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs related directly to the contract. Such costs include both the incremental costs of the contract and an allocation of other costs that relate directly to fulfilling the contract.

Annual improvements to IFRS standards 2018-2020 applicable for annual periods beginning on or after 1 January 2022

This package of annual improvements contains amendments to three standards, namely IFRS1, IFRS 9, and IFRS41, and an amendment to an illustrative example accompanying IFRS16.

The amendment to IFRS1, provides optional relief for the measurement of cumulative translation differences to those first-time adopters which take advantage of the exemption in paragraph D16(a)of IFRS1. Such entities are subsidiaries which become first-time adopters later than their parents.

The amendment to IFRS9 clarifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf, are included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendment to illustrative example 13 accompanying IFRS16 removes from the fact pattern a reimbursement relating to leased hold improvement, as the example had not explained clearly whether the reimbursement would meet the definition of a lease incentive in IFRS16.

The amendment to IFRS41, removes the requirement to exclude taxation cash flows when measuring fair value, thereby aligning the fair value measurement requirements in IFRS 41 with those in IFRS13.

Amendments to IFRS 16, leases " Covid-19 related rent concessions beyond 30 June 2021"

The amendment extends the time limit in one of the qualifying criteria of the practical expedient for COVID-19-related rent concessions from 30 June 2021 to 30 June 2022. As such, the use of the practical expedient is available to more rent concessions, in particular those involving reduction in lease payments originally due after 30 June 2021 but before 30 June 2022.

The practical expedient is strictly time -limited: it is available if the reduction in lease payments affects only payments originally due on or before 30 June 2022. Therefore, if a rent concession reduces lease payments originally due both before and after 30 June 2022,then IFRS 16 prohibits the application of the practical expedient to that rent concession in its entirety. The lessee is not permitted to apply the practical expedient proportionally and only to that part of the rent concession that impacts payments originally due before 30 June 2022.The Amendment is effective for annual periods beginning on or after 1 April 2021 earlier application is permitted.

A lessee is required to apply the amendments retrospectively, with the cumulative effect of initially applying the amendment recognized as an adjustment to the opening balance of equity at the beginning of the annual reporting period. Lessees that had elected to apply the practical expedient in their previous financial statements are required to apply the extension to eligible contracts with similar characteristics and in similar circumstances.

(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 2022, 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.

Disclosure of accounting policies (Amendments to IAS 1, presentation of financial statements, and IFRS practice statement2, making materiality judgments)

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarifying that entities are required to disclose their "material" rather than "significant" accounting policy, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Amendments to IAS 8, accounting policies, change in accounting estimates and errors-definition of accounting estimate.
The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 earlier application is permitted. Entities are required to apply the amendments prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

Amendments to IAS 12, income taxes. "Deferred tax related to assets and liabilities arising from a single transition"

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Entities should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date.

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.

IFRS 17 - Insurance contracts

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

This standard requires a company that issues insurance contracts to report insurance obligations and risks on the balance sheet as the total of:
(i) The fulfillment cash flows—the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and
(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) measures 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.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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.

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.

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.

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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 derecognzed 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 is 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%

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

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

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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.

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.

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.

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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.

(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.

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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 re-measured to fair value directly through equity, is impaired, the impairment loss is recognized in profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

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

2.10.3 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.

2.10.4 Offsetting financial instruments

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

2.11 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' 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.

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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.

2.14 Insurance contracts and investment contracts with DPF

a) Recognition and Measurement

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

(i) Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts. Causality 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 each period; no additional liability is therefore established for these claims.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders.

This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Universal life contracts contain a DPF that entitles the holders to a minimum guaranteed crediting rate per annum (3% or 4%, depending on the contract commencement date) or, when higher, a bonus rate declared by the Company 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 liability established by the Company for the related claim, the difference is amortized over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement. the Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.9.

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

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

The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.8.

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e) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

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

f) Deferred income

Deferred income represents apportion of commission received on reinsurance contracts which are booked during the financial year and are 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:

(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
. Fire
. 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 in force as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the Life insurance contracts are recognized in the statement of profit or loss. The reserves include incurred but not reported (IBNR) and unearned premium reserve (UPR).

Reserve methodology

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

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

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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 commissions that are an integral part of the effective yield of the financial asset are recognized as an adjustment to the EIR of the instrument.

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

(e) Dividend income

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

(f) Foreign exchange revaluation gains or losses

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

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

2.17 Gross benefits and claims

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

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

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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 employees' proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively; with additional 3% Provident fund, funding for employees under pension scheme.

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

Once the contributions have been paid, the 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.

(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 on retirement, 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 a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

2.22 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 income statement net of any reimbursement.

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

2.23 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.

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Insurance receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

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 reserves

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

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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, is 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 recognises 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.

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.

2.32 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.

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(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 4.5.2

3.1 Judgments

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

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 judgment 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 lessor

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

3.2 Estimates and assumptions

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

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

(a) Valuation of insurance contract liabilities

Life insurance contract liabilities

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

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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.

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 871,844(2021: 674,757)

(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 are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

(c) Liabilities arising from insurance contracts

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

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

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

(f) *Impairment of non- financial assets*

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

(g) *Fair valuation of investment properties*

The fair value of investment properties is based on the nature, location and condition of 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 monitor 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 its risk to the level acceptable. Risk controls and mitigates, identified and approved for the Company, are documented for existing and new processes and systems.

Risk management reports are presented by the risk management work unit based on the National bank of Ethiopia risk parameters and company's identified risks. The reports are discussed in the quarterly report of the Risk management and Compliance committee meetings. Control processes are also regularly reviewed at Business unit level and changes agreed with the Board.

4.2 Insurance Risk

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

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting policy and procedures as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation 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.

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

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

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

Key assumptions

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

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

▶ **Mortality and morbidity rates**
Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.
▶ **Longevity**
Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.
An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.
▶ **Expenses**
Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.
An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.
▶ **Discount rate**
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.
A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Sensitivities Analysis
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.

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	Change in assumptions	Change in liability 30 June 2022 Birr'000	30 June 2021 Birr'000	30 June 2020 Birr'000	30 June 2019 Birr'000
Mortality/morbidity rate	10%	225,440	214,743	267,496	235,980
Investment return	1%	(3,262,405)	(2,935,038)	(3,542,410)	(3,072,497)
Expenses	10%	3,876,287	3,461,677	3,995,276	3,461,350
Lapse and surrenders rate	10%	(402,003)	(297,595)	(355,470)	(297,072)

	Change in assumptions	Change in liability 30 June 2022 Birr'000	30 June 2021 Birr'000	30 June 2020 Birr'000	30 June 2019 Birr'000
Mortality/morbidity rate	-10%	(215,169)	(208,762)	(263,777)	(233,455)
Investment return	-1%	3,511,490	3,171,649	3,864,552	3,331,123
Expenses	-10%	(3,869,431)	(3,454,189)	(3,970,847)	(3,446,857)
Lapse and surrenders rate	-10%	417,702	310,789	372,642	310,219

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 clay mates. For longer tail claims that take some years to settle, there is also inflation risk.

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

30 June 2022	Claims reported			Incurred but not reported		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Accident	72	4	68	593	30	563
Medical expense	1,428	71	1,357	313	16	298
W/c	2,290	109	2,181	1,396	70	1,326
Motor	267,980	24,163	243,817	34,003	3,270	30,733
Marine	714	101	612	935	64	870
Goods in transit	2,741	136	2,605	510	35	475
Aviation				598	568	30
Fire	20,338	6,283	14,054	7,483	2,337	5,145
Burglary and House breaking	515	20	496	666	158	508
Engineering	24,068	16,133	7,935	2,733	1,883	851
Liability	11,053	513	10,540	3,243	162	3,081
Pecuniary	14,654	7,151	7,503	4,292	2,134	2,159
Total	345,852	54,684	291,169	56,765	10,726	46,039

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30 June 2021	Claims reported			Incurred but not reported		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net 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	1,877	4,719	2,214	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	463
Total	**276,628**	**41,951**	**234,677**	**47,631**	**9,241**	**38,390**

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. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivity analysis

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.

The table below looks at how changes in the claims cost affects the current liability. A 10% increase will lead to liability increase of ETB 5.68 million and a 10% decrease will lead to a liability decrease of ETB 5.68 million.

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a) A 10% increase will lead to a liability increase of ETB 5.68 million

	Increase in gross Liabilities	Change in liability 30 June 2022 Birr'000	Change in liability 30 June 2021 Birr'000
Average claim cost	+10%	5,676,513	4,763,243
Average number of claims	+10%	5,676,513	4,763,243

b) A 10% decrease will lead to a liability decrease of ETB 5.68 million

	Decrease in gross Liabilities	Change in liability 30 June 2022 Birr'000	Change in liability 30 June 2021 Birr' 000
Average claim cost	-10%	(5,676,513)	(4,763,028)
Average number of claims	-10%	(5,676,513)	(4,763,028)

c) The gross IBNR is estimated at ETB 56.8million and the outstanding claims are estimated at ETB 327.0 million and the total Actuarial liability is estimated at ETB 383.80 million.

IBNR	56,765	47,631
Outstanding claims	327,022	265,783
Total Actuarial Liability	**383,787**	**313,414**

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 2022:

Accident year	2018 Birr'000	2019 Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000
At the end of claim year	244,595,737	294,500,954	256,655,411	339,881,819	406,234,697
One year later	21,284,004	7,112,738	8,732,466	3,756,823	
Two year later	39,036	251,177	214,220	0	
Three year later	154,831	189,925	0	0	
Four year later	146,206	0	0	0	
Cumulative incurred claims	266,219,814	302,054,794	265,602,097	343,638,642	406,234,697
IBNR	0	27,567	2,183,047	19,172,115	35,382,398
Ultimate claims projected	266,219,814	302,082,361	267,785,144	362,810,757	441,617,095

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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:

Financial Assets

30 June 2022	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Investment securities:				
- Loan and receivables	18	0	1,734	1,734
- Available for sales	18	216,376		216,376
Other assets	26		19,331	19,331
Reinsurance assets	22		207,664	207,664
Loan to life policy holders	23		101	101
Deposit with financial institutions	27		862,050	862,050
Cash and cash equivalents	27		51,180	51,180
Total financial assets		**216,376**	**1,142,060**	**1,358,436**

30 June 2021	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Investment securities:				
- Loan and receivables	18		5,680	5,680
- Available for sales	18	191,146		191,146
Other assets	26		16,181	16,181
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		51,180 64,550	51,180 64,550
		191,146	859,705	1,050,851
Total financial assets		**216,376**	**1,142,060**	**1,358,436**

Financial Liabilities

30 June 2022	Notes	Other financial liabilities Birr'000	Total Birr'000
Insurance Payables	30	98,539	98,539
Insurance contract liabilities	28	930,315	930,315
Long term loan	33	0	0
Other payables	31	34,416	34,416
Total financial Liabilities		**1,063,270**	**1,063,270**

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30 June 2021		Other financial liabilities Birr'000	Total Birr'000
Insurance Payables	30	55,738	55,738
Insurance contract liabilities	28	710,974	710,974
Long term loan	33	16,120	16,120
Other payables	31	26,412	26,412
Total financial Liabilities		**809,244**	**809,244**

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.

.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:

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30 June 2022		30 June 2022 Birr'000	30 June 2021 Birr'000
Investment securities:			
- Loan and receivables	18	1,734	5,680
- Available for sales	18	216,376	191,146
other assets	26	19,331	16,181
Reinsurance assets	22	207,664	153,379
Loan to life policy holders	23	101	180
Deposit with financial institutions	27	862,050	619,736
Cash and cash equivalents	27	51,180	64,550
Total financial assets		**1,358,436**	**1,050,851**

4.3.1 Management of Credit Risk

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

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

Reinsurance arrangements mitigate insurance risk but expose the Company to credit risk. Reinsurance is placed with companies based on an evaluation of the financial strength of the reinsurers, rating , terms of coverage and price. It is Company policy to only deal with reinsurers with credit ratings of at least B from known credit rating agency other than Ethiopian Reinsurance share Company which is not yet rated for mandatory policy and treaty cession as per local regulatory requirements.

The credit risk in the Reinsurance area arises:

- When the Company's reinsurers fails to make a claim reimbursement as and when it is claimed.
- The Company transfers a part of their portfolio to a reinsurer in exchange for a premium. A default on the part of the reinsurer can lead to adverse impacts, on the profitability solvency, underwriting abilities of the Company.

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

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.

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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 2022 and 30 June,2021 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 manage its risk exposure to credit risk through counterparty risk via established limits as approved by the Directive issued by National Bank of Ethiopia. All fixed income investments are measured for performance on a quarterly basis and monitored by management. The credit risk exposure associated with money market investments is low.

c) Reinsurance assets

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

Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

d) Credit Quality of other financial assets

	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr'000	Total Birr '000
30 June 2022					
Insurance receivables :					
Due from Contract holders	21			18,091	18,091
				18,091	**18,091**
Less : Impairment allowance	21			(10,925)	(10,925)
Net Insurance receivable				**7,166**	**7,166**
Other assets					
Rent receivable	26	464			464
Inter office receivable - Life	26	0			0
Restricted cash	26	1,081			1,081
Receivables on policy loan	26	22			22
Staff debtors	26	11,176			11,176
Sundry debtors	26	2,142			2,142
Gross amount		14,884			14,884
Less: Specific impairment allowance					
Net other assets		**14,884**			**14,884**

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30 June 2021		Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr'000	Total Birr '000
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	26	198			198
Inter office receivable - Life		4,875			4,875
Restricted cash		1,081			1,081
Receivables on policy loan	26	26			26
Staff debtors	26	8,234			8,234
Sundry debtors	26	1,767			1,767
Gross amount		**16,181**			**16,181**
Less: Specific impairment allowance		0			0
Net other assets		**16,181**			**16,181**

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 neither classified as neither past due nor impaired are assessed on a collective basis.

Other assets

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

4.3.4 Allowance for impairment

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

	Notes	30 June 2022 Birr'000	30 June 2021 Birr'000
Due from contract holders	21	10,925	9,109
Other loans and receivables		0	0
Total allowance for impairment		**10,925**	**9,109**

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4.4 Liquidity Risk

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

Liquidity risk management in the Company is solely determined by management, which bears the overall responsibility for liquidity risk. The main Objectives of the Company’s liquidity risk framework 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.

And the report includes, 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 60% 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.

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	Notes	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
30 June 2022						
Insurance contract liabilities	28	930,315	-	-	-	930,315
Insurance Payables	30	98,539	-	-	-	98,539
Long term Loan	33	-				-
Other liabilities	31	34,416	-	-	-	34,416
Total financial liabilities		**1,063,270**	-	-	-	**1,063,270**

	Notes	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
30 June 2021						
Insurance contract liabilities	28	710,974	-	-	-	710,974
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		**809,244**	-	-	-	**809,244**

4.5 Market Risk

Market risk is the risk of adverse financial impact due to changes in the value or future cash flows of financial instruments from fluctuations in , interest rates and equity prices. Changes in price may occur to a specific investment or in general to the portfolio of investment. Market risk encompasses the risk of financial loss resulting from movements in market prices which refers to the standard deviation of the change in value of a financial instrument with a specific time horizon. 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 well regulated equity market could enhance initiatives to establish new and expand/diversify existing business by providing venture capital and the flexibility to exist from or simply change investment portfolio.

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

4.5.2 Measurement of Market Risk

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

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

4.5.3 Monitoring of Market Risk

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

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- **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 of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable than the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products. The Company is also exposed to the risk of changes in future cash flows from fixed income securities arising from the changes in interest rates.

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

30 June 2022	Notes	Fixed Birr'000	Non-Interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	27	913,230	-	913,230
Investment securities :				
available for sale	18		216,376	216,376
Loans and receivable	18	1,734	-	1,734
Insurance receivables	21	7,166	-	7,166
Reinsurance assets	22	207,664	-	207,664
Other assets	26	19,331	-	19,331
Total		**1,149,125**	**216,376**	**1,365,501**
Liabilities				
Insurance contract liabilities	28	930,315	-	930,315
Insurance payables	30	98,539	-	98,539
Long term Loan	33	-		-
Other payables	31	34,416	-	34,416
Total		**1,063,270**	**-**	**1,063,270**

30 June 2021	Notes	Fixed Birr'000	Non-Interest bearing Birr'000	Total Birr'000
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	16,181	-	16,181
Total		**866,873**	**191,146**	**1,058,019**
Liabilities				
Insurance contract liabilities	28	710,974	-	710,974
Insurance payables	30	55,738	-	55,738
Long term Loan	33	16,120		16,120
Other payables	31	26,412	-	26,412
Total		**809,244**	**-**	**809,244**

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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 so as to maintain investors, creditors, and enhance market confidence and sustain future developments of business. Even though the current paid up capital of the company's seems above the regulatory threshold. The company contemplates to double the capital within the coming five years in order to meet the needs of policyholders and other stakeholders.

4.6.1 Margin of Solvency Ratio

Solvency margin is the amount by which the asset of an insurer exceeds 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 the net Written premiums in the last preceding financial year, or 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.

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		30 June 2022 Birr'000	30 June 2021 Birr'000
General business			
Admissible assets	**A**		
Property, plant and equipment		321,791	312,290
Investment properties		238,566	235,386
Intangible assets			
Right of use assets			
Investment securities :			
Available for sale		166,247	146,776
Loans and receivables		1,734	5,680
Statutory deposits		69,947	66,374
Reinsurance receivables			0
Insurance receivables		7,166	7,348
Reinsurance assets		199,593	149,674
Salvage property held for sale		25,785	16,803
Other assets		12,720	14,388
Over invested in real-estate		(21,311)	(55,055)
Deposits with financial institutions		737,609	505,928
Cash and cash equivalents		48,648	59,607
Total		**1,808,497**	**1,465,200**
Admissible Liabilities	**B**		
Insurance contract liabilities		871,844	674,757
Deferred reinsurance commission		33,196	27,163
Insurance Payables		91,373	51,569
Other liabilities		102,050	86,540
Current income tax liabilities		7,693	6,691
Long term Loan		0	16,120
Lease Liabilities		6,778	4,653
Defined benefit obligations		5,431	3,844
Deferred income tax		39,958	37,591
Total		**1,158,324**	**908,928**
Excess (admitted capital) (A)-(B)	**C**	**650,173**	**556,273**
Net premium (preceding year)	**D**	473,452	473,452
Technical provision (current year)	**E**	871,844	674,757
Solvency margin			
Limit of net premium i.e. 20% of net premium	**F**	94,690	94,690
Limit of technical provision i.e. 25% of technical provision	**G**	217,961	168,689
Minimum paid-up Capital		60,000	60,000
Required Minimum of paid up capital	**H**	217,961	168,689
Margin of solvency	**(C-D)**	**176,721**	**82,821**
Solvency ratio	**C/H**	**298%**	**330%**

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		30 June 2022 Birr'000	30 June 2020 Birr'000
Life business			
Admissible assets	A		
Property, plant and equipment		15,443	15,931
Investment properties		46,491	41,808
Available for sale		50,129	44,370
Loans and receivables			
Statutory deposits		7,862	7,387
Reinsurance receivables		3,659	4,301
Insurance receivables			
Reinsurance assets		8,071	3,704
Other assets		4,446	0
Over investment		(22,766)	(14,923)
Deposits with financial institutions		124,441	113,807
Cash and cash equivalents		2,532	4,943
Total		**240,308**	**221,330**
Admissible Liabilities	B		
Insurance contract liabilities		58,470	36,217
Deferred reinsurance commission		134	142
Insurance Payables		7,166	4,169
Other liabilities		2,904	7,104
Current income tax liabilities		4,134	5,647
Life fund reserve		82,843	79,925
Lease Liabilities			
Defined benefit obligations		155	127
Deferred income tax		3,899	3,272
Total		**159,704**	**136,603**
Excess (admitted capital) (A)-(B)	C	**80,604**	**84,727**
Technical provision (current year)	D	**141,313**	**116,142**
Solvency margin			
Limit of technical provision i.e. 10% of technical provision	E	**14,131**	**11,614**
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)	**(60,709)**	**(31,415)**
Solvency ratio	C/G	**537%**	**565%**

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

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 2022 Carrying amount Birr'000	30 June 2022 Fair value Birr'000	30 June 2021 Carrying amount Birr'000	30 June 2021 Fair value Birr'000
Financial assets					
Cash and Cash equivalents	27	51,180	51,180	64,550	64,550
Deposits with financial institutions	27	862,050	862,050	619,736	619,736
Investment securities:					
Available for sales	18	216,376	216,376	191,146	191,146
Loans and receivables	18	1,734	1,734	5,680	5,680
Reinsurance assets	22	207,664	207,664	153,379	153,379
Other assets	26	19,331	19,331	16,181	16,181
Total		**1,358,335**	**1,358,335**	**1,050,671**	**1,050,671**
Financial Liabilities					
Insurance contract liabilities	28	930,315	930,315	710,974	710,974
Insurance Payables	30	98,539	98,539	55,738	55,738
Long term loan	33	0	0	16,120	16,120
Other liabilities	31	34,416	34,416	26,412	26,412
		1,063,270	**1,063,270**	**809,244**	**809,244**

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4.7.3 Fair value methods and assumptions

Investment securities

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

4.7.4 Valuation technique using significant unobservable inputs - Level 2

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

4.7.5 Transfers between the fair value hierarchy categories

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

4.8 Offsetting financial assets and financial liabilities

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

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5 Segment information

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

Business segments
The Company operates the following main business segments:

Non- life (General) Business- Includes general insurance transactions with individual and corporate 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 2022 is as follows:

5.1 Statement of Financial Position - 30 June 2022

	Note	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	15	330,292	15,756	346,047
Investment properties	16	238,566	46,491	285,057
Intangible assets	17	1,256	205	1,461
Right-of-use assets	34	14,539	-	14,539
Investment securities :				-
Available for sale	18	166,247	50,129	216,376
Loans and receivables	18	1,734	-	1,734
Statutory deposits	19	69,947	7,862	77,810
Reinsurance receivables	20	-	3,659	3,659
Insurance receivables	21	7,166	-	7,166
Reinsurance assets	22	199,593	8,071	207,664
Policy holder loans	23	-	101	101
Deferred acquisition costs	24	23,582	2,247	25,829
Salvage property held for sale	25	25,785	-	25,785
Other assets	26	26,916	5,042	31,958
Deposits with financial institutions	27	737,609	124,441	862,050
Cash and cash equivalents	27	48,648	2,532	51,180
Total assets		**1,891,881**	**266,537**	**2,158,418**
LIABILITIES				
Insurance contract liabilities/Gross/	28	871,844	58,470	930,315
Deferred reinsurance commission	29	33,196	134	33,329
Insurance Payables	30	91,373	7,166	98,539
Other liabilities	31	102,050	2,904	104,954
Current income tax liabilities	32	7,693	3,773	11,465
Long term Loan	33	-	-	-
Lease Liabilities	34	6,778	-	6,778
Defined benefit obligations	35	5,431	155	5,586
Deferred income tax	32	39,958	3,899	43,858
Total liabilities		**1,158,324**	**76,500**	**1,234,824**
EQUITY				
Share capital	36	449,278	50,000	499,278
Retained earnings	38	193,648	35,696	229,344
Legal reserve	39	91,954	21,521	113,475
Life fund reserve	40	-	82,843	82,843
Other reserves	41	(1,322)	(24)	(1,346)
Total equity		**733,558**	**190,036**	**923,594**
Total equity and liabilities		**1,891,881**	**266,536**	**2,158,418**

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5.2 Statement of Financial Position - 30 June 2021

		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	73,762
Reinsurance receivables	20	0	4,301	4,301
Insurance receivables	21	7,348	-	7,348
Reinsurance assets	22	149,674	3,704	153,379
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	26,631	614	27,245
Deposits with financial institutions	27	505,928	113,807	619,736
Cash and cash equivalents	27	59,607	4,943	64,550
Total assets		**1,570,673**	**239,763**	**1,810,434**
LIABILITIES				
Insurance contract liabilities/Gross/	28	674,757	36,217	710,975
Deferred reinsurance commission	29	27,163	142	27,305
Insurance Payables	30	51,569	4,169	55,738
Other liabilities	31	86,540	7,104	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		**908,928**	**56,678**	**965,606**
EQUITY				
Share capital	36	426,126	47,290	473,416
Share premium	36	-	-	-
Retained earnings / Surplus fund	38	158,713	37,830	196,542
Legal reserve	39	77,267	18,052	95,319
Life fund reserve	40	-	79,925	79,925
Other reserves	41	(361)	(12)	(373)
Total equity		**661,745**	**183,084**	**844,828**
Total equity and liabilities		**1,570,673**	**239,763**	**1,810,434**

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5.3 30 June 2022

		General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	860,834	93,080	953,915
Change in unearned premium reserve	6	82,431	16,707	99,138
Gross earned premiums		**778,404**	**76,373**	**854,777**
Less: Premiums ceded to reinsurers	6	267,108	14,291	281,399
Net earned premiums		**511,296**	**62,083**	**573,378**
Commission income	7	73,124	1,405	74,529
Net underwriting income		**584,420**	**63,487**	**647,907**
Claims and policy holder benefits payable	10	343,677	46,520	390,197
Less : claims recoveries from reinsurers	10	(30,827)	(10,280)	(41,108)
Net claims and benefits		**312,850**	**36,239**	**349,089**
Underwriting expenses	13	45,325	5,668	50,993
Total underwriting expenses		**358,175**	**41,908**	**400,082**
Underwriting profit		**226,245**	**21,580**	**247,825**
Investment income	8	145,779	27,802	173,581
Other income	9	5,496	402	5,898
Net income		**377,521**	**49,784**	**427,304**
Operating and other expense	12	207,457	9,783	217,240
Impairment on insurance receivables	12a	1,816	-	1,816
		168,248	**40,000**	**208,248**
Finance (income) / costs	14	1,751	-	1,751
Profit before tax from reportable segments		**166,497**	**40,000**	**206,497**
Income tax expense		(19,630)	(5,305)	(24,934)
Profit for the year		**146,867**	**34,696**	**181,563**
Assets and liabilities 2022				
Total assets		1,891,881	266,537	2,158,418
Total liabilities		1,158,324	76,500	1,234,824
Net assets/(liabilities)		733,557	190,037	923,594
External revenue 2022				
Net premium earned		511,296	62,083	573,378
Net underwriting income		584,420	63,487	647,907
Net investment income		145,779	27,802	173,581
Other income		5,496	402	5,898
Total segment revenue		**735,695**	**91,691**	**827,386**
Reportable segment profit before tax		**166,497**	**40,000**	**206,497**
Reportable segment assets		**1,891,881**	**266,537**	**2,158,418**
Reportable segment liabilities		**1,158,324**	**76,500**	**1,234,824**

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5.4 30 June 2021

	Notes	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	369,246
Less : claims recoveries from reinsurers	10	(71,937)	(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		300,830	23,924	324,754
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	352,550
Operating and other expense	12	166,284	7,181	173,466
Impairment on insurance receivables	12a	4,948	-	4,948
Total benefits , claims and other expense		**130,136**	**44,000**	**174,135**
Finance (income) / costs	14	4,210	-	4,210
Profit before tax from reportable segments		**125,925**	**44,000**	**169,925**
Income tax expense	32	(17,876)	(6,933)	(24,809)
Profit for the year		**108,050**	**37,066**	**145,116**

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Assets and liabilities 2021			
Total assets	1,570,673	239,763	1,810,434
Total liabilities	908,928	56,678	965,606
Net assets/(liabilities)	661,745	183,085	844,828
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	**602,198**	**75,106**	**677,304**
Reportable segment profit before tax	**125,925**	**44,000**	**169,925**
Reportable segment assets	**1,570,673**	**239,763**	**1,810,434**
Reportable segment liabilities	**908,928**	**56,678**	**965,606**

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		30 June 2022 Birr'000	30 June 2021 Birr'000
6	**Net premiums**		
a)	**Gross premiums on insurance contracts**		
	General business		
	Motor	487,209	391,511
	Good in transit	7,240	5,644
	Marine	18,234	10,524
	Accident	10,161	8,383
	Liability	33,261	24,365
	Workmen's compensation	12,220	12,181
	Fire	105,738	75,419
	Engineering	44,798	42,250
	Pecuniary	56,588	38,559
	Aviation	22,262	2,209
	Burglary and house breaking	4,005	2,542
	Miscellaneous	53,110	42,105
	Medical	6,008	4,341
	General business gross premiums	**860,834**	**660,034**
	Life business		
	Individual life	15,326	16,360
	Group life	54,795	35,194
	Medical	22,783	19,747
	Funeral	177	29
	Life business gross premiums	**93,080**	**71,329**
	Total	**953,915**	**731,363**

		30 June 2022 Birr'000	30 June 2021 Birr'000
b)	**Change in unearned premium reserve**		
	General business		
	Engineering	3,864	(179)
	Liability	4,550	(254)
	Pecuniary	17,766	6,965
	Fire	364	1,211
	Burglary and house breaking	593	(236)
	Accident	885	(47)
	Medical	420	(1,714)
	Workmen's compensation	10	1,447
	Motor	47,533	27,816
	Aviation	2,828	144
	Marine	2,103	899
	Goods in transit	1,251	1,032
	Miscellaneous	265	85
	Unearned premium reserve	**82,431**	**37,169**
	Life business		
	Group Medical	3,208	4,599
	Group Life- Arab Travelers	12,167	9,110
	Group Funeral	62	
	Group life	1,270	1,450
	Unearned premium reserve	**16,707**	**15,159**
	Total	**99,138**	**52,328**

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		30 June 2022 Birr'000	30 June 2021 Birr'000
c)	**Premiums ceded to reinsurers**		
	General business		
	Motor	31,930	21,076
	Marine	4,080	2,994
	Goods in transit	1,065	993
	Accident	888	745
	Medical	1,372	501
	Workmen's compensation	826	668
	Liability	3,635	3,323
	Fire	85,987	55,472
	Burglary and house breaking	1,498	1,516
	Engineering	27,498	29,243
	Pecuniary	39,261	27,894
	Aviation	18,445	1,967
	Miscellaneous	50,622	40,193
	Premiums ceded to reinsurers	**267,108**	**186,582**
	Life business		
	Individual life	723	1,140
	Group life	12,420	7,122
	Group medical	1,139	987
	Group funeral	9	1
		14,291	**9,251**
	Total premiums ceded to reinsurers	**281,399**	**195,833**
	Total net earned premiums		
	General business	511,296	436,283
	Life business	62,083	46,920
		573,378	**483,203**
7	**Reinsurance Commission income**		
	General business		
	Reinsurance ceding commission	59,041	41,193
	Profit commission	14,083	9,407
	Commission income	**73,124**	**50,600**
	Life business		
	Reinsurance ceding commission	254	349
	Profit commission	1,150	2,878
	Commission income	**1,405**	**3,227**
	Total commission income	**74,529**	**53,827**

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	30 June 2022 Birr'000	30 June 2021 Birr'000
8 Investment income		
General business		
Interest on time deposits	71,461	46,888
Interest on savings	1,005	82
Interest on staff loans	2,142	1,600
Dividend income	25,134	22,165
Interest on government bond	5,576	5,287
Rent income	40,462	37,323
	145,779	**113,344**

	30 June 2022 Birr'000	30 June 2021 Birr'000
Life business		
Interest on time deposits	13,803	13,585
Interest on savings	139	148
Interest on staff loans	2	0
Interest on policy loans	14	26
Dividend income	7,918	6,996
Interest on government bond	563	560
Rent income	5,362	3,008
	27,802	**24,324**
Total investment income	**173,581**	**137,668**

	30 June 2022 Birr'000	30 June 2021 Birr'000
9 Other income		
General business		
Service charge	1,175	705
Provision for bad debts	-	-
Gain on disposal of Fixed Assets	3,050	43
Gain on sale of equity investment	-	-
Gain on foreign exchange	47	
Miscellaneous income	1,224	1,222
	5,496	**1,970**
Life business		
Gain on sale of equity investment	-	-
Miscellaneous income	402	635
	402	635
Total other income	**5,898**	**2,605**

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10 Claims and policy holder benefits payable

General business		
Benefits and claims paid	275,259	286,338
Change in claims outstanding	56,492	49,703
Change in incurred but not reported reserve	7,649	837
Other Technical expenses	3,681	4,582
Change in unallocated loss adjustment expense	596	(1,786)
	343,677	**339,675**
Recoverable from reinsurance:		
Claims recoveries from reinsurers	(30,827)	(71,937)
Net claims and loss adjustment expense	**312,850**	**267,737**
Life business		
Benefits and claims paid	42,488	40,818
Change in Life fund	2,760	(13,688)
Change in claims outstanding	164	1,247
Other Technical expenses	92	
Change in incurred but not reported reserve	1,016	1,194
	46,520	**29,572**
Recoverable from reinsurance:		
Claims recoveries from reinsurers	(10,280)	(9,066)
Net claims and loss adjustment expense	**36,239**	**20,505**
Total	**349,089**	**288,243**

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.10,124,471 as at 30 June 2022.The loan is closed and cleared during the financial year under review.

	30 June 2022	30 June 2021
	Birr'000	Birr'000
12 Operating and other expense		
General business		
Director fixed emoluments	800	506
Shareholders meeting expense	347	150
Depreciation	21,835	20,575
Amortization	344	275
Depreciation-ROU	7,881	6,746
Financial expense	3,642	1,287
Office rent	4,264	2,792
Auditor remuneration	192	242
Other general expense	9,452	6,480
Repair and maintenance	7,074	4,766
Stationeries and office supplies	4,908	3,182
Gifts and donations	1,695	2,210
Communication costs	2,945	2,880
Transportation costs	3,986	2,957
Advertising and promotion	5,657	4,930

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Insurance costs	1,663	1,375
Annual general meeting	-	
Professional services	585	865
	77,271	**62,217**

Employee benefits expense

Salaries and wages	78,492	63,596
Staff insurance	3,772	4,150
Leave pay	2,901	1,322
Staff bonus	19,588	15,029
Staff train expense	1,608	1,398
Defined contribution costs- employers'' contribution	10,584	8,434
Defined benefit costs- severance pay	1,429	1,337
Other staff expenses	11,811	8,802
	130,185	**104,067**
	207,457	**166,284**

Operating and other expense
Life business

Director fixed emoluments	-	32
Depreciation	1,486	1,131
Amortization	38	38
Financial expense	107	38
Auditor remuneration	21	21
Other general expense	360	363
Actuarial fee	194	120
Repair and maintenance	62	26
Stationeries and office supplies	473	264
Communication costs	125	21
Transportation costs	421	39
Advertising and promotion	514	416
	3,800	**2,507**

	30 June 2022 Birr'000	30 June 2021 Birr'000
Employee benefits expense		
Salaries and wages	2,450	2,018
Staff insurance	129	44
Leave pay	105	109
Staff bonus	1,063	598
Defined contribution costs	284	223
Defined benefit costs	42	41
Other staff expenses	1,910	1,642
	5,983	**4,674**
	9,783	**7,181**
Total operating and Other Expenses	**217,240**	**173,466**

	30 June 2022 Birr'000	30 June 2021 Birr'000
12a Impairment of receivables-provision		
Insurance /Other assets- Charge for the year	1,816	4,948
	1,816	**4,948**

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		30 June 2022 Birr'000	30 June 2021 Birr'000
13	**Underwriting expenses**		
	General business		
	Commission expense	50,803	37,431
	Changes in deferred acquisition cost	(5,478)	(4,339)
		45,325	**33,092**
	Life business		
	Commission expense	5,745	3,886
	Changes in deferred acquisition cost	(77)	(467)
		5,668	**3,419**
	Total underwriting expenses	**50,993**	**36,511**

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 2022 Birr'000	30 June 2021 Birr'000
14	**Finance (income) / costs**		
	General business		
	Finance costs-Lease	763	657
	Bank Loan	988	3,553
	Life business		
	Finance costs-Lease	-	-
		1,751	**4,210**

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Finance cost is the interest cost paid on unpaid portion of long term loan, interest paid on leased office premises and for land leased at Kality recovery site.

15 Property, plant and equipment

a) General Business

	Buildings	Office equip	Computer equip	Furni and fittings	Motor vehicle	Fence and recovery improvement	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2020	260,140	9,091	10,990	12,346	63,533	1,059	357,159
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**
As at 1 July 2021	266,146	9,242	11,660	13,536	66,890	1,059	368,531
Additions	89	310	2,457	1,638	22,379	-	26,873
Disposals / Transfer	-	(183)	(621)	(495)	(2,060)	-	(3,359)
Reclassification	-	-	-	-		-	-
As at 30 June 2022	**266,235**	**9,369**	**13,496**	**14,678**	**87,209**	**1,059**	**392,045**
Accumulated depreciation							
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	-	-	-	0	-	-	-
As at 30 June 2021	**10,338**	**5,712**	**6,133**	**5,399**	**20,207**	**314**	**48,104**
As at 1 July 2021	10,338	5,712	6,133	5,399	20,207	314	48,104
Charge for the year	5,174	746	1,403	1,187	7,234	105	15,849
Disposals	-	(174)	(557)	(408)	(1,060)	-	(2,199)
Reclassification		-	-	-	-	-	-
As at 30 June 2022	**15,512**	**6,284**	**6,979**	**6,178**	**26,381**	**419**	**61,753**
Net book value							
As at 1 July 2020	255,085	4,352	6,113	8,087	49,508	850	**323,995**
As at 30 June 2021	255,808	3,529	5,526	8,137	46,683	744	**320,428**
As at 30 June 2022	**250,723**	**3,085**	**6,517**	**8,500**	**60,828**	**639**	**330,292**

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b) Life business

	Buildings	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	Fence and recovery Improvement	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2020	15,000	75	254	460	1,945	-	17,734
Additions	-	-	70	-	-	-	70
Reclassifications	-	-	-	-	250	-	250
Disposals	-	-	-	-	-	-	-
As at 30 June 2021	**15,000**	**75**	**324**	**460**	**2,195**	**-**	**18,054**
As at 1 July 2021	15,000	75	324	460	2,195	-	18,054
Additions	-		-	-	-	-	-
Disposals/Transfer	-	8	37	54	-	-	99
Reclassification	-	-	-	-	-	-	-
As at 30 June 2022	**15,000**	**83**	**361**	**514**	**2,195**	**-**	**18,153**
Accumulated depreciation							
As at 1 July 2020	286	47	132	115	575	-	1,155
Charge for the year	285	5	29	41	304	-	664
Disposals/Transfer	-	-	-		-	-	-
As at 30 June 2021	**571**	**52**	**161**	**156**	**879**	**-**	**1,819**
As at 1 July 2021	571	52	161	156	879	-	1,819
Charge for the year	285	6	35	45	209	-	579
Disposals	-	-	-	-	-	-	-
As at 30 June 2022	**856**	**58**	**196**	**201**	**1,088**	**-**	**2,398**
Net book value							
As at 1 July 2020	14,714	28	122	345	1,370	-	**16,579**
As at 30 June 2021	14,429	23	163	304	1,316	-	**16,235**
As at 30 June 2022	**14,144**	**25**	**166**	**313**	**1,108**	**-**	**15,756**

Total Net book value Summary

As at 30 June 2021	269,799	4,380	6,235	8,432	50,878	850	340,574
As at 30 June 2022	270,237	3,552	5,689	8,441	47,999	744	336,663
As at 30 June 2022	**264,867**	**3,110**	**6,682**	**8,813**	**61,935**	**639**	**346,047**

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	30 June 2022 Birr'000	30 June 2021 Birr'000
16 Investment property		
a) General business		
Cost:		
Bole Medhanialem Building	99,396	93,539
Kality Building	117,228	114,605
Barhidar Building	48,000	48,000
	264,624	**256,143**
Accumulated depreciation:		
Bole Medhanialem Building	11,459	9,501
Kality Building	9,127	6,696
Bahirdar Building	5,472	4,560
	26,058	**20,757**
Net book value	**238,566**	**235,386**
b) Life business		
Cost:		
Bole Medhanialem Building	52,476	46,200
	52,476	**46,200**
Accumulated depreciation:		
Bole Medhanialem Building	5,985	4,391
	5,985	**4,391**
Net book value	**46,491**	**41,808**
Net book value Summary	**285,057**	**277,194**

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 2022 Birr'000	30 June 2021 Birr'000
Rental income	45,824	40,331
Direct operating expenses	(11,773)	(11,046)
Net income	34,051	29,285

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.

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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 assets
Level 2: where fair values are based on adjusted quoted prices and observable prices of similar financial assets
Level 3: where fair values are not based on observable market data.

e) Fair value hierarchy

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

30 June 2022	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-	152,558	-
Kality Building	-	117,228	-
Bahidar building	-	48,000	-
	-	**317,786**	-

30 June 2021	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-	139,738	
Kality Building		114,605	
Bahidar building	-	48,000	
	-	**302,343**	-

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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 2020	7,699	304	8,003
Acquisitions	-	-	-
Internal development	-	-	-
Transfer from property, plant and equipment	-	-	-
As at 30 June 2021	**7,699**	**304**	**8,003**
As at 1 July 2021	7,699	304	8,003
Acquisitions	1,145	-	1,145
Internal development	-	-	-
Transfer from property and equipment	-	-	-
As at 30 June 2022	**8,843**	**304**	**9,147**

	General business Comp. software Birr'000	Long term business Comp. software Birr'000	Computer software Total Birr'000
Accumulated amortization and impairment losses			
As at 1 July 2020	7,158	23	7,181
Amortization for the year	180	38	218
As at 30 June 2021	**7,338**	**61**	**7,399**
As at 1 July 2021	7,338	61	7,399
Amortization for the year	249	38	287
Impairment losses	-	-	-
As at 30 June 2022	**7,587**	**99**	**7,686**
Net book value			
As at 1 July 2020	541	281	822
As at 30 June 2021	361	243	604
As at 30 June 2022	**1,256**	**205**	**1,461**

	30 June 2022 Birr'000	30 June 2021 Birr'000
18 Investment securities :		
(a) Available for sale		
General business		
Equity Investments	166,247	146,776
Less: Impairment	-	-
	166,247	**146,776**
Life business		
Equity Investments	50,129	44,370
Less: Impairment	-	-
	50,129	**44,370**
At end of year	**216,376**	**191,146**

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The Company holds equity investments in the following entities;

	30 June 2022 Birr'000		30 June 2021 Birr'000	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
United Bank SC	176,393	3.8%	160,596	3.8%
Ethiopian Reinsurance S.C	34,683	2.5%	25,250	2.5%
Habesha Cement Factory SC	5,300	0.5%	5,300	0.5%
	216,376		**191,146**	

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.

	30 June 2022 Birr'000	30 June 2021 Birr'000
(b) Loans and receivables		
General business		
Government securities held to maturity	1,668	5,564
Additions		
Interest received on Government Bond		-
Interest receivable on Government Bond	66	116
	1,734	**5,680**

	30 June 2022 Birr'000	30 June 2021 Birr'000
Life business		
Development Bank Bond-Investment	-	
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	**1,734**	**5,680**

Maturity analysis	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	-	-
Non - Current	218,110	196,826
	218,110	**196,826**

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19 Statutory deposits

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
General business		
Statutory deposits	67,392	63,841
Reclassification	-	-
Interest receivable on Government Bond	2,556	2,533
	69,947	**66,374**
Life business		
Statutory deposits	7,500	7,042
Interest receivable on Government Bond	362	345
Statutory deposits	**7,862**	**7,387**
	77,810	**73,762**

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	73,762	68,014
Additions	4,008	5,436
Interest received on statutory deposit invested in Government Bond	(2,878)	(2,566)
Interest receivable on statutory deposit invested in Government Bond	2,918	2,878
At the end of the year	**77,810**	**73,762**

The minimum amount required to be set aside is Br 74,892 (2021 : Br71,003, 2020: Br65,434), accrued interest receivable on the statutory deposit transferred to Ethiopian Government savings Bond of Br2,918(2021: Br2,878 2020: Br2,566) has been included in the above figures.

20 Reinsurance receivables

	30 June 2022 Birr'000	30 June 2021 Birr'000
General Business		
Gross receivables	5,351	5,382
Recovered receivable	-	(31)
Impairment provision	(5,351)	(5,351)
	-	

	30 June 2022 Birr'000	30 June 2021 Birr'000
Life business		
Gross receivables	3,659	4,301
Impairment provision	-	-
	3,659	**4,301**
	3,659	**4,301**

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	Birr'000	Birr'000
Current	3,659	4,301
Non- current		-
	3,659	**4,301**

21 Insurance Receivables

	30 June 2022 Birr'000	30 June 2021 Birr'000
Due from policyholders	11,038	14,528
Due from risk sharing (local insurers)	7,053	1,929
	18,091	**16,457**
Provision for impairment	(10,925)	(9,109)
	7,166	**7,348**

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
At start of the year	9,109	9,084
Increase/ (Decrease) in the year	1,816	25
As at the end of the year	**10,925**	**9,109**

	30 June 2022 Birr'000	30 June 2021 Birr'000
22 Reinsurers' share of technical provision and reserves/Reinsurance assets		
General business		
Unearned premium	134,183	98,482
Notified claims outstanding	54,684	41,951
Claims incurred but not reported	10,726	9,241
At end of year	**199,593**	**149,674**

	30 June 2022 Birr'000	30 June 2021 Birr'000
Life business		
Unearned premium	5,538	3,332
Notified claims outstanding	2,358	252
Claims incurred but not reported	174	121
At end of year	**8,071**	**3,704**
Total General and Life Business	**207,664**	**153,379**

Maturity analysis	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	207,664	153,379
Non Current	-	-
	207,664	**153,379**

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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 impairment 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 2022 Birr'000	30 June 2021 Birr'000
23	**Policy holder loans**		
	Life Business		
	Policy holder loans	101	180
	At end of year	**101**	**180**
	Maturity profile of policy loans		
	Loans maturing :		
	Within 1 year	30	45
	Within 1 - 5 years	71	135
	In over 5 years	-	
		101	**180**

24 Deferred acquisition costs

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
General business	23,582	18,104
Life business	2,247	2,170
At end of year	**25,829**	**20,274**

The movement in deferred acquisition cost is as follows:

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	20,274	15,468
Change during the year	5,555	4,806
At the end of the year	**25,829**	**20,274**

25 Salvage property held for sale

	30 June 2022 Birr'000	30 June 2021 Birr'000
Non-current asset held for sale	25,785	16,803
	25,785	**16,803**

The movement in Noncurrent assets held for sale is as follows:

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	16,803	4,839
Additions during the year	25,785	16,803
Sold during the year	(16,803)	(4,839)
At the end of the year	**25,785**	**16,803**

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

		30 June 2022 Birr'000	30 June 2021 Birr'000
26	**Other assets**		
	Loans and receivables:		
	General business		
	Rent receivable	464	198
	Restricted cash	1,081	1,081
	Inter office receivable - Life	-	4,875
	Staff debtors	11,176	8,234
	Sundry debtors	1,593	1,179
		14,313	**15,567**
	Non financial assets:		
	Deposits and prepayments	11,290	6,261
	Prepaid staff assets	411	513
	Deferred tax assets. Employee benefit	902	490
	Prepayments For Building	-	3,800
		12,603	**11,064**
	Less impairment loss on other assets:		
	On other receivables	-	-
	on non financial assets	-	-
		26,916	**26,631**
	Loans and receivables:		
	Life business		
	Receivables on policy loan	22	26
	Inter office receivable - Life	4,446	
	Sundry debtors	549	588
		5,017	**614**
	Non financial assets:		
	Deposits	-	-
	Deferred tax assets. Employee benefit	25	-
	Prepayments	-	-
		25	**-**
	Less impairment loss on other assets:		
	On other receivables	-	-
	on non financial assets	-	-
		5,042	**614**
		31,958	**27,245**

	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	31,958	27,245
Non Current	-	-
	31,958	**27,245**

At 30 June, there is no allowance for impairment losses

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		30 June 2022 Birr'000	30 June 2021 Birr'000
27	**Cash and Bank balances**		
	General business		
	Cash in hand	11,705	20,142
	Cash at bank	36,943	39,465
	Deposits with financial institutions	737,609	505,928
		786,257	**565,536**

Maturity analysis	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	786,257	510,536
Non- current	-	55,000
	786,257	**565,536**

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 2022 Birr'000	30 June 2021 Birr'000
Cash and Bank balances		
Life business		
Cash in hand	22	23
Cash at bank	2,509	4,920
Deposits with financial institutions	124,441	113,807
	126,973	**118,750**

Maturity analysis	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	126,973	118,750
Non- current	-	-
	126,973	**118,750**
Total Cash and Bank balances	**913,230**	**684,285**

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 Birr'000	30 June 2021 Birr'000
Cash and cash equivalents		
General business		
Cash in hand	11,705	20,142
Cash at bank	36,943	39,465
Short term deposits with bank		
	48,648	**59,607**

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	30 June 2022 Birr'000	30 June 2021 Birr'000
Life business		
Cash and cash equivalents		
Cash in hand	22	23
Cash at bank	2,509	4,920
Short term deposits with bank	-	-
	2,532	**4,943**
Total cash and cash equivalents	**51,180**	**64,550**
Grand cash and cash equivalents	**862,050**	**619,736**

The movement of deposits with financial institutions

	30 June 2022 Birr'000	30 June 2021 Birr'000
General business		
At the beginning of the year	505,928	342,454
Additions	213,344	155,054
Interest received on Fixed time deposit	(23,435)	(15,015)
Interest receivable on fixed time deposit	41,772	23,435
At the end of the year	**737,609**	**505,928**

The movement of deposits with financial institutions

	30 June 2022 Birr'000	30 June 2021 Birr'000
Life business		
At the beginning of the year	113,807	122,049
Additions	10,766	(8,232)
Interest received on Fixed time deposit	(3,877)	(3,887)
Interest receivable on fixed time deposit	3,745	3,877
At the end of the year	**124,441**	**113,807**

		30 June 2022 Birr'000	30 June 2021 Birr'000
28	**Insurance contract liabilities**		
a)	**General business**		
	Gross insurance contracts :		
	Claims reported and loss adjustment expenses	345,852	276,628
	Claims incurred but not reported IBNR	56,765	47,631
	Additional unexpired risk reserve	465,923	347,790
	Unallocated loss adjustment expense	3,304	2,708
	Total insurance liabilities, gross	**871,844**	**674,757**
	Recoverable from reinsurers:		
	Notified claims outstanding	54,684	41,951
	Claims incurred but not reported	10,726	9,241
	Additional unexpired risk reserves	134,183	98,482
	Total reinsurers' share of insurance liabilities	**199,593**	**149,674**

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	30 June 2022 Birr'000	30 June 2021 Birr'000
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	291,169	234,677
Claims incurred but not reported IBNR	46,039	38,390
Additional unexpired risk reserve	331,739	249,308
Unallocated loss adjustment expense	3,304	2,708
Total insurance contract liabilities, net	**672,251**	**525,083**
b) Gross Life business insurance contracts: Gross insurance contracts :		
Claims reported and loss adjustment expenses	5,405	3,134
Claims incurred but not reported IBNR	3,480	2,411
Additional unexpired risk reserves	49,586	30,672
Total insurance liabilities, gross	**58,470**	**36,217**
Recoverable from reinsurers		
Notified claims outstanding	2,358	252
Claims incurred but not reported	174	121
Additional unexpired risk reserve	5,538	3,332
Unallocated loss adjustment expense	-	-
Total reinsurers' share of insurance liabilities	**8,071**	**3,704**
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	3,046	2,882
Claims incurred but not reported IBNR	3,306	2,290
Additional unexpired risk reserve	44,047	27,340
Unallocated loss adjustment expense	-	-
Total insurance contract liabilities, net	**50,400**	**32,513**
Total insurance liabilities, gross	930,315	710,975
Total reinsurers' share of insurance liabilities	207,664	153,379
Total insurance contract liabilities, net	722,651	557,596

Maturity analysis	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	722,651	557,596
Non- current	-	-
	722,651	**557,596**

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

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Movements in insurance Liabilities and reinsurance assets

a) **General Business insurance contracts:**

	30 June 2022			30 June 2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
(i) Outstanding	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
At the beginning of the year						
Notified claims	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	0	4,494
At the end of the year	**326,967**	**51,192**	**275,775**	**313,828**	**86,807**	**227,021**
At the beginning of the year						
Paid claims for the year	(343,677)	(30,827)	(312,850)	(339,675)	(71,937)	(267,737)
Increase In Liability:						
Current and prior period	749,599	96,237	653,362	666,642	123,130	543,512
At the end of the year	**405,922**	**65,410**	**340,512**	**326,967**	**51,192**	**275,775**
Notified claims (Outstanding plus disputed)	345,852	54,684	291,169	276,628	41,951	234,677
IBNR	56,765	10,726	46,039	47,631	9,241	38,390
ULAE	3,304	-	3,304	2,708		2,708
At the end of the year	**405,922**	**65,410**	**340,512**	**326,967**	**51,192**	**275,775**

(ii) Provision for unearned premiums
30 June 2022

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering	29,362	11,888	17,474
Liability	17,735	1,584	16,151
Pecuniary	53,578	22,452	31,127
Fire	54,737	44,234	10,503
Burglary and House breaking	1,666	572	1,094
Accident	4,260	280	3,980
Medical	2,342	774	1,568
Workmen's Compensation	5,358	286	5,072
Motor	243,470	12,744	230,726
Aviation	16,954	13,982	2,972
Marine	8,064	1,600	6,464
Goods in transit	3,682	317	3,365
Miscellaneous	24,714	23,470	1,244
	465,923	**134,183**	**331,739**

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30 June 2021	Gross	Reinsurance	Net
Class of Business	Birr'000	Birr'000	Birr'000
Engineering	31,630	18,019	13,611
Liability	13,171	1,570	11,601
Pecuniary	32,587	19,227	13,360
Fire	35,795	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	5,350	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	2,532	417	2,114
Miscellaneous	20,305	19,326	979
	347,790	**98,482**	**249,308**

	30 June 2022			30 June 2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Movement	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
At the beginning of the year	347,790	98,482	249,308	251,114	51,923	199,191
Change in unearned income	118,132	35,702	82,431	96,676	46,559	50,117
At the end of the year	**465,923**	**134,183**	**331,739**	**347,790**	**98,482**	**249,308**

b) Life business insurance contracts:

(i) **Provision for unearned premiums**

30 June 2022	Gross	Reinsurance	Net
Class of Business	Birr'000	Birr'000	Birr'000
Group Term	10,083	3,563	6,520
Arab travelers	27,233	1,362	25,871
Funeral	66	3	62
Group medical	12,204	610	11,594
	49,586	**5,538**	**44,047**

30 June 2021	Gross	Reinsurance	Net
Class of Business	Birr'000	Birr'000	Birr'000
Group Term	7,419	2,169	5,250
Arab travelers	14,425	721	13,704
Funeral	1	0	1
Group medical	8,827	441	8,386
	30,672	**3,332**	**27,340**

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	30 June 2022			30 June 2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Movement	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
At the beginning of the year	30,672	3,332	27,340	14,653	2,472	12,181
Change in unearned income	18,914	2,207	16,707	16,019	860	15,159
At the end of the year	**49,586**	**5,538**	**44,047**	**30,672**	**3,332**	**27,340**

(ii) Life insurance funds

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	79,925	92,380
Net premium received investment income	78,790	62,079
Change in net UPR	(16,707)	(15,159)
Investment income	27,802	24,324
other income	402	635
claims paid	(42,324)	(39,571)
Claims recovered from reinsurers management expenses	10,280	9,066
Change in net IBNR	(1,016)	(1,194)
Management expenses	(9,783)	(7,181)
Net commission paid/(Received)	(4,270)	(192)
Changes in outstanding claims	(164)	(1,212)
Distribution to policy holders	0	0
Other outgo	(92)	(50)
Distribution to shareholders	(40,000)	(44,000)
At the end of the year	**82,843**	**79,925**

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

Life Fund Movement	Birr'000	Birr'000
Actuarial Liabilities	79,925	92,380
Actuarial surplus	42,918	31,545
Distribution to Shareholders	(40,000)	(44,000)
Life Fund	**82,843**	**79,925**

(iii) **Outstanding claims provision**

	30 June 2022 Birr'000	30 June 2021 Birr'000
At the beginning of the year	2,882	1,635
Change in Outstanding claim	164	1,247
At the end of the year	**3,046**	**2,882**

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	30 June 2022 Birr'000	30 June 2021 Birr'000
29 Deferred reinsurance commission		
General business	33,196	27,163
Life business	134	142
	33,329	**27,305**

	30 June 2022 Birr'000	30 June 2021 Birr'000
30 Insurance payables		
General business		
Due to Reinsurers	86,370	47,441
Payable to local Insurance	5,003	4,128
Impairment provision	-	-
At the end of the year	**91,373**	**51,569**

	30 June 2022 Birr'000	30 June 2021 Birr'000
Life business		
Due to Reinsurers	7,166	4,169
Payable to local Insurance	-	-
Impairment provision	-	-
At end of the year	7,166	**4,169**
Gross amount	**98,539**	**55,738**

Maturity analysis	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	98,539	55,738
Non- current	-	-
	98,539	**55,738**

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 2022 Birr'000	30 June 2021 Birr'000
31	**Other liabilities**		
a)	**General business**		
	Financial liabilities		
	Dividend payable	23,231	18,015
	Directors' Fee	-	-
	Commission payable	11,185	8,397
		34,416	**26,412**
	Non financial liabilities		
	Sundry creditors	9,139	6,385
	Uncollected cheques	4,334	3,097
	Deferred tax employee liability	-	
	Deferred income	3,075	17,783
	Retention fee payable	2,872	3,181
	Inter office A/C with life	4,402	-
	Provisions	29,655	22,671
	Rent advance	9,617	4,655
	Debtors with credit balance	4,540	2,355
		67,634	**60,128**
		102,050	**86,540**
b)	**Life business**		
	Financial liabilities		
	Dividend payable	-	-
	Directors' Fee	-	
	Commission payable	-	-
		-	**-**
	Non financial liabilities		
	Sundry creditors	1,626	1,436
	Uncollected cheques	-	-
	Withholding tax	-	-
	Inter office A/C with Non life	-	4,875
	Retention fee payable		
	Provisions	1,277	793
	Rent advance	-	-
	Debtors with credit balance	-	-
		2,904	**7,104**
		2,904	**7,104**
	Gross amount	**104,954**	**93,644**

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	Birr'000	Birr'000
Current	104,954	93,644
Non- current		
	104,954	**93,644**

32 Company income and deferred tax

a) Current income tax

	30 June 2022 Birr'000	30 June 2021 Birr'000
Company income tax	21,939	20,066
Prior year (over)/ under provision	-	-
Deferred income tax/(credit) to profit or loss	3,412	4,970
Total charge to profit or loss	25,351	25,036
Balance charged to undistributable		
Tax (credit) on other comprehensive income	(417)	(228)
Total tax in statement of comprehensive income	**24,934**	**24,809**

b) Reconciliation of effective tax to statutory tax- 30 June 2022

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	**166,497**	**40,000**	**206,497**
Add : Disallowed expenses			
Entertainment	986	58	1,044
Penalty	15	-	15
Gifts and donations	-	-	-
Shareholders' meeting expenses	347	-	347
Giveaway items	477	64	542
Medical expenses for UNIC-staff employee family	399	-	399
Staff award expense	390	-	390
Severance pay- provision	214	12	226
Impairment of receivables-Provision	1,816	-	1,816
Depreciation for right of use asset	7,881	-	7,881
Interest on lease liability of right of use asset	672	-	672
Additional tax paid for previous year	15	-	15
Depreciation for IFRS accounting purpose	21,835	1,486	23,321
Amortization for IFRS accounting purpose	344	38	382
Total disallowable expenses	**35,391**	**1,658**	**37,049**

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Less : Allowable expense			
Depreciation for tax purpose	32,504	3,601	34,887
Amortization for tax purposes	529	43	586
Dividend income taxed at source	25,134	7,918	33,052
Rent expenses lease term over a year	8,138	-	8,138
Interest income taxed at source-Local Deposit	78,042	14,506	92,547
Total allowable expenses	**144,347**	**26,068**	**170,415**
Taxable profit	**57,541**	**15,591**	**73,131**
Current tax at 30%	**17,262**	**4,677**	**21,939**

C) **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	421
25th Anniversary & inaguration expense	-	-	-
Additional prior period profit tax	-	-	-
Medical expenses for UNIC-staff employee family	286	-	286
Staff award expense	227	-	227
Severance Liability	349	30	378
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
Gain on sale of equity	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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d) Current income tax assets / (liability)

	30 June 2022	30 June 2022
	Birr'000	**Birr'000**
Balance at the beginning of the year	12,338	14,901
Current year provision	21,939	20,066
WHT Not utilized	(10,474)	(7,729)
Payment during the year	(12,338)	(14,901)
Balance at the end of the year	**11,465**	**12,338**

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	30 June 2021
	Birr'000	Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	43,858	40,863
To be recovered within 12 months	-	-
	43,858	**40,863**

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

30 June 2022

Deferred income tax assets/(liabilities):	At 1 July 2021	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2022
	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	42,119	3,405		45,524
Intangibles	(65)	74		9
Unrealized exchange gain	-			-
Tax losses charged to profit or loss	-	-		-
Post employment benefit obligation	(1,191)	(68)	(417)	(1,676)
Total deferred tax assets/(liabilities)	**40,863**	**3,412**	**(417)**	**43,858**

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**

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		30 June 2022 Birr'000	30 June 2021 Birr'000
33	**Borrowings**		
	Borrowings from domestic banks	-	16,120
		-	**16,120**

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. The loan is closed and cleared during the financial year under review.

Maturity analysis	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	-	-
Non- current	-	16,120
	-	**16,120**

34 Leases as a lessee

The Company leases land and buildings for its own use principally for office premises. These leases have a non- cancellable term of lease, with an option to extend or terminate the lease at the end of the lease term. The Company 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.

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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 in the statement of cash flows.

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

a) Right- of use assets	**Office premises** 30 June 2022 Birr'000	30 June 2021 Birr'000
As at 1 July	7,517	8,239
Additions	10,944	6,023
Depreciations expenses	(7,881)	(6,746)
As at 30June 2022	**10,580**	**7,517**

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 2022 Birr'000	30 June 2021 Birr'000
Cost:		
At the beginning of the year	5,421	5,421
Accumulated depreciation from prepaid operating lease holding land	(1,462)	(1,368)
At the end of the year	**3,959**	**4,053**
Depreciation		
At the beginning of the year	-	-
Charge for the year	95	95
	3,959	**4,053**
Total Right of use assets	**14,539**	**11,570**

a) Lease liabilities

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

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	30 June 2022	30 June 2021
	Birr'000	Birr'000
At the beginning of the year	3,755	4,795
Additions	6,191	3,402
Accretion of interest		
payments	(3,415)	(4,442)
At the end of the year	**6,531**	**3,755**

	30 June 2022	30 June 2021
d) Leasehold land lease liability		
Land Lease Payable	246	897
	246	**897**
Total lease Liability	**6,778**	**4,653**

Maturity analysis	30 June 2022	30 June 2021
	Birr'000	Birr'000
Current	6,531	3,755
Non current	246	897
	6,778	**4,653**

	30 June 2022	30 June 2021
Amount recognized in profit or loss	Birr'000	Birr'000
Depreciation expense of right of use assets	7,881	6,746
Interest expense on lease liabilities	672	587
Expense relating to short term leases (included in other lease expenses)		
Expenses relating to leases of low value assets (included in admin. expenses)	4,264	2,792
Variable lease payments	0	
Total amount recognized in profit or loss	**12,818**	**10,124**

Amount recognized in the statement of cash flows	30 June 2022	30 June 2021
	Birr'000	Birr'000
Total cash out flow for leases	**3,415**	**4,442**

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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 45,824,000 (2021: Birr 40,331,000).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2022 are as follows:

	30 June 2022 Birr'000	30 June 2021 Birr'000
Within one year	48,115	44,600
After one year but not more than five years	240,574	223,000
More than five years	288,689	267,600
	577,378	**535,200**

			30 June 2022 Birr'000	30 June 2021 Birr'000
35	**Defined benefit liability**			
	Defined benefits liabilities:			
	Severance pay - Life business	Note 36(a)	155	127
	Severance pay - Non life business	Note 36(a)	5,431	3,844
	Liability in the company statement of financial position		**5,586**	**3,971**
	Income statement charge included in personnel expenses:			
	Severance costs - Life business	Note 36(a)	110	86
	Severance costs - Non life business	Note 36(a)	3,403	2,298
	Total defined benefit expenses		**3,513**	**2,384**
	Re-measurements for:			
	Life business			
	Re-measurement (gains)/losses - Life business		17	(11)
	Deferred tax (liability)/asset on re-measurement gain or loss		5	(3)
			12	(8)
	General business			
	Re-measurement (gains)/losses - Non life business		1,373	770
	Deferred tax (liability)/asset on re-measurement gain or loss		412	231
			961	**539**
	Gross amount		**973**	**531**

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

a) Severance pay

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

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
A Defined benefit liability		
Liability recognized in the financial position - Life business	155	127
Liability recognized in the financial position - General business	5,431	3,844
	5,586	**3,971**

	30 June 2022 Birr'000	30 June 2021 Birr'000
B Amount recognized in the profit or loss		
Life business		
Current service cost	92	70
Interest cost	17	16
Past service cost	-	-
	109	**86**
General business		
Current service cost	2,877	1,888
Interest cost	526	410
Past service cost	-	-
	3,403	**2,298**
Gross amount	**3,512**	**2,384**

C Amount recognized in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in demographic assumptions - Life	17	(11)
Remeasurement (gains)/losses arising from changes in demographic assumptions - General	1,373	770
	1,390	**759**

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
Life business		
At the beginning of the year	127	97
Current service cost	92	70
Interest cost	17	16
Remeasurement (gains)/ losses	17	(11)
Past service cost	-	-
Benefits paid	(98)	(45)
At the end of the year	**155**	**127**
General business		
At the beginning of the year	3,844	3,093
Current service cost	2,877	1,888
Interest cost	526	410
Remeasurement (gains)/ losses	1,373	770
Past service cost	-	-
Benefits paid	(3,189)	(2,317)
At the end of the year	**5,431**	**3,844**

The significant actuarial assumptions were as follows:

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i) Financial Assumption Long term Average

	30 June 2022 Birr'000	30 June 2021 Birr'000
Discount rate (p.a)	14.25%	14.25%
Long term salary Increase rate (p.a)	12.25%	10.00%

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%

iv) III-Health/Disability

The withdrawal rates are as summarized below :

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

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

General business

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General business

	30 June 2022				
	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	12.25%	12.50%	13.25%	12.25%	11.25%
Net liability at start of period	**3,843,754**	**3,843,754**	**3,843,754**	**3,843,754**	**3,843,754**
Total net expense recognized in income statement	3,403,038	3,403,038	3,403,038	3,403,038	3,403,038
Net expense recognized in other comprehensive income	1,373,440	1,053,431	1,723,952	1,736,867	1,061,255
Employer contribution	(3,189,004)	(3,189,004)	(3,189,004)	(3,189,004)	(3,189,004)
Net liability at end of period	**5,431,228**	**5,111,219**	**5,781,740**	**5,794,655**	**5,119,043**

	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 increase 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**

Life business

	30 June 2022				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by	Scenario 5 Salary rate decreased by 1%
Discount rate	14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate	12.25%	12.25%	13.25%	12.25%	11.25%
Net liability at start of period	**126,679**	**126,679**	**126,679**	**126,679**	**126,679**
Total net expense recognized in income statement	109,564	109,564	109,564	109,564	109,564
Net expense recognized in other comprehensive income	16,648	7,998	26,049	26,418	8,227
Employer contribution	(97,654)	(97,654)	(97,654)	(97,654)	(97,654)
Net liability at end of period	**155,237**	**146,587**	**164,638**	**165,007**	**146,816**

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	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	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 increase 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**

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 5.5 years and for long term insurance staff is 5.5 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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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	473,416	436,228
37,188 ordinary shares of Birr 1000 each	25,862	37,188
Total share capital & share premium	**499,278**	**473,416**

The movements in issued ordinary shares:

	No. of shares (thousands)	Share Capital ETB'000	Total ETB"000
At 1 July 2020	436,228	436,228	436,228
Issue of ordinary shares	37,188	37,188	37,188
Dividend paid			0
As at 30 June 2021	**473,416**	**473,416**	**473,416**
At 1 July 2021	473,416	473,416	473,416
Issue of ordinary shares	25,862	25,862	25,862
Dividend paid			
As at 30 June 2022	**499,278**	**499,278**	**499,278**

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 2022 Birr'000	30 June 2021 Birr'000
Current year profit Attributable to the shareholders	181,563	145,116
Weighted Average number of ordinary share in issue	489,664	459,869
Earnings per share in Birr	0.37	0.32

Earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding at the end of the year. There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and of compilation of these financial statements.

38 Retained earnings	30 June 2022 Birr'000	30 June 2021 Birr'000
General business		
At the beginning of the year distributable earnings	97,245	82,172
At the beginning of the year undistributable earnings	61,468	61,468
Profit/ (Loss) for the year	146,867	108,050
Transfer to legal reserve	(14,687)	(10,805)
Transfer to capital	(23,152)	(31,101)
Transfer to life fund	-	
Dividend provided for	(74,093)	(51,071)
Total retained earnings- General business	**193,648**	**158,713**
At the end of the year undistributable earnings	61,468	**61,468**
At the end of the year distributable earnings	**132,180**	**97,245**

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	30 June 2022 Birr'000	30 June 2021 Birr'000
Life business		
At the beginning of the year distributable earnings	33,359	29,793
At the beginning of the year undistributable earnings	4,472	4,472
Profit/ (Loss) for the year	34,696	37,066
Transfer to legal reserve	(3,470)	(3,707)
Transfer to Capital	(2,710)	(3,770)
Dividend provided for	(30,651)	(26,023)
Total retained earnings- Life business	**35,696**	**37,831**
At the end of the year undistributable earnings	**4,472**	**4,472**
At the end of the year distributable earnings	**31,225**	**33,359**
	229,344	**196,544**

	30 June 2022 Birr'000	30 June 2021 Birr'000
39 Legal reserve		
General business		
At the beginning of the year	77,267	66,462
Transfer from profit or loss	14,687	10,805
At the end of the year	**91,954**	**77,267**
Life business		
At the beginning of the year	18,052	14,345
Transfer from profit or loss	3,470	3,707
At the end of the year	**21,521**	**18,052**
	113,475	**95,319**

This is a reserve constituted in accordance with Article 22 of Proclamation No. 746/2012 Licensing and Supervision of insurance business. The law requires the insurer to transfer 10% of its annual net profit to its legal reserve account until such account equals its capital.

	30 June 2022 Birr'000	30 June 2021 Birr'000
40 Life fund reserve		
Life business		
At the beginning of the year	79,925	92,380
Transfer from / to retained earnings	2,918	(31,509)
At the end of the year	**82,843**	**79,925**

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

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	30 June 2022	30 June 2021
	Birr'000	Birr'000
41 Actuarial (gain)/Loss of employee		
General Business		
At the beginning of the year	361	178
Gross (gain)/loss	1,373	770
Deferred tax asset/(liability)	412	231
Net (gain)/Loss	**1,322**	**361**
Life business		
At the beginning of the year	12	20
Gross (gain)/loss	17	(11)
Deferred tax asset/(liability)	(5)	(3)
Net (gain)/Loss	**24**	**12**
	1,346	**373**

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THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
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		Notes	30 June 2022 Birr'000	30 June 2021 Birr'000
42	**Cash generated from operating activities**			
	Profit before tax	32(b)	**206,497**	**169,925**
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment	15,16	23,321	21,805
	Amortization of intangible assets	17	287	218
	Right of use asset -depreciation	34	7,976	6,841
	Gain/(Loss) on disposal of property, plant and equipment	42	(3,050)	14
	Change in operational assets:			
	Decrease/(Increase) Reinsurance receivables	20	642	(1,111)
	Decrease/(Increase) Insurance receivables	21	182	(5,451)
	Decrease/(Increase) Reinsurance assets	22	(54,285)	1,790
	-Decrease/ (Increase deferred acquisition costs	24	(5,555)	(4,806)
	Decrease/(Increase) other assets	26	(4,713)	48,737
	Decrease/(Increase) loan and receivable	18	3,945	(5,680)
	Decrease/ (Increase) salvage property held for sales	25	(8,982)	(11,965)
	Change in operational liabilities:			
	-Increase/ (decrease) insurance contract liabilities	28	219,341	101,732
	-Increase/ (decrease) deferred reinsurance commission	29	6,024	8,605
	-Increase/ (decrease) Insurance payables	30	42,801	6,831
	-Increase/ (decrease) other liabilities	31	11,311	25,419
	Cash generated from operations		**445,742**	**362,903**

In the statement of cash flows, profit on sale of property, plant and equipment comprise:	30 June 2022 Birr'000	30 June 2021 Birr'000
Proceeds on disposal	4,092	12
Net book value of property, plant and equipment disposed	1,042	26
Gain/(loss) on sale of property, plant and equipment	**3,050**	**(14)**

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43 Related party transactions

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

	30 June 2022 Birr'000	30 June 2021 Birr'000
a) Transactions with related parties		
Loan to key management personnel	104	176
	104	**176**

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 2022.

	30 June 2022 Birr'000	30 June 2021 Birr'000
Salaries and other short-term employee benefits	4,680	5,598
Post-employment benefits	-	-
Termination benefits	1,231	981
Sitting allowance	468	506
Other expenses		
	6,379	**7,085**

44 Directors and employees

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

	30 June 2022 Number	30 June 2021 Number
Professionals and High Level Supervisors	45	25
Semi-professional, Administrative and Clerical	18	13
Technician and Skilled	5	-
Manual and Custodian	20	12
	88	**50**

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 2022 Birr'000	30 June 2021 Birr'000
10,000 - 30,000	198	179
30,001 - 50,000	35	22
50,001 - 100,000	1	4
Above 100,000	-	1
	234	**206**

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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 recognized and recorded in the financial statement after;

a) Assessing the existence of a present obligation (legal or constructive) as a result of a past event;

b) Assessing the probability that an outflow of resources embodying economic benefits will be required to settle claim

c) Estimating the amount to be paid out.

Following the above facts, the Company has made a final assessment related to the claims under litigation for 17 cases amounting to Birr 20,059,893.37 is included in the current financial statement, However, 244 legal cases amounting to Birr 76,837,536.41 disclosed as contingent liability as the probability of payment is remote. The amount is subject of on going court cases between the plaintiff and defendant. Management are of the opinion that this will not be payable and as a result, no provision has been made in these financial statement as at 30 June 2022.

46 Commitments

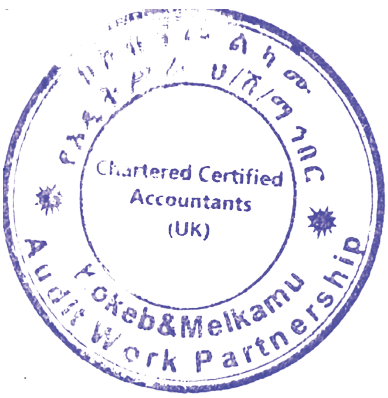
The Company has a capital commitment with UT Solution PLC for the Supply and Configuration of Information Technology Datacenter Security items for the total amount of ETB 10,956,107.43, out the agreed amount ETB 4,952,243.57 has been paid before June 30, 2022. The remaining balance of ETB 6,003,863.86 is committed to pay upon delivery of all remaining items.

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 June 2022 Birr'000	30 June 2021 Birr'000
No later than 1 year	2,901	3,134
Later than 1 year and no later than 2 years	1,386	621
Later than 2 years but not later than 5 years	2,244	-
Total	**6,531**	**3,755**

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).



THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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 2022 was carried out by our consulting actuaries, ZAMARA actuaries, administrator and consultant Limited. The valuation revealed Br40,000,000 for distribution from surplus to shareholders for the year ended 30 June 2022. The Company did not have any with profit policies as at 30 June 2022.

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 2022 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

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ACTUARY CERTIFICATE

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

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

In completing the actuarial valuation, I have relied upon the data provided and the financial statements 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 2022;

(ii) The severance benefit liability as at 30 June 2022 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
Actuary

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THE UNITED INSURANCE COMPANY SC
REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 30 JUNE 2022

zamara
Powering Prosperity

Appendix F: Actuary's Solvency Certificate

The United Insurance Company S.C.

Actuarial Valuation as at 30 June 2022

Actuary's Solvency Certificate

I, James Israel Omanyala Olubayi of Zamara Actuaries, Administrators and Consultants Limited, Landmark Plaza, 10th Floor, Argwings Kodhek Road, P O Box 52439, Nairobi 00200, Kenya, being a fully qualified Actuary and having conducted an actuarial valuation of the Life Fund as at 30 June 2022 using generally acceptable actuarial principles do hereby certify as under: -

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

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

James I. O. Olubayi
Fellow of the Institute of Actuaries
Nairobi
August 2022

United Insurance Company S.C.

PHOTO GALLERY

27th Annual General Meeting of Shareholders

Discussion on the Five Year Strategic Plan by Board of Directors.

Insurance Brokers' Annual Consultative Meeting

Management Group Photo with Insurance Brokers

Best Performer Insurance Brokers

Cascading of the Five Year Strategic Plan

Sales Agents' Annual Consultative Meeting

Sales Agents Refreshment Training and Certification

Best Performer Branch Managers

Best Performer Sales Agents