UNIC ETHIOPIA

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THE UNITED INSURANCE COMPANY SC

Tomorrow's Company Today!

29 YEARS

A Journey of Trust

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2022/23

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ANNUAL REPORT

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THE UNITED INSURANCE COMPANY SC
Tomorrow's Company Today !

PRODUCTS

- Individual Life (With Profit Participation)
- Individual Life and Accident
- Group Life- Term and Endowment
- Anticipated Endowment
- Education Endowment
- MEDEXIN- Medical Expenses Insurance
- Family Funeral Plan
- Medical Evacuation
- Riders: Disability Benefits, Premium Waiver, etc

Contact us

+ 251 111 26 34 34

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ANNUAL REPORT

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2022/23

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 ana 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.

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BOARD OF DIRECTORS

Ato Wondwossen Teshome
Chairperson

W/rt Teguest Yilma
Vice Chairperson

Ato Amare Gashaw
Director

W/ro Maryamawit Getamesay
Director

Negussie Aberra (Eng.)
Director

Ato Ermias Andarge
Director

Ato Asrat Arega
Director

Ato Ayalew Alemu
Director

Ato Alemayehu Gebre
Director

Ato Yinebeb Derseh
Company Secretary

EXECUTIVE MANAGEMENT

W/ro Meseret Bezabih
GM/CEO

W/ro Azalech Yirgu
DGM-Life & MEDEXIN

Ato Tesfaye Desta
DGM-Operations Non-Life

W/rt Bethlehem Mekbib
Director-UIW & 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.

Ato Yealemayn H/Mariam
Controller

Ato Aliye Mohammed
Manager-IT Services

Ato Aron Kassaye
Manager-Legal Services

NOTICE OF THE 29TH ORDINARY ANNUAL 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, NOTICE IS HEREBY GIVEN TO ALL SHAREHOLDERS THAT THE 29TH ORDINARY ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE UNITED INSURANCE COMPANY S.C <UNIC ETHIOPIA> WILL BE HELD AT ADDIS ABABA SKY LIGHT HOTEL ON THE 9TH OF NOVEMBER 2023 FROM 8:00 A.M TO TRANSACT THE FOLLOWING BUSINESS;

1. Agenda of the 29th 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 8, 2023;
1.3. To Consider the 2022/2023 Financial Year Annual Report of the Board of Directors;
1.4. To Consider the External Auditors' Report for the 2022/2023 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 2022/2023 Financial Year;
1.7. To Notify the Assignment of Board Directors in the place of Resigned Board Directors;
1.8. To Consider and Approve Annual Board of Directors' remuneration for the 2022/2023 Financial Year and their Monthly Transport Fee For the 2023/2024 Financial Year;
1.9. To Hold the Election of Nomination and Election Committee of the Board of Directors and Deciding on their Monthly Allowance Fee.

By order of the Board of Directors

Yinebeb Derseh

Company Secretary

Dated 9th day of November, 2023

Addis Ababa

NOTE: A shareholder entitled to attend and vote at the General Meeting may appoint a PROXY in his/her stead. A PROXY need not be a shareholder of the Company. To be valid, the enclosed PROXY FORM must be completed and presented to the Company Secretary on or before the General Meeting.

A PROXY or Shareholder must hold original and copy of renewed identity card, passport or yellow card for foreign nationals of Ethiopian origin.

CHAIRPERSON'S LETTER TO SHAREHOLDERS

On behalf of the Board of Directors and myself, I am pleased to seize this opportunity to welcome you all to the TWENTY NINTH ANNUAL GENERAL MEETING of Shareholders of The United Insurance Company SC (<UNIC-ETHIOPIA>).

I am greatly honored and privileged to present the Annual Report of the Board of Directors to this important gathering which takes place once a year in compliance with the provisions of the laws of the Country and both the Memorandum and Articles of Association of the Company.

This being the first Report of the Board of Directors to Shareholders since the Company's capital was increased by Birr 1,000,000,000.00 (from Birr 500,000,000.00 to Birr 1,500,000,000.00), by decision of the 13th Extra-Ordinary General Meeting of Shareholders (EOGM) which was held at the Sheraton Hotel in Addis Ababa, Ethiopia on 10 November 2022, allow me to declare with both pride and confidence that as at 30th June 2023, all shares had fully been subscribed for in accordance with the timetable set out in the resolution of the EOGM.

In accordance with the tradition and practice of the Company, 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.

The insurance industry had gone through a range of difficulties during the financial year just ended on 30 June 2023. Slow-down in business activities, shortage of foreign exchange and ever-rising inflation rate were some of the challenges faced in the reporting period. It had never been easy to navigate through such a testing operating environment and obtain the desired results at the end of the day.

Despite the challenges in the business environment, the Company kept up with its growth trajectory and attained most of the objectives/goals set at the beginning of the year and registered yet another round of success in the 2022/23 financial year.

I am glad to report that the Company concluded the financial year 2022/23 with yet another set of commendable results. The combined Gross Written Premium (GWP) for Life and Non-Life for the financial year ended 30 June 2023 registered an impressive growth rate of 58% to reach Birr 1,507,209,000.00 as compared to Birr953,915,000.00 for the previous year. While Birr 1,353,272,000.00 was generated from Non-Life business, Life insurance produced Birr 153,937,000.00 during the reporting year.

The consolidated net claims incurred (Life and Non-Life combined) grew by about 33% and increased to Birr 463,543,000.00 in 2022/23 as compared to the previous year's figure of Birr349,090,000.00. However, corporate Loss Ratio significantly decreased to 47% as compared to 61% in 2021/22. The corporate Loss Ratio was also lower than the industry's average of 59% for the year 2022/23. The decrease in Loss Ratio was mainly attributable to an increase in net earned premiums on the one hand and increasingly more efficient claims management on the other.

As in previous years, the Company had continued, during the year under report, to strive to achieve higher Underwriting (Operational) Profit, one of the key performance indicators for insurance companies. During the financial year under report, the combined Underwriting Profit from Life and Non-Life businesses grew by an impressive 75% to reach Birr 433,403,000.00 in 2022/23 compared to Birr 247,824,000.00 in 2021/22.

The Company's Profit Before Income Tax for the reporting year grew by about 89%, a truly impressive achievement by any standard, to reach Birr 390,720,000.00 in 2022/2023 compared to Birr 206,497,000.00 in 2021/22. The After-Tax Profit also rose by about 80% from Birr 181,563,000.00 in 2021/22 to Birr 327,024,000.00 for the reporting year. Income Tax Expense for the year was computed to be Birr 63,696,000.00 as compared to last year's figure of Birr 24,934,000.00.

By 30th June 2023, the Company's Paid-up Capital had grown by 68%, from Birr500,000,000.00 the previous year to Birr840,596,000.00. Notwithstanding such robust capital growth, the Company's basic earnings per share grew from 37.08% in the preceding year (2021/22) to 47.99% in the reporting year (2022/23) registering a truly commendable growth of about 29.4% (or 11 percentage points higher).

The consolidated financial result for the reporting year was found to be laudable given the difficult business environment in which the Company had to operate. With the permission 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.

During the reporting year, the Board of Directors passed key strategic decisions including approval of a revamped organizational structure, new salary scale and benefits scheme, annual business plan and budget. Besides, different policy documents and working manuals were produced and put to implementation upon Board's review and approval. It also resolved on other matters of strategic importance. It had thirteen (13) regular meetings and several sub-committee meetings during the year under review. Generally, the Board ensured that the operations of the Company had been running prudently, and in accordance with relevant laws, regulations, policies, and procedures.

The Board strongly believes that the Company has continued to move on the right track and direction. The challenges notwithstanding, the Board and Management are committed to continue to explore different strategic options to achieve targets and aim to add value to shareholders in particular and all stakeholders in general. Despite the challenges, we trust the future of our Company will be brighter than current realities may portend. The vibrant team spirit, the ability to execute strategic decisions, strong and dependable financial capacity and asset base are just a few of the many qualities of our Company that would help it continue to drive its growth and profitability in the years ahead.

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 Audited Accounts covers the financial year ended 30 June 2023.

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 2023.

Finally, allow me to take this opportune moment to express my sincere appreciation and gratitude 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- ETHIOPIA> who made this success happen; the Supervisory Authority (NBE) for its support and direction; and, our reinsurers, insurance intermediaries and other partners for their continued support.

Wondwossen Teshome
Chairperson, Board of Directors and
The Annual General Meeting

REPORT OF THE BOARD OF DIRECTORS

The Report of the Directors was prepared following the Company's long-established reporting structure. As always, the Twenty Ninth Annual Report of the Directors gives a brief review of the business environment with specific mention of the main events and elements with significant effects on the performance of the industry, the Company's operations and results for the period under report as well as the prospects for the future.

1. THE BUSINESS ENVIRONMENT

1.1. The Country's Economic Overview

According to the Federal Democratic Republic of Ethiopia (FDRE) Ministry of Planning and Development, real GDP growth of 6.4% was registered during the financial year 2021/22, which was slightly higher than the 6.3% expansion in the previous year. This Real GDP growth was 3.8 percentage points lower than the average base case scenario set for the Ten Year Perspective Development Plan of the country.

The report also looked at the structural 'transformation' statistics over the past seven years since the base year 2015/16. The share of the agricultural sector in the total GDP had declined from 37.5% in 2015/16 to 32.5% in 2021/22 while the industry sector had increased from 23.7% in 2015/16 to 29.3% in 2021/22. The services sector's contribution to total GDP remained almost similar at 39.7% in 2015/16 and 39.6% in 2021/22.

Based on the National Bank of Ethiopia's (NBE) Annual Report 2021/22, nominal per capita income steadily increased and reached USD 1,218 in 2021/22 as compared to USD 1,092 in 2020/21. Meanwhile, investment to GDP ratio stood at 25.3% while domestic savings to GDP ratio was 15.3%. The overall balance of payment registered USD 2,149.8 million deficit in 2021/22 as compared to USD 298.7 million surplus a year earlier.

According to the report of FDRE Ministry of Finance, Ethiopia's public debt to GDP ratio was reported to 39% at the end of March 2023, far below the average of 66% for African countries and 69% for emerging markets.

Consistent with the FDRE Ministry of Planning and Development and NBE reports, in 2021/22, weighted average exchange rate of Birr in the inter-bank foreign exchange market stood at Birr 48.5663/USD, showing a 24.5% annual depreciation. The reports indicated that the country's currency (Birr) was allowed to depreciate by 24.5% in nominal terms against US Dollar during 2021/22 while real effective exchange rate depreciated by 36.5% due to the surge in trading partners' prices relative to domestic inflation and depreciation of the Birr vis-à-vis that of trading partners' currencies.

According to United Nations Conference on Trade and Development's (UNCTAD) World Investment Report 2022, Foreign Direct Investment (FDI) inflows to Ethiopia amounted to USD 4.2 billion in 2021, up from USD 2.4 billion one year earlier; while the total stock of FDI stood at USD 31.6 billion, around 31.8% of the country's GDP.

Based on NBE's Annual Report (2021/22), annual average headline inflation rose to 33.8% in 2021/22 as compared to 20.2% a year ago largely owing to 17.1% increase in food and non-alcoholic beverages inflation and 8.7% rise in non-food inflation. Annual average food and non-alcoholic beverages inflation scaled up to 40.3% from 23.2% a year earlier depicting a 17.1 percentage points annual increase. Likewise, annual average non-food inflation increased by 8.7% and reached 25.2%. The government expects a drop in inflation to 24% in the year 2023/24. The unrest in some parts of the country, Russia – Ukraine war, mismatch in aggregate supply and demand, high commodity prices in the global market as well as apparently weak monetary and fiscal policies were the primary reasons that have led to higher inflationary pressure in Ethiopia during the fiscal year under consideration. Furthermore, the continuous depreciation of the Birr against the major currencies over the past one year and the acute shortage of foreign currencies have contributed to high inflationary situation.

While the IMF World Economic Outlook (WEO) forecasted an annual rate of inflation of 29% for 2023 (2024: 19%), the Central Statistical Agency (CSA) of Ethiopia reported a 12-month rate of inflation of 34% as of March 2023.

Inflation was a major threat for macroeconomic stability during the last year and perhaps, may remain as one of the major challenges in the years to come as well. The continuous depreciation of the Birr against the major trading partners' currencies, the increase in property taxes, and the ever rising fuel prices may further exacerbate the inflationary situation. High inflation continues to drag on underwriting performance, for instance, as it drives up claims costs and expenses while dampening demand for insurance as customers become more price-sensitive on the one hand and prioritize consumption, insurance coming at the bottom of the priority list, on the other.

Over 30 banks are currently operating in the country and more are expected to join the market in the years to come including foreign banks. Disbursement of fresh loans and outstanding credits by the banking sector has continued to increase from time to time. The increase in the number of banks and growth in loan disbursement would certainly increase the demand for various insurance covers. This is the opportunity to be exploited by our Company which requires working with the banking sector more closely. The ongoing privatization program by the government can also be considered as an opportunity for insurers as additional sources of business.

In general, the economy registered slightly better performance in 2021/22 than in the year 2020/21 withstanding both domestic and external challenges.

According to NBE's estimate, the Ethiopian economy is projected to grow by 7.5% in 2022/23. However, IMF forecasted the real GDP growth of the country at 6.1% for 2023. On the other hand, the Ten-Year Perspective Development Plan of the country envisages an average annual economic growth of 10.2%.

1.2. The Insurance Industry Performance

According to the data obtained from NBE, the number of insurance companies operating in Ethiopia as at 30 June 2023 remained at 18, of which 17 were private and one state-owned. Out of the total, 13 were composite insurers while 5 of them were general insurers. No new insurance company joined the industry during the period under report. However, unofficial sources indicate that about 5 new insurance companies are under formation and expected to start operation in the next fiscal year (2023/24). As of 30 June 2023, the total insurance branches increased to 741 from 691 a year ago, showing a growth of 7%. Most of the branches are situated in Addis Ababa.

The total market asset increased by nearly 18% to reach Birr 49.728 billion (Birr 3.707 billion for Life and Birr 46.021 billion for Non-Life) as at the year ended June 30, 2023 from Birr42.187 billion (Birr3.027 billion for Life and Birr 39.160 for Non-Life) of the previous year.

Registering a growth rate of about 27%, the total market paid-up capital rose to Birr 8.999 billion in 2022/23 from Birr 7.068 billion in 2021/22. The total paid up capital for Life business increased to Birr592 million from Birr329 million of the previous year. Similarly, the Non-Life business's paid up capital grew to Birr 8.407 billion from Birr 6.739 billion.

During the reporting period, the overall performance of the insurance industry was found to be remarkable in terms of Gross Written Premium (GWP) income generation. Market GWP, Life and Non-Life combined, grew by 37.5% to reach Birr 22.923 billion at the close of business on 30 June 2023 from Birr 16.666 billion in 2021/22. Non-Life business increased markedly from Birr 15.314 billion to Birr 21.460 billion, registering a significant growth of about 40%, while Life grew by about 8% to reach Birr 1.463 billion from Birr 1.352 billion of the preceding year.

Accounting for almost 94%, Non-Life insurance business continued to take the lion's share of the premium portfolio (Birr 21.460 billion Non-Life premium against Birr 1.463 billion for Life) for the reporting year.

The market loss ratio in respect of Non-Life insurance slightly increased to 58% in the year under report from 56% in 2021/22. Market loss ratio of Life insurance also considerably increased from 52% in 2021/22 to 63% in 2022/23. This implies that the insurance industry paid higher claims in the year under review than the preceding year. The net claims incurred (Life and Non-Life combined) was Birr 5.128 billion in 2021/22 which increased to Birr 7.541 billion as at June 30, 2023.

The industry's retention ratio in respect of Life insurance business increased from 69% of the previous year to 82% in the reporting year. Market retention ratio of Non-Life insurance also increased from 61% in 2021/22 to 68% in 2022/23.

Total market profit before tax increased from Birr 3.370 billion in 2021/22 to Birr 4.089 billion in 2022/23.

The Ethiopian insurance industry is a young industry at early stages of development with limited skills, inadequate capacity and constrained incentive to push market expansion. The insurance sector is small and underdeveloped. The industry is fragmented into many and mostly small companies of different sizes where the Ethiopian Insurance Corporation (EIC) is the dominant player.

The industry is characterized by strenuous and untamed competition with the following main features:

- Competition is primarily based on premium undercutting;
- There is stiff competition on trained manpower;
- Competitors unduly relax terms and conditions of insurance policies to attract customers;
- Buyer demand for insurance products is growing slowly;
- Almost all insurance companies in the industry sell standardized (similar) products, with little or no product differentiation and innovation as such which eventually causes heightened price competition.

The market demand is fragmented among small buyers and these small buyers have strong bargaining power because there are relatively many competitors in the market. The buyers have sufficient bargaining leverage to obtain price concessions and other favorable terms and conditions of sale. Where the products of competitors are virtually indistinguishable, the price is the sole basis for competitions. As a matter of fact, the Ethiopian insurance customers are highly price sensitive.

1.3. Status Report on Matters Having Impact on the Insurance Industry

It is a long-standing tradition of our Company to indicate pertinent and significant issues impacting the insurance industry in one way or the other. Every year, <UNIC-ETHIOPIA>'s Annual Reports of the Board of Directors attempt to shade light on such important matters. Unless the right kinds of measures are taken by the concerned bodies, we continue to state them in our reports as we believe they should be addressed for the benefit of the insurance industry as well as all stakeholders.

The National Bank of Ethiopia issues Directives that promote the insurance business, investment of insurance funds and such other matters as may be conducive to the attainment of sound insurance business in Ethiopia.

The Board of Directors wishes to seize this opportunity to pay special tribute to the National Bank of Ethiopia, for the Directives it issued for effective administration, supervision, regulation and control of insurance business. While strictly complying with all the Directives issued, we would like to reveal particular concerns and make some recommendations on the following for consideration by the NBE or other concerned bodies.

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

This Directive came into force as of the 4th day of August 2020. The amended 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 be decreased to a reasonable level considering the interest of the policyholders and 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.

1.3.2. 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. And yet, consumers are still being pressurized unduly to get insurance covers from a given insurer.

We are of the opinion that as the Directive has not been strictly implemented, strong and persistent monitoring is required from the concerned organs for proper enforcement of this vital Directive.

1.3.3. 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 of Ethiopia's (DBE) Bond within 90 days after the close of each financial year.

The Directive further states that DBE 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 is very low compared to the better rates existing in the market on the other. We call upon all concerned to either put the Directive aside as ineffective or increase the applicable interest rate to at least average market lending rate so that insurers could be able to earn reasonable returns on the resources they helped to generate in order for them to meet obligations as it falls due.

1.3.4. Directive No. SIB/57/2022: Minimum Paid-Up Capital for Insurance Companies.

The Directive that sets a limit on the minimum paid-up capital for an insurance company was 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 was increased to Birr500 million from Birr75 million. All existing composite insurers whose paid-up capital, on the effective date of this Directive, was below Birr500 million are supposed 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 view that the minimum paid-up capital requirement is still on the low side owing to the continuous depreciation of the Birr on the one hand and ever growing inflationary pressure on the other. We thus recommend that the paid-up capital be increased to the level that matches up with economic realities of the country.

1.3.5. Directive No. SIB/60/2023: Motor Insurance Minimum Premium Rate.

As subsequent event, the long awaited Directive that set minimum premium rate for Motor Own Damage Insurance was issued on 24th day of August 2023. The rate is net of all discounts and rebates and applicable to all categories of motor vehicles.

We are extremely grateful to the National Bank of Ethiopia for the practical and sound actions it has taken to improve the regulatory environment in general and the introduction of minimum premium rate for motor insurance in particular. The Directive may ease, to some extent, the existing unhealthy competition based primarily on premium undercutting.

However, we would like to point out that the minimum premium rate set by the regulatory body, NBE, is neither adequate nor commensurate with the risks proposed for insurance. The rate is not only inequitable but also insufficient to cover the ever escalating motor claim costs.

Therefore, we strongly appeal to the National Bank of Ethiopia to reconsider its decision and set a more equitable minimum premium rate mutually beneficial to all stakeholders on the basis of actuarial study conducted under the auspices of the Association of Ethiopian Insurers (AEI) and submitted to NBE by AEI for this purpose.

1.3.6. The Need for an Independent Regulatory and Supervisory Body

The Ethiopian insurance sector needs a highly qualified separate insurance regulatory body that gives high emphasis and focus to the insurance industry.

While appreciating the Government's decision to establish an independent regulatory and supervisory body for the insurance sector, we strongly appeal to the National Bank of Ethiopia to expedite the process of setting up a capable regulatory body (commission) that is operationally independent on the one hand and accountable in the exercise of its functions and powers on the other.

The separate insurance regulatory authority or commission to be established needs to have 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. Expeditious action by all concerned is highly sought for in this regard.

1.3.7. 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 other players of the single most important benefit of a market-oriented economic regime - that of "fair competition". While entities receiving favors of one form or the other 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".

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

Life and Non-Life businesses combined, Gross Written Premium (GWP) for the year ended 30 June 2023 reached Birr 1,507,209,000.00 as compared to Birr953,915,000.00 in 2021/22. While Birr 1,353,272,000.00 was generated from Non-Life business, Life insurance produced Birr 153,937,000.00 during the reporting year. The combined GWP grew by 58% in 2022/23.

The consolidated net claims incurred (Life and Non-Life combined) grew by about 33% and increased to Birr 463,543,000.00 in 2022/23 as compared to the previous year of Birr 349,090,000.00. However, corporate Loss Ratio significantly decreased to 47% as compared to 61% in 2021/22. The corporate Loss Ratio was also lower than the industry's average of 59% for the year 2022/23. The decrease in Loss Ratio was mainly traceable to an increase in net earned premiums on the one hand and enhanced efficiency in claims management on the other.

As in the preceding years, the Company continued to make Underwriting (Operational) Profit, one of the key performance indicators for insurance companies. The combined Underwriting Profit from Life and Non-Life businesses grew to Birr 433,403,000.00 in 2022/23 from Birr 247,824,000 in 2021/22. The Company registered a considerable growth rate of about 75% in Underwriting (Operational) Profit during the year under report.

2.1.2. NON-LIFE BUSINESS

2.1.2.1. Gross Written Premiums

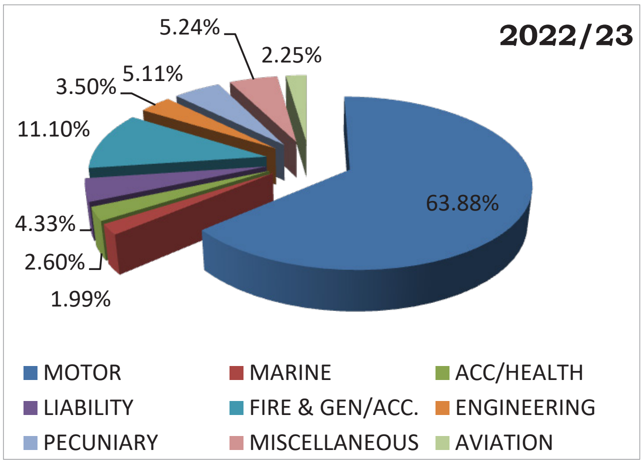
As at 30 June 2023, the Company's Non-Life premium had reached Birr 1,353,272,000.00 registering a significant growth of about 57% as compared to the previous year of Birr 860,834,000.00. The premium production growth of Non-Life business for the reporting year was mainly attributable to the increase in Motor premium rates beginning from November 2022. All classes of business recorded growth during the financial year under report. The highest growth of 77% occurred in the Motor class of business; followed successively by Liability which grew by 76%; Fire and General Accident and Aviation by 37% each; Miscellaneous class of business by 34%; Accident and Health by 24%; Pecuniary by 22%; Marine and Engineering by 6% each. Marine and Engineering classes of business registered the lowest growth rates primarily due to shortage of foreign exchange and slow down in construction activities, respectively.

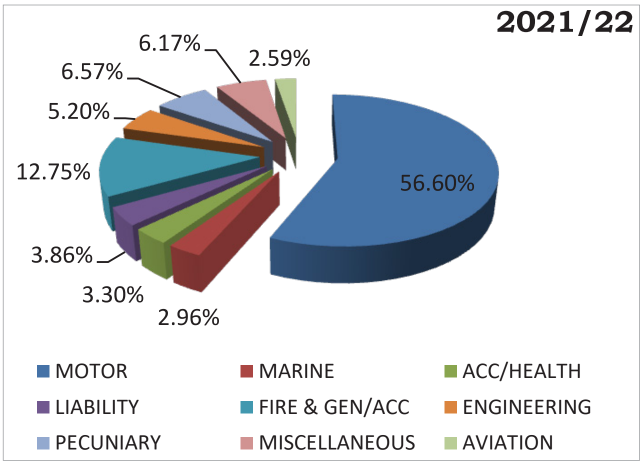
2.1.2.2. Portfolio Mix

As in previous years and as anticipated, Motor class of business had taken the lion's share of the Company's total premium portfolio accounting for about 64% as at 30 June 2023, showing an increasing trend relative to the preceding year which was computed to be nearly 57%. Even though this trend would definitely define the premium mix of the industry in general and that of our Company in particular, efforts will be made to reduce the share of Motor business in the Company's premium portfolio.

Fire and General Accident class of business became a distant second with a share of 11.10% (12.75% in 2021/22) followed by Miscellaneous class of business at 5.24%; Pecuniary at 5.11%; Liability took 4.33% and Engineering 3.5%. Accident and Health and Aviation classes of business accounted 2.60% and 2.25%, respectively. It was Marine class of business that contributed the least to total GWP, only 1.99%.

COMPARATIVE PREMIUM STRUCTURE /PORTFOLIO MIX





2.1.2.3. Claims and Profitability – Loss Ratio and Underwriting Surplus/Deficit

For the period under report, the Company's overall claims for Non-Life showed yet another encouraging positive development as a notable decline was recorded in the loss ratio for the year that ended on 30 June 2023. Loss Ratio for Non-Life Business for 2022/23 was computed to be 48%, witnessing a significant drop by 13 percentage points from what it was (61%) in 2021/22. The Loss Ratio of Non-Life Business for the year was also far below the industry's average of 58%.

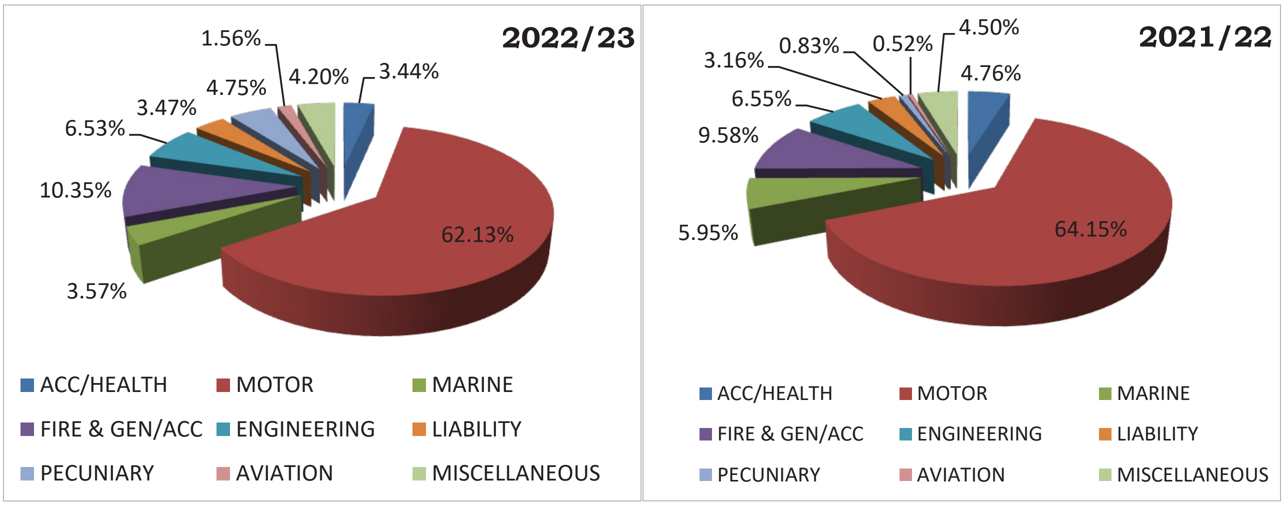
There is a natural tendency for claims to grow normally along with increase in written premiums. Fortunately, claim costs of this reporting period were contained, more or less, below the targets and predictions primarily because of prudent underwriting coupled with sound claims management. On the other hand, the decrease in the loss ratio was due to substantial increase in net earned premiums in 2022/23. Net earned premiums increased by about 52% from Birr 511,296,000.00 in the previous year to Birr 775,557,000.00 in the reporting year. The highest loss ratios were recorded by Liability and Motor classes of business: 62% and 54%, respectively. However, the loss ratios were below the industry average of 71% for Liability and 69% for Motor for the reporting year.

With record growth of nearly 85%, the total Non-Life

Underwriting Profit for the year 2022/23 shot up to Birr 417,773,000.00 from the previous year's figure of Birr 226,245,000.00. It should be noted that every class of business underwritten during the year under report yielded positive contribution to the Company Underwriting Surplus.

As usual, the largest contribution to the year's Underwriting Surplus/Profit came from the Motor class of business. Constituting about 64% of the Company's total premium portfolio, Motor contributed about 62% (against 64% last year) to this year's surplus. This was followed by a very far second contribution of Fire and General Accident class to the Underwriting Profit by 10.35%; Engineering by 6.53%; Pecuniary by 4.75%; Miscellaneous class of businesses by 4.20%; Marine by 3.57%; Liability by 3.47% and Accident and Health by 3.44%. The least contributor to the Non-Life Underwriting Profit was Aviation by 1.56%.

COMPARATIVE UNDERWRITING SURPLUS/DEFICIT



2.1.3. LIFE AND MEDEXIN – PREMIUM GROWTH AND OVERALL PERFORMANCE

At the close of the financial year on 30 June 2023 and as per the latest actuarial valuation undertaken following the closing date, the Company's Long-Term business (Life Insurance) registered a remarkable growth of about 65%, generating a GWP of Birr 153,937,000.00 during the reporting year as compared to Birr 93,080,000.00 in the preceding year. The loss ratio for the year was about 38%, significantly lower than the previous year's 58% and the industry's average of 63% for the reporting year. This was an exceptional achievement attributable to the underwriting prudence and skills of our Life Department which deserves appreciation.

The Company submitted Financial Statements of the long-term business for the year ended 30 June 2023 to external actuarial firm for valuation in compliance with the National Bank of Ethiopia's Directive and accepted practices. Accordingly, the valuation was undertaken by Kenya-based Zamara Actuaries, Administrator and Consultant Limited. The actuarial valuation of the Company's Life Fund as at 30 June 2023 revealed an actuarial surplus of Birr40 million. The actuarial firm recommended that the entire surplus of Birr 40 million revealed at the valuation be made available to shareholders. We are very much thankful to the actuarial firm for professional valuation it carried out and for producing relevant certificate thereon in good time.

2.1.4. CONSOLIDATED RESULTS: PROFIT – LIFE AND NON-LIFE

The consolidated financial result for the reporting year was found to be commendable given the difficult business environment in which the Company had to operate.

As shown in the IFRS Financial Statements for the year ended 30 June 2023, corporate Underwriting Profit (Life and Non-Life combined) had witnessed a considerable growth of about 75%, a sizable increase to Birr 433,403,000.00 in 2022/23 from Birr 247,824,000.00 in the preceding year. Similarly, Profit Before Income Tax for the reporting year markedly grew by about 89% to reach Birr 390,720,000.00 from Birr 206,497,000.00 in 2021/22. The After-Tax Profit also shot up by about 80% from Birr 181,563,000.00 in 2021/22 to Birr 327,024,000.00 for the reporting year. Income Tax Expense for the year was computed to be Birr 63,696,000.00 as compared to last year's figure of Birr 24,934,000.00. The basic earnings per share grew from 37.08% of the preceding year (2021/22) to 47.99% (2022/23), showing a respectable growth of about 11 percentage points.

2.2. Income from Investments-Consolidated (Life and Non-Life)

The rent income generated from the four buildings owned by the Company increased by about 21% from Birr45,824,000.00 in the previous year to Birr55,535,000.00.00 in the year under report. Interest income accrued to the Company from bank fixed time deposit, saving account and interest on bonds grew by close to 72% from Birr 94,691,000.00 in the previous year to Birr 162,626,000.00 in the reporting year.

Dividend income from Hibret Bank SC and Ethiopian Reinsurance Company SC grew by about 13% from Birr33,052,000.00 in the previous year to Birr37,434,000.00 in 2022/23. The Company's total annual investment income increased by about 47% from Birr173,567,000.00 in 2021/22 to Birr255,595,000.00 in the year under review.

2.3. Human Resource Development

<UNIC-ETHIOPIA> maintained its deep-rooted corporate culture by devotedly continuing to practice its long-established policy of being a merit-based, equal-opportunity employer.

On 30 June 2023, the Company's total staff strength stood at 493. Out of the total, 248 (50.3%) were female and the rest 245 (49.7%) were male. The gender mix remained almost the same as in the preceding year. It should be noted that the total number of staff stood at 463 in 2021/22.

At the close of business on 30th June 2023, the total staff was composed of 459 (about 93%) regular employees and 34 (nearly 7%) contract workers. The proportion of contract workers decreased to 7% for the reporting year from 8% in the preceding year. In terms of education, out of the total, 336 staff were degree holders (48 having second degrees while 288 holding first degrees), 91 had diplomas while 66 held certificates or pre-college papers.

During the year under review, 123 new staff members were employed and 93 employees resigned resulting in employee turnover rate of close to 17% as compared to 13% in the preceding year. The attrition rate significantly exceeded the acceptable level of 10% in the year 2022/23. In order to address this challenge, the Company had conducted a study and implemented a revised organizational structure and, put into effect new salary scale and benefits scheme as of 1st July 2023. We believe that the new remuneration package would enable the Company to attract, retain and improve the overall employee satisfaction.

The Company has continued investing in training and development programs to maintain its policy of having the best talent and skills in the industry.

Accordingly, various trainings were given to 415 staff members including senior management during the year under report. Of the total, 386 staffs attended short-term local trainings on various topics while twenty nine (29) staff members participated in overseas training. Total staff training cost incurred stood at Birr 6,041,337.92 for the year 2022/23 against Birr 5,200,000.00 budget set as per NBE's requirement.

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 strongly believe 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 61 as at 30 June

2023. Out of this total, 34 branches are located in Addis Ababa and 16 in upcountry and the remaining 11 are contact offices (three in Addis Ababa and eight in upcountry).

Two additional Branches (Kera and Millennium) and two new Contact Offices (Lebu and Wingate) in Addis Ababa and two upcountry Contact Offices (Asella in Oromia Regional State and Bonga in South Western Ethiopia National Regional State) and one upcountry Branch (Debre Markos in Amhara Regional State) were opened during the year under report. Altogether, seven market outlets were opened and became operational during the reporting year.

Four Contact Offices, namely, Genet and Kality Gabriel in Addis Ababa and Semera in Afar Regional State and Shashemene in Oromia Regional State were upgraded to full-fledged branch level during the year under review. Our Mekelle Branch resumed operation during the year under report after two years of closure due to the situation in the Region.

During the year under report, 30 new Insurance Sales Agents were trained, licensed and deployed to the market. Furthermore, refresher training was given to 39 existing Sales Agents.

2.5. IT Development

2.5.1. New System Procurement Process

The Company understands that utilizing cutting-edge information communication technologies (ICT) are crucially 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 business core system. Negotiation has been made with the selected vendor and contract agreement shall be signed shortly.

2.5.2. Data Center Security (DCS)

Now-a-days, security is of a high concern for institutions like us. In order to mitigate this risk, it is of paramount importance for the Company to have a hardware and software security procedures in place. Accordingly, the Company implemented a well equipped data center security infrastructure in both access and application layers in order to mitigate security threats from external and internal sources/users. The DCS helped and will continue to help establish, maintain and sustain the confidentiality, integrity, and availability of our Company's services including the protection of shareholders' data.

2.5.3. Implementation of Disaster Recovery (DR) Site

A data center disaster recovery (DR) site is a facility used to house computer systems and associated components, such as telecommunications, servers and storage systems. Data centers are critical for businesses that require uninterrupted access to data. By having a data center as part of our disaster recovery plan, we can improve our chances of recovering from a disaster quickly and effectively. By having the DR site in place, we can reduce the time it takes to restore service, cut business down-time, improve system availability, minimize risk of data loss, enhance customer service and brand image. In view of that, the Company established datacenter disaster recovery site at Ethio-Telecom modular datacenter located in Addis Ababa, Kirkos Sub City. This will help the Company to be competitive in complying with international datacenter measurement standards.

3. CORPORATE GOVERNANCE

The Board convened regularly and passed key strategic decisions including approval of revised organizational structure, new salary scale and benefits scheme, annual business plan and budget as well as different policy documents and working manuals and resolved on other matters of strategic importance. It had thirteen (13) meetings during the year under review from 1st July 2022 to 30th June 2023.

Furthermore, the Board had been regularly assessing performance of the Company based on the reports presented to it by the Management and gave strategic directions on prime issues of concern.

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 National Bank of Ethiopia, the External Auditor, Internal Audit and Risk Management and Compliance reports. It further ensured that appropriate and timely actions were taken to address the regulatory and supervisory concerns.

In addition, the Board had ensured that effective internal audit system, staffed with qualified personnel to perform internal audit functions, is put in place. Moreover, it had been overseeing the operational and administrative affairs of the Company in light of the emerging risks and opportunities.

The Board has four Sub-Committees, i.e., Audit Sub-Committee, Risk Management and Compliance Sub-Committee, Human Resource Affairs Sub-Committee and Business Development Sub-Committee. All the Sub-Committees except Business Development had been meeting monthly and functioning effectively throughout the year in line with the Corporate Governance Directive of the National Bank of Ethiopia.

Following the decision of the Thirteenth Extraordinary General Meeting of Shareholders held on 10th November 2022 to increase the paid-up capital to Birr1,500,000,000.00 until November 2027, the capital had reached Birr 840,596,000.00 as of 30 June 2023.

In the year under report, eight Board of Directors had taken overseas training in compliance with NBE's Directive which requires the Directors to take training at least once a year. The training was designed to the specific needs of the Company's Board of Directors which gave insight into technicalities of insurance to a certain extent while giving more focus on leadership of an insurance company.

In general, the Board ensured that the operations of the Company had been running prudently, and in accordance with the country's relevant laws, regulations and directives, and Company policies and procedures.

4. FUTURE PROSPECTS

In spite of the challenges faced, the year 2022/23 had been concluded with encouraging results. The abnormal competition among industry players which was mainly characterized by premium undercutting rather than service quality coupled with the high rate of inflation and employee turnover were the major challenges encountered during the period under report.
However, such a remarkable achievement had been gained by withstanding the challenges through the support and proper guidance of the Board of Directors, determination and commitment of the management and entire staff of the Company. It was encouraging to witness the fact that the Company recorded significant growth in the year 2022/23 both in General and Long Term Insurance businesses.

Despite the challenges underwent during the reporting year, there are opportunities for favorable change and development in the year ahead. We are of the view that the proposed national dialogue may bring together the various political interests thereby bringing about sustainable peace, socio-economic and political stability in the country.

Many sources including the government indicate that Ethiopia's economy will continue to grow. According to NBE's estimate, the Ethiopian economy is projected to grow by 7.5% in 2022/23. It is believed that the economy will thrive and thus the insurance business will also grow accordingly. Government's privatization and liberalization programs will create business opportunities for insurers. The increase in the number of banks also increases the demand for various insurance covers.

We hope that the newly issued Directive that set minimum premium rate for Motor Own Damage Insurance may, to some extent, ease the existing unhealthy competition based primarily on premium undercutting.

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. In this regard, <UNIC-ETHIOPIA> is in the process of acquiring a new general insurance business core system. The system will undoubtedly enhance the provision of customer services, improve management information system and reinforce the overall integration of operational activities of the Company. As per our plan, the new system will hopefully go live beginning from July 2024.

The existing brand of <UNIC-ETHIOPIA> (including name and logo) was designed and put to use 29 years ago at inception of the Company. It is still in use with minor modifications. However, it is believed that the name and the logo color, image, and font have gone out of style and look outdated. Hence, we are considering changing the current brand to invigorate strong and powerful Company's image. Accordingly, an external consultant has already been commissioned to develop a distinct and a full-blown Corporate Identity (Brand) for the Company. The new Brand shall be unveiled in 2023/24 budget year.

The Company will continue investing in fixed assets and equity shares of different firms based on their viabilities. After appraisal of the feasibilities of the projects, we will expand our investment in compliance with NBE's Directives.

The Company will develop and introduce new products based on the developments in the market and in response to specific needs and expectations of customers. We will further improve our product enhancement and enrichment capacity and make tailor-made insurance products available to the market by offering wider product selection to customers.

Human resource development is one of the primary priorities of our Company. Accordingly, the Company will continue focusing on staff development and capacity building at all levels by providing trainings and management development programs.

In order to maintain sustainable growth of our Company and attain predetermined targets as much as possible, we will determinedly execute strategies and action plans enumerated in 2023/24 Annual Business Plan.

We will strongly work on market growth and expansion to stave off market-slippage, improve the Company's market share and competitive position. We will continue exerting maximum efforts to improve the quality of customer services in all areas of operations. 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 industry.

Despite the apparent challenges, we trust the future of our Company will be brighter than current realities may project and we are optimistic to emerge successful in the year ahead. We will do our level best to get our fair share from the market in the upcoming budget year.

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 wonderful association the Company enjoys with its reinsurers and the mutually advantageous business relations it has developed with insurance and reinsurance brokers.

The Board and Management would like to accord sincere gratitude to the National Bank of Ethiopia 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.

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.

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2023

The directors submit their report together with the financial statements for the period ended 30 June 2023, 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 688 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 1.5 billion. The paid up Capital is now Birr840 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 2023 are set out on page 26. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Net Underwriting Income	972,205	647,907
Profit before income tax	390,720	206,497
Income tax expense	(63,696)	(24,934)
Profit for the year	327,024	181,563
Other comprehensive income net of taxes	(1,222)	(973)
Total comprehensive income for the year	**325,802**	**180,590**

Directors

The directors who held office during the year and to the date of this report are set out on page 22.

MeseretB

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE 2023

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 1243/2021, 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 1243/2021 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:

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

DIRECTORS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE

FOR THE YEAR ENDED 30 JUNE 2023

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, 2023)		Date of Appointment
Wondwossen Teshome (Ato)	Chairperson	31/01/2023
Teguest Yilma (W/t)	V/Chairperson	31/01/2023
Asrat Arega (Ato)	Director	20/04/2022
Negussie Aberra (Eng.)	Director	20/04/2022
Omedad PVT.LTD.Co. represented by Maryamawit Getamesay (W/ro)	Director	20/04/2022
Enat Bank reprsented By Ermias Andarge (Ato)	Director	20/04/2022
Amare Gashaw (Ato)	Director	20/04/2022
Ayalew Alemu (Ato)	Director	20/04/2022
Alemayehu Gebre (Ato)	Director	20/04/2022

Executive Management (as of June 30, 2023)		
Meseret Bezabih (W/ro)	General Manager/CEO	25/10/2011
Tesfaye Desta (Ato)	DGM Operations-Non-Life	01/09/2016
Azalech Yirgu (W/ro)	DGM Life & Medexin	01/07/2010
Gizie Alemu (Ato)	Director, HR & Admin.	30/05/2018
Bethlehem Mekbib (W/rt)	Director, U/W & Tech. Service	01/03/2015
Dereje Demessie (Ato)	Director, Claims and Engineering	08/11/2021
Engida Kassaye (Ato)	Director, Fin. & Investment	01/03/2015
Aliye Mohammed (Ato)	Manager, IT	01/01/2016
Tilahun Tadesse (Ato)	Director, Business Development and Marketing	01/09/2021
Yealemayn Hailemariyam (Ato)	Controller, Compliance & Risk Management	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 Sub City, Woreda 02, H.No. 220
Addis Ababa, Ethiopia

Principal Bankers
Hibret Bank SC
Commercial Bank of Ethiopia
Bank of Abyssinia

Principal Reinsurers
Africa Reinsurance Corporation
Ethiopian Reinsurance Share Company
Hannover Reinsurance
ZEP Reinsurance

Consulting Actuaries

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

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

AUDITORS' REPORT

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 30,2023, 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 30,2023, 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. 746/2012 and directives and circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2021 the Insurance Business Proclamation No. 746/2012, Insurance Business Amendment proclamation No. 1163/2019 and to issue and auditor's report that includes our opinion.

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

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

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, 2 & 3) of the Commercial Code of Ethiopia 2021, and recommend approval of the financial statements.

The Company's board of directors have recommended to the General Assembly of Shareholders that Birr 294,321,822 to be distributed as dividend payment before board remuneration and applicable dividend taxes. As proposed dividends are subject to approval by the shareholders, we have no reservation on the proposal.

Kokeb & Melkamu

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

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

Addis Ababa
October 18,2023

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THE UNITED INSURANCE COMPANY SC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Gross written premiums	6	1,507,209	953,915
Change in unearned premium reserve	6	(241,413)	(99,138)
Gross earned premiums		**1,265,796**	**854,777**
Less: Premiums ceded to reinsurers	6	390,577	281,399
Net earned premiums		**875,218**	**573,378**
Commission income	7	96,987	74,529
Net underwriting income		**972,205**	**647,907**
Claims and policy holder benefits payable	10	541,930	390,197
Less : claims recoveries from reinsurers	10	(78,387)	(41,108)
Net claims and benefits		**463,543**	**349,090**
Underwriting expenses	12	75,259	50,993
Total underwriting expenses		**538,802**	**400,083**
Underwriting profit		**433,403**	**247,824**
Investment income	8	255,604	173,581
Other income	9	4,443	5,898
Net income		**693,451**	**427,304**
Operating and other expense	11	299,807	217,240
Impairment on insurance receivable	11a	1,980	1,816
		391,664	**208,248**
Finance (income) / costs	13	944	1,751
Profit before income tax		**390,720**	**206,497**
Income tax expense	31	(63,696)	(24,934)
Profit for the year		**327,024**	**181,563**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	33	(1,746)	(1,390)
Deferred tax (liability)/asset on Remeasurement gain or loss		524	417
Total comprehensive income for the year		**325,802**	**180,590**
Basic earnings per shares (in Birr)	**35**	**479.85**	**370.79**

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

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

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
ASSETS			
Property, plant and equipment	14	370,188	346,048
Investment properties	15	278,387	285,057
Intangible assets	16	3,686	1,461
Right-of-use assets	32	19,048	14,539
Investment securities :			
Available for sale	17	221,500	216,376
Loans and receivables	17	28,686	1,734
Statutory deposits	18	130,314	77,810
Reinsurance receivables	19	8,164	3,660
Insurance receivables	20	6,261	7,166
Reinsurance assets	21	333,789	207,664
Policy holder loans	22	97	101
Deferred acquisition costs	23	45,584	25,829
Salvage property held for sale	24	31,640	25,785
Other assets	25	31,478	31,958
Deposits with financial institutions	26	1,685,260	862,050
Cash and cash equivalents	26	96,240	51,180
Total assets		**3,290,324**	**2,158,418**
LIABILITIES			
Insurance contract liabilities/Gross/	27	1,370,568	930,314
Deferred reinsurance commission	28	43,007	33,329
Insurance Payables	29	123,467	98,539
Other liabilities	30	149,971	104,953
Current income tax liabilities	31	37,928	11,465
Lease Liabilities	32	10,265	6,778
Defined benefit obligations	33	6,905	5,586
Deferred income tax	31	53,374	43,858
Total liabilities		**1,795,485**	**1,234,822**
EQUITY			
Share capital	34	840,596	499,278
Share premium	36	21,717	-
Retained earnings	36	360,262	229,345
Legal reserve	37	146,178	113,476
Life fund reserve	38	128,655	82,843
Other reserve	39	(2,569)	(1,346)
Total equity		**1,494,839**	**923,595**
Total equity and liabilities		**3,290,324**	**2,158,418**

The financial statements and notes to the financial statement shown on pages 26 to 117 were approved and authorized for issue by the Board of Directors on 12 October 2023 and were signed on its behalf by:

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

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Life fund reserve Birr'000	Other reserves Birr'000	Total Birr'000
As at 1 July 2021		473,416		196,543	95,319	79,925	(373)	844,830
Profit for the year	36			181,563	-	-	-	181,563
Transfer to legal reserve	37			(18,156)	18,156			-
Transfer to capital		25,862						25,862
Transfer to life fund	38					2,918	-	2,918
Premium availed for distribution			-					-
Transaction with owners in their capacity as owners:								-
Dividends declared and paid				(130,607)				(130,607)
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							(973)	(973)
Total comprehensive income for the year		25,862	-	32,800	18,156	2,918	(973)	78,763
As at 30 June 2022		**499,278**	**-**	**229,345**	**113,476**	**82,843**	**(1,346)**	**923,595**
As at 1 July 2022		**499,278**	**-**	**229,345**	**113,4756**	**82,843**	**(1,346)**	**923,595**
Profit for the year				327,024				327,024
Deferred tax accounted for in undistributable profit								-
Share Premuim			21,717					21,717
Transfer to legal reserve				(32,702)	32,702			-
Transfer to capital		341,319		-				341,319
Transfer to life fund				-		45,812		45,812
Transaction with owners in their capacity as owners								-
Contribution of equity net of transaction costs								-
Dividends declared and paid				(163,404)				(163,404)
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							(1,221)	(1,221)
								-
Total comprehensive income for the year		**341,319**	**21,717**	**130,920**	**32,702**	**45,812**	**(1,221)**	**571,246**
As at 30 June 2023		**840,596**	**21,717**	**360,262**	**146,178**	**128,655**	**(2,569)**	**1,494,839**

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

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

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash flows from operating activities			
Cash generated from operations	40	758,162	445,742
Interest income	8	(162,635)	(94,705)
Dividend income	8	(37,434)	(33,052)
Income tax paid	31(d)	(27,717)	(22,812)
Rent income	8	(55,534)	(45,824)
Net cash (outflow)/inflow from operating activities		**474,841**	**249,349**
Cash flows from investing activities			
Purchase of investment securities	17	(5,124)	(25,230)
Investment in Fixed time deposit	26	(823,209)	(242,315)
Purchase of investment property	15	(145)	(14,757)
Right of use assets	32	(6,169)	(4,742)
Purchase of intangible assets	16	(2,660)	(1,145)
Purchase of property, plant and equipment	14	(37,750)	(26,873)
Proceeds from sale of property, plant and equipment	40	1,150	4,092
Dividends received		37,434	33,052
Proceeds from policy loans		4	79
Rent income received		55,534	45,824
Interest income received		162,635	94,705
Increase in statutory deposit	18	(52,505)	(4,048)
Net cash (outflow)/inflow from investing activities		**(670,804)**	**(141,359)**
Cash flows from financing activities			
Dividends paid		(163,404)	(130,606)
Proceeds from issues of shares		363,036	25,862
Repayment of lease liability		(4,419)	(3,415)
Decrease in life fund		45,812	2,918
Repayment of borrowings		-	(16,120)
Net cash (outflow)/inflow from financing activities		**241,024**	**(121,361)**
Net increase/(decrease) in cash and cash equivalents		**45,061**	**(13,370)**
Cash and cash equivalents at the beginning of the year	26	51,180	64,550
Cash and cash equivalents at the end of the year	**26**	**96,240**	**51,180**

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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 688 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 1.5 billion. The paid up Capital is now Br840 million.

The Company's registered office is at:

The United Insurance Company SC
Corporate Head Office: Tewords 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 2023 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 2023. The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.

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

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management 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 1,2022, 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 and amendments and has adopted the following which are relevant to its operations, unless stated otherwise, the adoption of these new standards, amendments to existing standards or interpretations to published standards did not have a material impact on the operations of the Company.

Amendment to IFRS 3,Business combinations- "reference to the conceptual framework

The amendments update the references in IFRA 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.

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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.

Applying IFRS ' Financial instruments ' with IFRS 4 ' Insurance contracts'(amendments to IFRS 4)

Insurance contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4; an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is activity is issuing contracts within the scope of IFRS4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

(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 2021, 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 2024. These amendments clarify that liabilities are classified as either current or non current, 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.

Chartered Certified Accountants

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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.

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 recognise 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 recognised 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 UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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.

Amendments to IFRS 17

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance contracts was published in 2017. The main changes are:

Deferral of the date of initial application of IFRS 17 BY TWO YEARS TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 January 2023. Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in abusiness acquired in a business combination.

Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level; clarification of the application of contractual service margin (CSM) attributable to investment -return service and investment -related service and changes to the corresponding disclosure requirements. extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.
Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

Extension of the temporary exemtion from applying IFRS 9 (Amendment to IFRS 4)

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

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

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THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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.

2.6 Investment property

Property that is held for rent by the Company to earn rental income or for capital appreciation, or both, and is not occupied by the Company, are classified as investment properties.
Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. the Company has opted to subsequently carry investment property at cost and disclose fair value. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Company's investment property is determined by the Company's staff who have recent experience in the location and category of the investment property being valued. Professional 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 is presented as a separate line item in the income statement.

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

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

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2.8 Deferred acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an intangible asset (DAC). All other costs are recognized as expenses when incurred. The DAC is subsequently amortized over the life of the contracts as follows:.

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

2.9 Statutory Deposits

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

2.10 Impairment of non-financial assets

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

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

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

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

2.10.1 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.

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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.

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.

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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,

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that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company.

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

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

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been 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.

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

2.12 Cash and cash equivalents

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

2.13 Insurance and investment contracts Classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.
Investment contracts are those contracts that transfer financial risk with no significant insurance risk. A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

a) That are likely to be a significant portion of the total contractual benefits;

b) Whose amount or timing is contractually at the discretion of the Company; and

c) That are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract;
- realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
- the profit or loss of the Company, fund or other entity that issues the contract.

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

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.

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(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.

(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.

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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 Note 2.11. 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 recognised 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 recognised in the statement of profit or loss. The reserves include incurred but not reported (IBNR) and unearned premium reserve (UPR).

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Reserve methodology

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

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

2.16 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 recognised 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 recognises 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 recognised when it is probable that the economic benefits associated with transaction will flow to the insurance and the amount of income, and associated costs incurred or to be incurred can be measured reliably.
The insurance, earns income from written premium, Fees and commission, Investment and dividend.

a) Gross premiums

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

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

b) Reinsurance premiums

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

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks- attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.
Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

c) Fees and commission income

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

d) Investment income

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

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

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e) Dividend income

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

f) Foreign exchange revaluation gains or losses

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

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

2.17 Gross benefits and claims

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

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

2.18 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 recognised in the profit and loss account.

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(c) Defined benefit plan

The insurance operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in service of the insurance are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length

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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 recognised 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 recognised immediately in profit or loss. Gains or losses on curtailment or settlement are recognised 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 recognises 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 recognises 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 recognises 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.

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.

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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 recognised initially at fair value and subsequently measured at amortised 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 recognised initially at fair value and subsequently measured at amortised 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

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paid up capital of the Company ,the amount of the legal reserve to be retained by the Company each year from its net profit shall be determined by The National Bank of Ethiopia's Directive.

2.29 Dividend

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

2.30 Underwriting expenses

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses and other direct costs. Underwriting expenses for insurance contracts are recognised as expense when incurred, with the exception of acquisition costs which are recognised 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 recognises 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 recognises 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 recognised, 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 recognised 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 remeasured 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 recognised 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.

(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

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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.Indetermining 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.

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 make 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.

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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 1,370,568 (2022: 930,314)

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.

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.

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

The estimation of the useful lives of assets is based on Management's judgement.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 it's risk to the level acceptable. Risk controls and mitigates, identified and approved for the Company, are documented for existing and new processes and systems.

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

4.2 Insurance Risk

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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.

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

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

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➢ **Longevity**

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

➢ **Expenses**

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

➢ **Discount rate**

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

Sensitivities 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. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

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

					Change in liability
		30 June 2023	30 June 2022	30 June 2021	30 June 2020
	Change in assumptions	Birr'000	Birr'000	Birr'000	Birr'000
Mortality/morbidity rate	10%	851,527	225,440	214,743	267,496
Investment return	1%	(3,622,379)	(3,262,405)	(2,935,038)	(3,542,410)
Expenses	10%	4,326,667	3,876,287	3,461,677	3,995,276
Lapse and surrenders rate	10%	(1,216,347)	(402,003)	(297,595)	(355,470)

					Change in liability
		30 June 2023	30 June 2022	30 June 2021	30 June 2020
	Change in assumptions	Birr'000	Birr'000	Birr'000	Birr'000
Mortality/morbidity rate	-10%	(852,613)	(245,169)	(208,762)	(263,777)
Investment return	-1%	3,939,916	3,511,490	3,171,649	3,864,552
Expenses	-10%	(4,298,415)	(3,869,431)	(3,454,189)	(3,970,847)
Lapse and surrenders rate	-10%	1,295,230	417,702	310,789	372,642

The above analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values; and change in lapses and future mortality.

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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 2023	Claims reported			Incurred but not reported		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accident	60	1	59	887	44	843
Medical expense	1,123	56	1,067	469	23	445
W/c	1,836	83	1,753	1,385	69	1,315
Motor	316,342	19,745	296,597	59,312	3,935	55,377
Marine	1,520	188	1,331	1,122	109	1,012
Goods in transit	775	38	737	612	60	552
Aviation				2,102	1,997	105
Fire	4,400	1,801	2,599	12,499	5,636	6,863
Burglary and House breaking	778	436	342	1,216	380	836
Engineering	21,036	14,245	6,791	2,819	1,968	851
Liability	14,504	685	13,819	5,030	251	4,778
Pecuniary	91,710	84,686	7,024	4,151	3,845	307
Total	**454,082**	**121,964**	**332,118**	**91,603**	**18,318**	**73,285**

30 June 2022	Claims reported			Incurred but not reported		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accident	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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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 in the claims cost affects the current liability. A 10% increase will lead to liability increase of ETB 9.27 million and a 10% decrease will lead to a liability decrease of ETB9.07 million.

a) A 10% increase will lead to a liability increase of ETB 9.27 million

		Change in liability	
		30 June 2023	30 June 2022
	Increase in gross Liabilities	Birr'000	Birr'000
Average claim cost	+10%	9,273,187	5,676,513
Average number of claims	+10%	9,273,187	5,676,513

b) A 10% decrease will lead to a liability decrease of ETB 9.07 million

		Change in liability	
		30 June 2023	30 June 2022
	Decrease in gross liabilities	Birr'000	Birr'000
Average claim cost	-10%	(9,067,980)	(5,676,513)
Average number of claims	-10%	(9,067,980)	(5,676,513)

c) The gross IBNR is estimated at ETB 91.60million and the outstanding claims are estimated at ETB 433.30 million and the total Actuarial liability is estimated at ETB 524.90million.

IBNR	91,603,231	56,765
Outstanding claims	433,332,433	327,022
Total Actuarial Liability	**524,935,664**	**383,787**

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 2023:

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Accident year	2018 Birr'000	2019 Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000	2023 Birr'000
At the end of claim year	242,520,278	293,288,430	253,139,301	313,446,814	411,727,184	414,599,021
One year later	21,884,005	7,112,738	8,702,480	3,093,817	8,045,508	0
Two year later	39,036	252,668	201,745	86,885,327		
Three year later	157,111	198,953	739,799	0		
Four year later	146,206	46,352	0	0		
Five year later	637,595					
Cumulative incurred claims	265,384,231	300,899,141	262,783,325	403,425,958	419,772,692	414,599,021
IBNR	4,069	231,782	369,146	4,017,638	11,734,985	75,245,612
Ultimate claims projected	265,388,300	301,130,923	263,152,471	407,443,596	431,507,677	489,844,633

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 2023	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Investment securities:				
- Loan and receivables	17	0	28,686	28,686
- Available for sales	17	221,500		221,500
Other assets	25		27,049	27,049
Reinsurance assets	21		333,789	333,789
Loan to life policy holders	22		97	97
Deposit with financial institutions	26		1,685,260	1,685,260
Cash and cash equivalents	26		96,240	96,240
Total financial assets		**221,500**	**2,171,121**	**2,392,621**

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	Notes	Available-For-Sale	Loans and receivables	Total
30 June 2022		Birr'000	Birr'000	Birr'000
Investment securities:				
- Loan and receivables	17		1,734	1,734
- Available for sales	17	216,376		216,376
Other assets	25		19,329	19,329
Reinsurance assets	21		207,664	207,664
Loan to life policy holders	22		101	101
Deposit with financial institutions	26		862,050	862,050
Cash and cash equivalents	26		51,180	51,180
Total financial assets		**216,376**	**1,142,058**	**1,358,435**

Financial Liabilities

	Notes	Other financial liabilities	Total
30 June 2023		Birr'000	Birr'000
Insurance Payables	29	123,467	123,467
Insurance contract liabilities/Gross/	27	1,370,568	1,370,568
Other payables	30	34,354	34,354
Total financial Liabilities		**1,528,389**	**1,528,389**

	Notes	Other financial liabilities	Total
30 June 2022		Birr'000	Birr'000
Insurance Payables	29	98,539	98,539
Insurance contract liabilities/Gross/	27	930,314	930,314
Other payables	30	34,416	34,416
Total financial Liabilities		**1,063,269**	**1,063,269**

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:

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- Receivables arising out of direct insurance arrangements;
- Receivables arising out of Re insurance arrangements ;and
- Receivables arising out of short term investments

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

		30 June 2023	30 June 2022
30 June 2022		Birr'000	Birr'000
Investment securities:			
- Loan and receivables	17	28,686	1,734
- Available for sales	17	221,500	216,376
other assets	25	27,049	19,329
Reinsurance assets	21	333,789	207,664
Loan to life policy holders	22	97	101
Deposit with financial institutions	26	1,685,260	862,050
Cash and cash equivalents	26	96,240	51,180
Total financial assets		**2,392,621**	**1,358,435**

4.3.1 Management of Credit Risk

In measuring credit risk of loans and receivables to various counterparties, the Company considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. The risk associated with direct insurance arrangements is insignificant due to National Bank regulation which is "No Premium No Cover Credit" Insurance polices are sold on cash basis to all policyholders except governmental organizations which is not relevant to our case; As a result the risk of default is non existence.

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

The credit risk in the Reinsurance area arises:

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

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

4.3.2 Concentration of Credit Risk

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

(a) Investing/Lending activities

Credit risks associated with investments, risk happens when a firm invests' on debentures or loans to individuals having poor history in repayments or putting money into an asset with the expectation of capital appreciation, dividends and/or interest earnings. Such area is a major source of credit ris.

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In our scenario neither debenture nor lending activities exists except policy loan where the long term business section of the company advances loan to life policy holders and the risk of default is totally non existence as the collateral is the accumulated cash value. Other loan with small portfolio is given to staff based on property security and personal guarantee with low default risk The current Company's equity investment is in banks and in local reinsurance company with low risk.

(b) Credit Concentration of a single counter party

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

4.3.3 Credit Quality Analysis

a) Cash and cash equivalents

The credit quality of cash and bank balances and short term investments that were neither past due nor impaired at as 30 June 2019 and 30 June,2018 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

30 June 2023	Notes	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	20			8,611	8,611
				8,611	8,611
Less : Impairment allowance	20			(2,350)	(2,350)
Net Insurance receivable				**6,261**	**6,261**
Other assets					
Rent receivable	25	889			889
Inter office receivable - Life	26	0			0
Restricted cash	26	0			0
Receivables on policy loan	26	17			17
Staff debtors	26	15,841			15,841
Sundry debtors	26	2,573			2,573
Gross amount		19,320			19,320
Less: Specific impairment allowance					
Net other assets		19,320			**19,320**

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30 June 2022		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	20			18,091	18,091
				18,091	18,091
Less : Impairment allowance	20			(10,925)	(10,925)
Net Insurance receivable				**7,166**	**7,166**
Other assets					
Rent receivable	25	464			464
Inter office receivable - Life		0			0
Restricted cash		1,081			1,081
Receivables on policy loan	26	22			22
Staff debtors	25	11,176			11,176
Sundry debtors	25	2,140			2,140
Gross amount		**14,882**			**14,882**
Less: Specific impairment allowance		0			0
Net other assets		**14,882**			**14,882**

Insurance receivables - neither past due nor impaired

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

Other assets

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

4.3.4 Allowance for impairment

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

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Due from contract holders	20	2,350	10,925
Other loans and receivables		5,675	4,980
Total allowance for impairment		**8,024**	**15,904**

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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 incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like. It is usually expressed as the ratio or a percentage of current liabilities to liquid assets.

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

4.4.1 Management of Liquidity Risk

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

And the report include, among other items, the following;

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

4.4.2 Measurement of Liquidity Risk

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

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

4.4.3 Maturity Analysis of Financial Liabilities

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

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30 June 2023	Notes	"0-1 year Birr '000"	"1-3 years Birr'000"	"3-5 years Birr'000"	"Over 5 years Birr'000"	"Total Birr'000"
Insurance contract liabilities/Gross/	27	1,370,568	-	-	-	1,370,568
Insurance Payables	29	123,467	-	-	-	123,467
Other liabilities	30	34,354	-	-	-	34,354
Total financial liabilities		**1,528,389**	**-**	**-**	**-**	**1,528,389**

30 June 2022	Notes	"0-1 year Birr '000"	"1-3 years Birr'000"	"3-5 years Birr'000"	"Over 5 years Birr'000"	"Total Birr'000"
Insurance contract liabilities/Gross/	27	930,314	-	-	-	930,314
Insurance Payables	29	98,539	-	-	-	98,539
Other liabilities	30	34,416	-	-		34,416
Total financial liabilities		**1,063,269**	**-**	**-**	**-**	**1,063,269**

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 my 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.

- ***Interest rate risk***

Is the risk that the value of a financial instrument will be affected by changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to it's financial obligations and financial assets with fixed interest rates . the Company monitors this exposure through periodic reviews of the assets and liability position. Estimate of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modeled and reviewed. The overall objective these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable

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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 2023	Notes	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	26	1,781,500	-	1,781,500
Investment securities :				
available for sale	17		221,500	221,500
Loans and receivable	17	28,686	-	28,686
Insurance receivables	20	6,261	-	6,261
Reinsurance assets	21	333,789	-	333,789
Other assets	25	27,049	-	27,049
Total		**2,177,285**	**221,500**	**2,398,785**
Liabilities				
Insurance contract liabilities	27	1,370,568	-	1,370,568
Insurance payables	29	123,467	-	123,467
Other payables	30	34,354	-	34,354
Total		**1,528,389**	**-**	**1,528,389**

30 June 2022		Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	26	913,230	-	913,230
Investment securities :				
Available for sale	17	-	216,376	216,376
Loans and receivable	17	1,734		1,734
Insurance receivables	20	7,166		7,166
Reinsurance assets	21	207,664		207,664
Other assets	25	19,329	-	19,329
Total		**1,149,123**	**216,376**	**1,365,499**
Liabilities				
Insurance contract liabilities	27	930,314	-	930,314
Insurance payables	29	98,539	-	98,539
Other payables	30	34,416	-	34,416
Total		**1,063,269**	**-**	**1,063,269**

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

The directive stipulate the minimum solvency margin , which an insurer must maintain at all times .For instance, an insurer carrying on general business shall keep admitted capital amounting 25% of its technical provision (or 20% of 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 2023 Birr'000	30 June 2022 Birr'000
General business			
Admissible assets	A		
Property, plant and equipment		345,300	321,791
Investment properties		212,929	238,566
Intangible assets			
Right of use assets			
Investment securities :			
Available for sale		170,346	166,247
Loans and receivables		23,481	1,734
Statutory deposits		117,124	69,947
Reinsurance receivables			0
Insurance receivables		6,261	7,166
Reinsurance assets		315,623	199,593
Salvage property held for sale		31,640	25,785
Other assets		16,730	12,722
Over invested in realestate		0	(23,669)
Deposits with financial institutions		1,495,124	737,609
Cash and cash equivalents		82,272	48,648
Total		**2,816,832**	**1,806,141**
Admissible Liabilities	B		
Insurance contract liabilities/Gross/		1,276,715	871,844
Deferred reinsurance commission		42,854	33,196
Insurance Payables		107,004	91,373
Other liabilities		146,216	102,049
Current income tax liabilities		36,657	7,693
Lease Liabilities		10,265	6,778
Defined benefit obligations		6,719	5,431
Deferred income tax		48,756	39,958
Total		**1,675,186**	**1,158,323**
Excess (admitted capital) (A)-(B)	C	**1,141,646**	**647,818**
Net premium (preceding year)	D	593,726	593,726
Technical provision (current year)	E	1,276,715	871,844
Solvency margin			
Limit of net premium i.e. 20% of net premium	F	118,745	118,745
Limit of technical provision i.e. 25% of technical provision	G	319,179	217,961
Minimum paid up Capital		60,000	60,000
Required Minimum of paid up capital	H	319,179	217,961
Margin of solvency	(C-D)	**547,920**	**54,092**
Solvency ratio	C/H	**358%**	**297%**

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Life business		30 June 2023	30 June 2022
		Birr'000	Birr'000
Admissible assets	A		
Property, plant and equipment		14,963	15,442
Investment properties		65,458	46,491
Available for sale		51,154	50,129
Loans and receivables			
Statutory deposits		13,190	7,862
Reinsurance receivables		8,164	3,659
Insurance receivables			
Reinsurance assets		18,166	8,071
Other assets		7,729	4,446
Over investment		(13,343)	(12,829)
Deposits with financial institutions		190,135	124,441
Cash and cash equivalents		13,968	2,532
Total		**369,584**	**250,246**
Admissible Liabilities	B		
Insurance contract liabilities/Gross/		93,853	58,470
Deferred reinsurance commission		154	134
Insurance Payables		16,463	7,166
Other liabilities		3,756	2,904
Current income tax liabilities		1,271	3,773
Life fund reserve		128,655	82,843
Lease Liabilities			
Defined benefit obligations		186	155
Deferred income tax		4,617	3,899
Total		**248,954**	**159,343**
Excess (admitted capital) (A)-(B)	C	**120,630**	**90,902**
Technical provision (current year)	D	**141,313**	**141,313**
Solvency margin			
Limit of technical provision i.e. 10% of technical provision	E	**14,131**	**14,131**
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)	**(20,683)**	**(50,411)**
Solvency ratio	C/G	**804%**	**606%**

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 catagorised 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.

4.7.1 Valuation models

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

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

- **Level 1:** Inputs that are quoted market prices (Unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included with in level 1 that are observable for the asset or liability, either directly (i.e. as prices or indirectly (i.e. derived from prices) . This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data. In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This Category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments

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 catagorised. The amounts are based on the values recognised in the statement of financial position.

		30 June 2023		30 June 2022	
	Notes	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair valueBirr'000
Financial assets					
Cash and Cash equivalents	27	96,240	96,240	51,180	51,180
Deposits with financial institutions	27	1,685,260	1,685,260	862,050	862,050
Investment securities:					
Available for sales	18	221,500	221,500	216,376	216,376
Loans and receivables	18	28,686	28,686	1,734	1,734
Reinsurance assets	22	333,789	333,789	207,664	207,664
Other assets	26	27,049	27,049	19,329	19,329
Total		**2,392,524**	**2,392,524**	**1,358,333**	**1,358,333**
Financial Liabilities					
Insurance contract liabilities/Gross/	28	1,370,568	1,370,568	930,314	930,314
Insurance Payables	30	123,467	123,467	98,539	98,539
Other liabilities	31	34,354	34,354	34,416	34,416
		1,528,389	**1,528,389**	**1,063,269**	**1,063,269**

4.7.3 Fair value methods and assumptions

Investment securities

Government bonds are classified as loans and receivables and are measured at amortised cost using the effective interest rate (EIR) method. This means The amortised 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.

Revenue in these segments is derived primarily from insurance premium and investment income. Expenses for corporate units that render services for all business segments are initially paid by the general business segment and transferred to other business units at cost price. The expenses are allocated based on service man hours rendered by the corporate units to the various business segments.

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 2023 is as follows:

5.1 **Statement of Financial Position - 30 June 2023**

	Note	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	14	354,958	15,230	370,188
Investment properties	15	212,929	65,458	278,387
Intangible assets	16	3,520	167	3,686
Right-of-use assets	32	19,048	-	19,048
Investment securities :				-
Available for sale	17	170,346	51,154	221,500
Loans and receivables	17	23,481	5,205	28,686
Statutory deposits	18	117,124	13,190	130,314
Reinsurance receivables	19	-	8,164	8,164
Insurance receivables	20	6,261	-	6,261
Reinsurance assets	21	315,623	18,166	333,789
Policy holder loans	22	-	97	97
Deferred acquisition costs	23	40,998	4,586	45,584
Salvage property held for sale	24	31,640	-	31,640
Other assets	25	22,635	8,843	31,478
Deposits with financial institutions	26	1,495,124	190,135	1,685,260
Cash and cash equivalents	26	82,272	13,968	96,240
Total assets		**2,895,960**	**394,364**	**3,290,324**
LIABILITIES				
Insurance contract liabilities/Gross/	27	1,276,715	93,853	1,370,568
Deferred reinsurance commission	28	42,854	154	43,007
Insurance Payables	29	107,004	16,463	123,467
Other liabilities	30	146,216	3,756	149,971
Current income tax liabilities	31	36,657	1,271	37,928

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Lease Liabilities	32	10,265	-	10,265
Defined benefit obligations	33	6,719	186	6,905
Deferred income tax	31	48,756	4,617	53,374
Total liabilities		**1,675,186**	**120,299**	**1,795,485**
EQUITY				
Share capital	34	757,596	83,000	840,596
Share premium	34	21,717	-	21,717
Retained earnings	36	322,710	37,552	360,262
Legal reserve	37	120,981	25,197	146,178
Life fund reserve	38	-	128,655	128,655
Other reserves	39	(2,230)	(339)	(2,569)
Total equity		**1,220,775**	**274,065**	**1,494,839**
Total equity and liabilities		**2,895,960**	**394,364**	**3,290,324**

5.2 **Statement of Financial Position - 30 June 2022**

		General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	14	330,292	15,755	346,048
Investment properties	15	238,566	46,491	285,057
Intangible assets	16	1,256	205	1,461
Right-of-use assets	32	14,539		14,539
Investment securities :				-
Available for sale	17	166,247	50,129	216,376
Loans and receivables	17	1,734	-	1,734
Statutory deposits	18	69,947	7,862	77,810
Reinsurance receivables	19	0	3,659	3,660
Insurance receivables	20	7,166	-	7,166
Reinsurance assets	21	199,593	8,071	207,664
Policy holder loans	22	-	101	101
Deferred acquisition costs	23	23,582	2,247	25,829
Salvage property held for sale	24	25,785		25,785
Other assets	25	26,915	5,042	31,958
Deposits with financial institutions	26	737,609	124,441	862,050
Cash and cash equivalents	26	48,648	2,532	51,180
Total assets		**1,891,881**	**266,537**	**2,158,418**
LIABILITIES				
Insurance contract liabilities/Gross/	27	871,844	58,470	930,315
Deferred reinsurance commission	28	33,196	134	33,329
Insurance Payables	29	91,373	7,166	98,539
Other liabilities	30	102,049	2,904	104,953
Current income tax liabilities	31	7,693	3,773	11,465
Lease Liabilities	32	6,778		6,778

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Defined benefit obligations	33	5,431	155	5,586
Deferred income tax	31	39,958	3,899	43,858
Total liabilities		**1,158,323**	**76,500**	**1,234,823**
EQUITY				
Share capital	34	449,278	50,000	499,278
Share premium	34	-	-	-
Retained earnings / Surplus fund	36	193,648	35,696	229,345
Legal reserve	37	91,954	21,522	113,476
Life fund reserve	38	-	82,843	82,843
Other reserves	39	(1,322)	(24)	(1,346)
Total equity		**733,558**	**190,037**	**923,595**
Total equity and liabilities		**1,891,881**	**266,537**	**2,158,418**

5.3 30 June 2023

		General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	1,353,272	153,937	1,507,209
Change in unearned premium reserve	6	219,326	22,087	241,413
Gross earned premiums		**1,133,946**	**131,850**	**1,265,796**
Less: Premiums ceded to reinsurers	6	358,389	32,189	390,577
Net earned premiums		**775,557**	**99,661**	**875,218**
Commission income	7	92,675	4,312	96,987
Net underwriting income		868,232	103,973	972,205
Claims and policy holder benefits payable	10	445,533	96,397	541,930
Less : claims recoveries from reinsurers	10	(65,161)	(13,227)	(78,387)
Net claims and benefits		380,373	83,170	463,543
Underwriting expenses	12	70,086	5,173	75,259
Total underwriting expenses		**450,459**	**88,343**	**538,802**
Underwriting profit		417,773	15,630	433,403
Investment income	8	218,573	37,031	255,604
Other income	9	4,296	148	4,443
Net income		**640,642**	**52,809**	**693,451**
Operating and other expense	11	286,998	12,809	299,807
Impairment on insurance receivables	11a	1,980	-	1,980
		351,664	**40,000**	**391,664**
Finance (income) / costs		944	-	944
Profit before tax from reportable segments		**350,720**	**40,000**	**390,720**

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Income tax expense	(60,452)	(3,244)	(63,696)
Profit for the year	**290,269**	**36,755**	**327,024**
Assets and liabilities 2023			
Total assets	2,895,960	394,364	3,290,324
Total liabilities	1,675,186	120,299	1,795,485
Net assets/(liabilities)	1,220,775	274,065	1,494,839
External revenue 2022			
Net premium earned	775,557	99,661	875,218
Net underwriting income	868,232	103,973	972,205
Net investment income	218,573	37,031	255,604
Other income	4,296	148	4,443
Total segment revenue	**1,091,101**	**141,152**	**1,232,252**
Reportable segment profit before tax	**350,720**	**40,000**	**390,720**
Reportable segment assets	**2,895,960**	**394,364**	**3,290,324**
Reportable segment liabilities	**1,675,186**	**120,299**	**1,795,485**

5.4 30 June 2022

	Notes	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**	**36,240**	**349,090**
Underwriting expenses	12	45,325	5,668	50,993
Total underwriting expenses		**358,175**	**41,908**	**400,083**
Underwriting profit		**226,245**	**21,579**	**247,824**

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Investment income	8	145,779	27,802	173,581
Other income	9	5,496	402	5,898
Net income		**377,521**	**49,783**	**427,304**
Operating and other expense	11	207,457	9,783	217,240
Impairment on insurance receivables	12a	1,816	-	1,816
Total benefits , claims and other expense		**168,248**	**40,000**	**208,248**
Finance (income) / costs	13	1,751	-	1,751
Profit before tax from reportable segments		**166,497**	**40,000**	**206,496**
Income tax expense	31	(19,630)	(5,305)	(24,934)
Profit for the year		**146,867**	**34,696**	**181,563**
Assets and liabilities 2021				
Total assets		1,891,881	266,537	2,158,418
Total liabilities		1,158,323	76,500	1,234,823
Net assets/(liabilities)		733,559	190,036	923,595
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	206,496
Reportable segment assets		1,891,881	266,537	2,158,418
Reportable segment liabilities		1,158,323	76,500	1,234,823

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		30 June 2023 Birr'000	30 June 2022 Birr'000
6	**Net premiums**		
a)	**Gross premiums on insurance contracts**		
	General business		
	Motor	864,491	487,209
	Good in transit	9,128	7,240
	Marine	17,765	18,234
	Accident	11,357	10,161
	Liability	58,585	33,261
	Workmen's compensation	15,601	12,220
	Fire	144,125	105,738
	Engineering	47,416	44,798
	Pecuniary	69,107	56,588
	Aviation	30,503	22,262
	Burglary and house breaking	6,074	4,005
	Miscellaneous	70,954	53,110
	Medical	8,166	6,008
	General business gross premiums	**1,353,272**	**860,834**
	Life business		
	Individual life	16,237	15,326
	Group life	93,836	54,795
	Medical	29,527	22,783
	Mortgage	13,972	
	Funeral	364	177
	Life business gross premiums	**153,937**	**93,080**
	Total	**1,507,209**	**953,915**

		30 June 2023 Birr'000	30 June 2022 Birr'000
b)	**Change in unearned premium reserve**		
	General business		
	Engineering	(1,799)	3,864
	Liability	6,807	4,550
	Pecuniary	6,987	17,766
	Fire	4,300	364
	Burglary and house breaking	162	593
	Accident	277	885
	Medical	483	420
	Workmen's compensation	1,242	10
	Motor	197,616	47,533
	Aviation	21	2,828
	Marine	1,794	2,103
	Goods in transit	731	1,251

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		30 June 2023 Birr'000	30 June 2022 Birr'000
	Miscellaneous	705	265
	Unearned premium reserve	**219,326**	**82,431**
	Life business		
	Group Medical	1,028	3,208
	Group Life- Arab Travelers	15,853	12,167
	Group Funeral	27	62
	Mortgage	-	
	Group life	5,178	1,270
	Unearned premium reserve	**22,087**	**16,707**
	Total	**241,413**	**99,138**
		30 June 2023	**30 June 2022**
		Birr'000	**Birr'000**
c)	**Premiums ceded to reinsurers**		
	General business		
	Motor	54,930	31,930
	Marine	3,345	4,080
	Goods in transit	1,186	1,065
	Accident	1,013	888
	Medical	2,297	1,372
	Workmen's compensation	1,080	826
	Liability	9,513	3,635
	Fire	115,736	85,987
	Burglary and house breaking	2,978	1,498
	Engineering	23,114	27,498
	Pecuniary	51,009	39,261
	Aviation	25,505	18,445
	Miscellaneous	66,682	50,622
	Premiums ceded to reinsurers	**358,389**	**267,108**
	Life business		
	Individual life	376	723
	Group life	21,087	12,420
	Group medical	1,476	1,139
	Mortgage	9,230	
	Group funeral	18	9
		32,189	**14,291**
	Total premiums ceded to reinsurers	**390,577**	**281,399**
	Total net earned premiums		
	General business	775,557	511,296
	Life business	99,661	62,083
		875,218	**573,378**

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		30 June 2023 Birr'000	30 June 2022 Birr'000
7	**Reinsurance Commission income**		
	General business		
	Reinsurance ceding commission	74,955	59,041
	Profit commission	17,720	14,083
	Commission income	**92,675**	**73,124**
	Life business		
	Reinsurance ceding commission	2,755	254
	Profit commission	1,557	1,150
	Commission income	**4,312**	**1,405**
	Total commission income	**96,987**	**74,529**

		30 June 2023 Birr'000	30 June 2022 Birr'000
8	**Investment income**		
	General business		
	Interest on time deposits	129,299	71,461
	Interest on savings	3,175	1,005
	Interest on staff loans	1,698	2,142
	Dividend income	28,489	25,134
	Interest on government bond	7,730	5,576
	Rent income	48,183	40,462
		218,573	**145,779**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
Interest on time deposits	19,550	13,803
Interest on savings	185	139
Interest on staff loans	11	2
Interest on policy loans	10	14
Dividend income	8,945	7,918
Interest on government bond	978	563
Rent income	7,352	5,362
	37,031	**27,802**
Total investment income	**255,604**	**173,581**

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		30 June 2023	30 June 2022
		Birr'000	Birr'000
9	**Other income**		
	General business		
	Service charge	1,579	1,175
	Provision for bad debts	-	-
	Gain on disposal of Fixed Assets	753	3,050
	Gain on sale of Shares	1,277	-
	Gain on foreign exchange	4	47
	Miscellaneous income	682	1,224
		4,296	**5,496**
	Life business		
	Gain on sale of equity investment	-	-
	Miscellaneous income	148	402
		148	402
	Total other income	**4,443**	**5,898**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
10	**Claims and policy holder benefits payable**		
	General business		
	Benefits and claims paid	371,544	275,259
	Change in claims outstanding	40,950	56,492
	Change in incurred but not reported reserve	27,246	7,649
	Other Technical expenses	4,474	3,681
	Change in unallocated loss adjustment expense	1,320	596
		445,533	**343,677**
	Recoverable from reinsurance:		
	Claims recoveries from reinsurers	(65,161)	(30,827)
	Net claims and loss adjustment expense	**380,373**	**312,850**
	Life business		
	Benefits and claims paid	47,986	42,488
	Change in Life fund	45,186	2,760
	Change in claims outstanding	1,045	165
	Other Technical expenses	25	92
	Change in incurred but not reported reserve	2,155	1,016
		96,397	**46,520**
	Recoverable from reinsurance:		
	Claims recoveries from reinsurers	(13,227)	(10,280)
	Net claims and loss adjustment expense	**83,170**	**36,240**
	Total	**463,543**	**349,090**

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		30 June 2023 Birr'000	30 June 2022 Birr'000
11	**Operating and other expense**		
	General business		
	Director fixed emoluments	705	800
	Shareholders meeting expense	518	347
	Depreciation	25,595	21,835
	Amortization	492	344
	Depreciation-ROU	9,473	7,881
	Financial expense	6,867	3,642
	Office rent	4,876	4,264
	Auditor remuneration	210	192
	Other general expense	15,214	9,452
	Repair and maintenance	10,721	7,074
	Stationeries and office supplies	9,896	4,908
	Gifts and donations	5,679	1,695
	Communication costs	3,126	2,945
	Transportation costs	7,402	3,986
	Advertising and promotion	5,950	5,657
	Insurance costs	2,194	1,663
	Annual general meeting	-	
	Professional services	1,521	585
		110,439	**77,271**
	Employee benefits expense		
	Salaries and wages	96,688	78,492
	Staff insurance	3,462	3,772
	Leave pay	2,946	2,901
	Staff bonus	35,077	19,588
	Staff training expense	6,409	1,608
	Defined contribution costs- employers" contribution	13,275	10,584
	Defined benefit costs- severance pay	3,037	1,429
	Other staff expenses	15,663	11,811
		176,558	**130,185**
		286,998	**207,457**
	Operating and other expense		
	Life business		
	Director fixed emoluments	77	-
	Depreciation	1,624	1,486
	Amortization	38	38
	Financial expense	138	107
	Auditor remuneration	25	21
	Other general expense	498	360

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	Actuarial fee	197	194
	Gifts and donations	50	
	Repair and maintenance	22	62
	Stationeries and office supplies	1,123	473
	Communication costs	106	125
	Insurance costs	96	
	Transportation costs	367	421
	Advertising and promotion	414	514
		4,773	**3,800**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
	Employee benefits expense		
	Salaries and wages	3,338	2,450
	Staff insurance	122	129
	Leave pay	168	105
	Staff bonus	1,514	1,063
	Defined contribution costs	354	284
	Defined benefit costs	30	42
	Other staff expenses	2,510	1,910
		8,036	**5,983**
		12,809	**9,783**
	Total operating and Other Expenses	**299,807**	**217,240**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
11a	**Impairment of receivables-provision**		
	Insurance /Other assets- Charge for the year	2,350	1,816
	Change for the year	(370)	-
		1,980	**1,816**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
12	**Underwriting expenses**		
	General business		
	Commission expense	87,502	50,803
	Changes in deferred acquisition cost	(17,416)	(5,478)
		70,086	**45,325**
	Life business		
	Commission expense	7,512	5,745
	Changes in deferred acquisition cost	(2,339)	(77)
		5,173	**5,668**
	Total underwriting expenses	**75,259**	**50,993**

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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 2023	30 June 2022
		Birr'000	Birr'000
13	**Finance (income) / costs**		
	General business		
	Finance costs-Lease	944	763
	Bank Loan	-	988
	Life business		
	Finance costs-Lease	-	-
		944	**1,751**

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 Quality recovery site.

14 **Property, plant and equipment**

a) **General Business**

	Buildings	Office equip	Computer equip	Furni and fittings	Motor vehicle	Fence and recovery	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2021	266,146	9,242	11,660	13,536	66,890	1,059	368,533
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**
As at 1 July 2022	266,235	9,369	13,496	14,678	87,209	1,059	392,045
Additions	3,448	1,222	15,433	2,527	15,214	-	37,844
Disposals / Transfer	-		(65)		(830)	-	(895)
Reclassification	-	-	-	-	7,100	-	7,100
As at 30 June 2023	**269,683**	**10,591**	**28,863**	**17,205**	**108,693**	**1,059**	**436,095**
Accumulated depreciation							
As at 1 July 2021	10,338	5,712	6,133	5,399	20,207	314	48,103
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	-	-	-	0	-	-	-
As at 30 June 2022	**15,512**	**6,284**	**6,979**	**6,178**	**26,381**	**419**	**61,753**

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As at 1 July 2022	15,512	6,284	6,979	6,178	26,381	419	61,754
Charge for the year	5,433	851	3,112	1,369	8,946	105	19,815
Disposals	-	-	-	-	(433)	-	(433)
Reclassification		-	-	-	-	-	-
As at 30 June 2023	**20,944**	**7,135**	**10,091**	**7,547**	**34,895**	**524**	**81,136**
Net book value							
As at 1 July 2021	255,808	3,530	5,527	8,137	46,683	745	320,430
As at 30 June 2022	250,723	3,085	6,517	8,500	60,828	640	330,292
As at 30 June 2023	**248,739**	**3,456**	**18,772**	**9,658**	**73,799**	**535**	**354,958**

b) **Life business**

	Buildings	Office equip	Computer equipment	Furniture and fittings	Motor vehicles	Fence and recovery	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2021	15,000	75	324	460	2,195	-	18,054
Additions	-	-	-	-	-	-	-
Disposals/Transfer	-	8	37	54	-	-	99
Disposals	-	-	-	-	-	-	-
As at 30 June 2022	**15,000**	**83**	**361**	**514**	**2,195**	**-**	**18,153**
As at 1 July 2022	15,000	83	361	514	2,195	-	18,153
Additions	-		-	-	-	-	-
Disposals/Transfer	-	-	65	-	-	-	65
Reclassification	-	-	-	-	-	-	-
As at 30 June 2023	**15,000**	**83**	**426**	**514**	**2,195**	**-**	**18,218**
Accumulated depreciation							
As at 1 July 2021	571	52	161	156	879	-	1,819
Charge for the year	285	6	35	45	209	-	579
Disposals/Transfer	-	-	-		-	-	-
As at 30 June 2022	**856**	**58**	**196**	**201**	**1,088**	**-**	**2,398**
As at 1 July 2022	856	58	196	201	1,088	-	2,398
Charge for the year	285	6	45	46	209	-	591
Disposals	-	-	-	-	-	-	-
As at 30 June 2023	**1,141**	**64**	**241**	**247**	**1,296**	**-**	**2,988**
Net book value							

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As at 1 July 2021	14,429	23	163	304	1,316	-	16,235
As at 30 June 2022	14,144	25	166	313	1,107	-	15,755
As at 30 June 2023	**13,859**	**19**	**186**	**267**	**899**	**-**	**15,230**

Total Net book value Summary

As at 1 July 2021	270,237	3,553	5,690	8,441	47,999	745	336,665
As at 30 June 2022	264,867	3,110	6,682	8,813	61,935	640	346,048
As at 30 June 2023	**262,598**	**3,475**	**18,958**	**9,925**	**74,698**	**535**	**370,188**

		30 June 2023 Birr'000	30 June 2022 Birr'000
15	**Investment property**		
a)	**General business**		
	Cost:		
	Bole Medhanialem Building	76,370	99,396
	Kality Building	117,371	117,228
	Barhidar Building	48,000	48,000
		241,741	**264,624**
	Accumulated depreciation:		
	Bole Medhanialem Building	11,018	11,459
	Kality Building	11,409	9,127
	Bahirdar Building	6,384	5,472
		28,811	**26,058**
	Net book value	**212,929**	**238,566**
b)	**Life business**		
	Cost:		
	Bole Medhanialem Building	75,504	52,476
	Accumulated depreciation:		
	Bole Medhanialem Building	10,046	5,985
		10,046	**5,985**
	Net book value	**65,458**	**46,491**
	Net book value Summary	**278,387**	**285,057**

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.

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c) **Amounts recognized in profit or loss for investment properties**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Rental income	55,534	45,824
Direct operating expenses	(12,780)	(11,046)
Net income	**42,754**	**34,778**

d) **Fair value measurement of the Company's investment properties**

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

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

The 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 2023	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-		151,874
Kality Building	-		117,371
Bahidar building	-		48,000
	-		**317,245**

30 June 2022	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-		151,872
Kality Building			117,228
Bahidar building	-		48,000
	-		**317,100**

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16 **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 2021	7,699	304	8,003
Acquisitions	1,145	-	1,145
Internal development	-	-	-
Transfer from property, plant and equipment	-	-	-
As at 30 June 2022	**8,843**	**304**	**9,147**
As at 1 July 2022	8,843	304	9,147
Acquisitions	2,660	-	2,660
Internal development	-	-	-
Transfer from property and equipment	-	-	-
As at 30 June 2023	**11,504**	**304**	**11,808**

	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 2021	7,338	61	7,399
Amortization for the year	249	38	287
As at 30 June 2022	**7,587**	**99**	**7,686**
As at 1 July 2022	7,587	99	7,686
Amortization for the year	397	38	435
Impairment losses	-	-	-
As at 30 June 2023	**7,984**	**137**	**8,121**
Net book value			
As at 1 July 2021	361	243	604
As at 30 June 2022	1,256	205	1,461
As at 30 June 2023	**3,520**	**167**	**3,686**

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		30 June 2023 Birr'000	30 June 2022 Birr'000
17	**Investment securities :**		
(a)	**Available for sale**		
	General business		
	Equity Investments	170,346	166,247
	Less: Impairment	-	-
		170,346	**166,247**
	Life business		
	Equity Investments	51,154	50,129
	Less: Impairment	-	-
		51,154	50,129
	At end of year	**221,500**	**216,376**

The Company holds equity investments in the following entities;

	30 June 2023 Birr'000		30 June 2022 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	39,806	2.5%	25,250	2.5%
Habesha Cement Factory SC	5,300	0.5%	5,300	0.5%
	221,499	**221499**	**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 2023 Birr'000	30 June 2022 Birr'000
(b)	**Loans and receivables**		
	General business		
	Government securities held to maturity	22,031	1,668
	Additions		
	Interest received on Government Bond	-	-
	Interest receivable on Government Bond	1,450	66
		23,481	**1,734**

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	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
Development Bank Bond-Investment	5,205	
Government securities held to maturity		-
Additions		
Government securities held to maturity		-
Interest received on Government Bond		-
Interest receivable on Government Bond	-	-
	5,205	**-**
At end of year	**28,686**	**1,734**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	28,686	-
Non - Current	221,499	218,111
	250,185	**218,111**

18 **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 2023 Birr'000	30 June 2022 Birr'000
General business		
Statutory deposits	113,505	67,392
Reclassification	134	-
Interest receivable on Government Bond	3,485	2,556
	117,124	**69,947**
Life business		
Statutory deposits	12,450	7,500
Interest receivable on Government Bond	740	362
Statutory deposits	**13,190**	**7,862**
	130,314	**77,810**

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

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	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the Year	77,810	73,762
Additions	51,197	4,008
Interest received on statutory deposit invested in Government Bond	(2,918)	(2,878)
Interest receivable on statutory deposit invested in Government Bond	4,225	2,918
At the end of the Year	**130,314**	**77,810**

The minimum amount required to be set aside is Br126,089 (2022 : Br74,892, 2021: Br71,003), accrued interest receivable on the statutory deposit transferred to Ethiopian Government savings Bond of Br4,225(2021: Br2,918 2021: Br2,878) has been included in the above figures.

19 **Reinsurance receivables**

	30 June 2023 Birr'000	30 June 2022 Birr'000
General Business		
Gross receivables	5,351	5,382
Recovered receivable	-	(31)
Impairment provision	(5,351)	(5,351)
	-	-

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
Gross receivables	8,164	3,659
Impairment provision	-	-
	8,164	**3,659**
	8,164	**3,659**

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

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	8,164	3,659
Non- current		-
	8,164	**3,659**

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		30 June 2023	30 June 2022
20	**Insurance Receivables**	Birr'000	Birr'000
	Due from policyholders	3,172	11,038
	Due from risk sharing (local insurers)	5,438	7,053
		8,611	18,091
	Provision for impairment	(2,350)	(10,925)
		6,261	**7,166**

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At start of the year	10,925	9,084
Increase/ (Decrease) in the year	(8,575)	1,841
As at the end of the year	**2,350**	**10,925**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
21	**Reinsurers' share of technical provision and reserves/Reinsurance assets**		
	General business		
	Unearned premium	175,340	134,183
	Notified claims outstanding	121,964	54,684
	Claims incurred but not reported	18,318	10,726
	At end of year	**315,623**	**199,593**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Life business		
Unearned premium	16,290	5,538
Notified claims outstanding	1,588	2,358
Claims incurred but not reported	287	174
At end of year	**18,166**	**8,071**
Total General and Life Business	**333,789**	**207,664**

Maturity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	333,789	207,664
Non Current	-	-
	333,789	**207,664**

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These are Reinsurers' share of technical provisions and reserves. The Company has made a review of an impairment test to the reinsurance assets and no impairment is required in respect of these assets as the Company has the right to 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 2023	30 June 2022
		Birr'000	Birr'000
22	**Policy holder loans**		
	Life Business		
	Policy holder loans	97	101
	At end of year	**97**	**101**
	Maturity profile of policy loans		
	Loans maturing :		
	Within 1 year	16	30
	Within 1 - 5 years	81	71
	In over 5 years	-	
		97	**101**

23 **Deferred acquisition costs**

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
General business	40,998	23,582
Life business	4,586	2,247
At end of year	**45,584**	**25,829**

The movement in deferred acquisition cost is as follows:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At the beginning of the Year	25,829	15,468
Change during the year	19,755	10,361
At the end of the Year	**45,584**	**25,829**

24 **Salvage property held for sale**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Non-current asset held for sale	31,640	25,785
	31,640	**25,785**

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the Year	25,785	4,839
Additions during the year	31,640	25,785
Sold during the year	(25,785)	(4,839)
At the end of the Year	**31,640**	**25,785**

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. These assets salvage value is estimated by Company's in-house surveyors at the reporting date.

		30 June 2023 Birr'000	30 June 2022 Birr'000
25	**Other assets**		
	Loans and receivables:		
	General business		
	Rent receivable	889	464
	Restricted cash	-	1,081
	Inter office receivable - Life	-	-
	Staff debtors	15,841	11,176
	Sundry debtors	1,635	1,591
		18,366	**14,311**
	Non financial assets:		
	Deposits and prepayments	2,314	11,289
	Prepaid staff assets	664	411
	Deferred tax assets. Employee benefit	1,291	902
	Prepayments For Building	-	-
		4,270	**12,602**
	Less impairment loss on other assets:		
	On other receivables	-	-
	on non financial assets	-	-
		22,635	**26,913**
	Loans and receivables:		
	Life business		
	Receivables on policy loan	17	22
	Inter office receivable - Life	7,729	4,446
	Sundry debtors	937	549
		8,683	**5,017**

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Non financial assets:		
Deposits	-	-
Deferred tax assets. Employee benefit	160	25
Prepayments	-	-
	160	**25**
Less impairment loss on other assets:		
On other receivables	-	-
on non financial assets	-	-
	8,843	**5,042**
	31,478	**31,956**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	31,478	31,956
Non Current	-	-
	31,478	**31,956**

At 30 June, there is no allowance for impairment losses

		30 June 2023 Birr'000	30 June 2022 Birr'000
26	**Cash and Bank balances**		
	General business		
	Cash in hand	15,713	11,705
	Cash at bank	66,560	36,943
	Deposits with financial institutions	1,495,124	737,609
		1,577,396	**786,257**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	1,577,396	731,257
Non- current	-	55,000
	1,577,396	**786,257**

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.

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	30 June 2023	30 June 2022
Cash and Bank balances	Birr'000	Birr'000
Life business		
Cash in hand	31	22
Cash at bank	13,937	2,509
Deposits with financial institutions	190,135	124,441
	204,103	**126,973**

Maturity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	204,103	126,973
Non- current	-	-
	204,103	126,973
Total Cash and Bank balances	**1,781,500**	**913,230**

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 2023	30 June 2022
	Birr'000	Birr'000
Cash and cash equivalents		
General business		
Cash in hand	15,713	11,705
Cash at bank	66,560	36,943
Short term deposits with bank		
	82,272	**48,648**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Life business		
Cash and cash equivalents		
Cash in hand	31	22
Cash at bank	13,937	2,509
Short term deposits with bank		
	-	-
	13,968	2,532
Total cash and cash equivalents	96,240	51,180
Total deposits with fiancial institutions	**1,685,260**	**862,050**

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The movement of deposits with financial institutions

	30 June 2023 Birr'000	30 June 2022 Birr'000
General business		
As at 1 July	737,609	342,454
Additions	693,124	155,054
Interest received on Fixed time deposit	(23,435)	(15,015)
Interest receivable on fixed time deposit	86,758	23,435
As at 30 June	**1,494,057**	**737,609**

The movement of deposits with financial institutions

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
As at 1 July	113,807	122,049
Additions	72,779	(8,232)
Interest received on Fixed time deposit	(3,877)	(3,887)
Interest receivable on fixed time deposit	7,426	3,877
As at 30 June	**190,135**	**113,807**

27 **Insurance contract liabilities**

a) **General business**

	30 June 2023	30 June 2022
Gross insurance contracts :		
Claims reported and loss adjustment expenses	454,082	345,852
Claims incurred but not reported IBNR	91,603	56,765
Additional unexpired risk reserve	726,406	465,923
Unallocated loss adjustment expense	4,624	3,304
Total insurance liabilities, gross	**1,276,715**	**871,844**
Recoverable from reinsurers:		
Notified claims outstanding	121,964	54,684
Claims incurred but not reported	18,318	10,726
Additional unexpired risk reserves	175,340	134,183
Total reinsurers' share of insurance liabilities	**315,623**	**199,593**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	332,118	291,169
Claims incurred but not reported IBNR	73,285	46,039
Additional unexpired risk reserve	551,065	331,739
Unallocated loss adjustment expense	4,624	3,304
Total insurance contract liabilities, net	**961,092**	**672,251**

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b)	**Gross Life business insurance contracts:**		
	Gross insurance contracts :		
	Claims reported and loss adjustment expenses	5,680	5,405
	Claims incurred but not reported IBNR	5,749	3,480
	Additional unexpired risk reserves	82,424	49,586
c)	**Total insurance liabilities, gross**	**93,853**	**58,470**
	Recoverable from reinsurers		
	Notified claims outstanding	1,588	2,358
	Claims incurred but not reported	287	174
	Additional unexpired risk reserve	16,290	5,538
	Unallocated loss adjustment expense	-	-
	Total reinsurers' share of insurance liabilities	**18,166**	**8,071**
	Net Insurance contracts liabilities:		
	Claims reported and loss adjustment expense	4,092	3,046
	Claims incurred but not reported IBNR	5,461	3,306
	Additional unexpired risk reserve	66,134	44,047
	Unallocated loss adjustment expense	-	-
	Total insurance contract liabilities, net	**75,687**	**50,400**
	Total insurance liabilities, gross	1,370,568	930,315
	Total reinsurers' share of insurance liabilities	333,789	207,664
	Total insurance contract liabilities, net	**1,036,779**	**722,651**
	Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
	Current	1,036,779	722,651
	Non- current	-	-
		1,036,779	**722,651**

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

d) **General Business insurance contracts:**

	30 June 2023 Birr'000			30 June 2022 Birr'000		
	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	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	0	2,708
At the end of the year	**405,922**	**65,410**	**340,512**	**326,967**	**51,192**	**275,775**
At the beginning of the year						
Paid claims for the year	(445,533)	(65,161)	(380,373)	(343,677)	(30,827)	(312,850)
Increase In Liability:						
Current and prior period	995,843	205,443	790,400	749,599	96,237	653,362
At the end of the year	**550,310**	**140,283**	**410,027**	**405,922**	**65,410**	**275,775**
Notified claims (Outstanding plus disputed)	454,082	121,964	332,118	345,852	54,684	291,169
IBNR	91,603	18,318	73,285	56,765	10,726	46,039
ULAE	4,624	-	4,624	3,304		3,304
At the end of the year	**550,310**	**140,283**	**410,027**	**405,922**	**65,410**	**340,512**

(ii) **Provision for unearned premiums**

30 June 2023

	Gross	Reinsurance	Net
Class of Business	Birr'000	Birr'000	Birr'000
Engineering	24,829	9,152	15,677
Liability	26,619	3,661	22,958
Pecuniary	68,487	30,375	38,112
Fire	71,739	56,935	14,804
Burglary and House breaking	2,609	1,353	1,256
Accident	4,577	320	4,257
Medical	3,037	986	2,051
Workmen's Compensation	6,714	401	6,314
Motor	452,722	24,380	428,342
Aviation	17,158	14,166	2,993
Marine	9,217	959	8,258
Goods in transit	4,387	291	4,096
Miscellaneous	34,310	32,362	1,949
	726,406	**175,340**	**551,065**

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30 June 2022	Gross	Reinsurance	Net
Class of Business	Birr'000	Birr'000	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**

	30 June 2023			30 June 2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Movement	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
At 1 July	465,923	134,183	331,739	251,114	51,923	199,191
Change in unearned income	260,483	41,157	219,326	214,809	82,260	132,548
As at 30 June	**726,406**	**175,340**	**551,065**	**465,923**	**134,183**	**331,739**

e) **Life business insurance contracts:**

(i) **Provision for unearned premiums**

30 June 2023	Gross	Reinsurance	Net
Class of Business	Birr'000	Birr'000	Birr'000
Group Term	25,124	13,425	11,698
Arab travelers	43,920	2,196	41,724
Funeral	94	5	90
Mortgage	0	-	0
Group medical	13,286	664	12,622
	82,424	**16,290**	**66,134**

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**

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	30 June 2023			30 June 2022		
	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	49,586	5,538	44,047	14,653	2,472	12,181
Change in unearned income	32,838	10,752	22,087	34,933	3,066	31,866
At the end of the year	**82,424**	**16,290**	**66,134**	**49,586**	**5,538**	**44,047**

(ii) **Life insurance funds**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At the beginning of the year	82,843	79,925
Net premium received investment income	121,748	78,790
Change in net UPR	(22,087)	(16,707)
Investment income	37,031	27,802
other income	148	402
claims paid	(34,133)	(42,324)
Claims recovered from reinsurers management expenses	0	10,280
Change in net IBNR	(2,155)	(1,016)
Management expenses	(12,809)	(9,783)
Net commission paid/(Received)	(861)	(4,270)
Changes in outstanding claims	(1,045)	(164)
Distribution to policy holders	0	0
Other outgo	(25)	(92)
Distribution to shareholders	(40,000)	(40,000)
At the end of the year	**128,655**	**82,843**

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

	30 June 2023	30 June 2022
Life Fund Movement	Birr'000	Birr'000
Actuarial Liabilities	82,843	92,380
Actuarial surplus	85,812	34,463
Distribution to Shareholders	(40,000)	(44,000)
Life Fund	**128,655**	**82,843**

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(iii) **Outstanding claims provision**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At the beginning of the year	1,800	1,635
Change in Outstanding claim	(755)	165
At the end of the year	**1,045**	**1,800**

28 **Deferred reinsurance commission**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
General business	42,854	33,196
Life business	154	134
	43,007	**33,329**

29 **Insurance payables**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
General business		
Due to Reinsurers	98,223	86,370
Payable to local Insurance	8,781	5,003
Impairment provision	-	-
At end of the year	**107,004**	**91,373**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Life business		
Due to Reinsurers	16,463	7,166
Payable to local Insurance	-	-
Impairment provision	-	-
At end of the year	16,463	7,166
Gross amount	**123,467**	**98,539**

Maturity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	123,467	98,539
Non- current	-	-
	123,467	**98,539**

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 2023 Birr'000	30 June 2022 Birr'000
30	**Other liabilities**		
a)	**General business**		
	Financial liabilities		
	Dividend payable	21,433	23,231
	Directors' Fee	-	-
	Commission payable	12,922	11,185
		34,354	**34,416**
	Non financial liabilities		
	Sundry creditors	13,484	9,139
	Uncollected cheques	6,435	4,334
	Deferred tax employee liability	-	
	Deferred income	10,866	3,075
	Retention fee payable	2,293	2,872
	Inter office A/C with life	7,729	4,402
	Provisions	57,697	29,655
	Rent advance	10,607	9,617
	Debtors with credit balance	2,752	4,540
		111,861	**67,633**
		146,216	**102,049**
b)	**Life business**		
	Financial liabilities		
	Dividend payable	-	-
	Directors' Fee	-	
	Commission payable	-	-
		-	-
	Non financial liabilities		
	Sundry creditors	3,168	1,626
	Uncollected cheques	-	-
	Withholding tax	-	-
	Inter office A/C with Non life	-	-
	Retention fee payable		
	Provisions	586	1,277
	Rent advance	-	-
	Debtors with credit balance	-	-
		3,755	2,904
		3,755	2,904
	Gross amount	**149,970**	**104,953**

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Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	149,970	104,953
Non- current		
	149,970	**104,953**

31 **Company income and deferred tax**

a) **Current income tax**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Company income tax	54,180	21,939
Prior year (over)/ under provision	-	-
Deferred income tax/(credit) to profit or loss	10,040	3,412
Total charge to profit or loss	64,220	25,351
Balance charged to undistributable		
Tax (credit) on other comprehensive income	(524)	(417)
Total tax in statement of comprehensive income	**63,696**	**24,934**

b) **Reconciliation of effective tax to statutory tax-30 June 2023**

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	**350,720**	**40,000**	**390,720**
Add : Disallowed expenses			
Entertainment	2,917	238	3,156
Penalty	36	-	36
Leave - Provision	2,290	168	2,458
Gifts and donations	10	-	10
Shareholders' meeting expenses	518	-	518
Giveaway items	799	67	865
Medical expenses for UNIC-staff employee family	486	-	486
Staff award expense	148	-	148
Severance pay- provision	1,287	31	1,318
Impairment of receivables-Provision	1,980	-	1,980
Depreciation for right of use asset	9,473	-	9,473
Interest on lease liability of right of use asset	396	-	396
Additional tax paid for previous years	2,315	-	2,315
Depreciation for IFRS accounting purpose	25,595	1,624	27,218
Amortization for IFRS accounting purpose	492	38	530
Total disallowable expenses	**48,742**	**2,166**	**50,908**

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Less : Allowable expense			
Depreciation for tax purpose	45,829	4,058	49,887
Amortization for tax purposes	1,099	29	1,128
Dividend income taxed at source	28,489	8,945	37,434
Gain on sale of Shares taxed at source	1,277	-	1,277
Rent expenses lease term over a year	10,386	-	10,386
Interest income taxed at source-Local Deposit	140,203	20,713	160,917
Total allowable expenses	**227,283**	**33,746**	**261,029**
Taxable profit	**172,179**	**8,420**	**180,599**
Current tax at 30%	**51,654**	**2,526**	**54,180**

C) **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
25th Anniversary & inauguration expense	-	-	-
Additional prior period profit tax	15	-	15
Medical expenses for UNIC-staff employee family	399	-	399
Staff award expense	390	-	390
Severance Liability	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
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**
Less: Allowable expense			
Depreciation for tax purpose	32,504	3,601	36,105
Amortization for tax purposes	529	43	572
Dividend income taxed at source	25,134	7,918	33,052
Gain on sale of equity	8,138	-	8,138

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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**

d)	**Current income tax assets / (liability)**	30 June 2023 Birr'000	30 June 2022 Birr'000
	Balance at the beginning of the year	(11,465)	(14,901)
	Current year provision	(54,180)	(21,939)
	WHT Not utilized	16,252	10,474
	Payment during the year	11,465	14,901
	Balance at the end of the year	**(37,928)**	**(11,465)**

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 2023 Birr'000	30 June 2022 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	53,374	43,858
To be recovered within 12 months	-	-
	53,374	**43,858**

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 2023

Deferred income tax assets/(liabilities):	At 1 July 2022 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Property, plant and equipment	45,524	9,736		55,260
Intangibles	9	176		185
Unrealized exchange gain	-			-
Tax losses charged to profit or loss	-	-		-
Post employment benefit obligation	(1,676)	128	(524)	(2,071)
Total deferred tax assets/(liabilities)	**43,857**	**10,040**	**(524)**	**53,374**

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30 June 2022	At 1 July 2021	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2022
Deferred income tax assets/(liabilities):	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**

32 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 amortised cost using the effective interest method, with accretion of lease liabilities recorded as interest expense in the statement of profit or loss and other comprehensive income. Each lease payment is allocated between principal and interest expense to produce a constant periodic rate of interest on the remaining balance of the lease liability. The interest and principal portions cash payments on lease liabilities are reported as operating activities and financing activities respectively in the statement of cash flows.

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

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

		Office premises	
a)	**Right- of use assets**	30 June 2023	30 June 2022
		Birr'000	Birr'000
	At the beginning of the year	10,580	7,517
	Additions	14,076	10,944
	Depreciations expenses	(9,473)	(7,881)
	At the end of the year	**15,183**	**10,580**

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 Bole medhanialem is 60,50 and 12 years respectively. Information about the leases in which the Company is a lessee is presented below:

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	30 June 2023	30 June 2022
Cost:	Birr'000	Birr'000
At the beginning of the year	3,959	5,421
Accumulated depreciation from prepaid operating lease holding land	(95)	(1,462)
At the end of the year	3,864	3,959
Depreciation		
At the beginning of the year	-	-
Charge for the year	95	95
	3,864	3,959
Total Right of use assets	**19,048**	**14,539**

c) **Lease liabilities**

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At the beginning of the year	6,531	3,755
Additions	7,907	6,191
Accretion of interest		
payments	(4,173)	(3,415)
At the end of the year	**10,265**	**6,531**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
d) **Leasehold land lease liability**		
Land Lease Payable	-	246
	-	246
Total lease Liability	**10,265**	**6,778**

Maturity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	10,265	6,531
Non current	0	246
	10,265	**6,778**

	30 June 2023	30 June 2022
Amount recognised in profit or loss	Birr'000	Birr'000
Depreciation expense of right of use assets	9,473	7,881
Interest expense on lease liabilities	396	672
Expense relating to short term leases (included in other lease expenses)		
Expenses relating to leases of low value assets (included in admin. expenses)	4,876	4,264
Variable lease payments		0
Total amount recognized in profit or loss	**14,745**	**12,818**
Amount recognised in the statement of cash flows		

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	30 June 2023	30 June 2022
	Birr'000	Birr'000
Total cash out flow for leases	**4,173**	**3,415**

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 recognised from investment property by the Company during the year is Birr 55,535,000 (2022: Birr 45,824,000).
Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2021are as follows:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Within one year	60,732	48,115
After one year but not more than five years	245,385	240,574
More than five years	294,463	288,689
	600,580	**577,378**

			30 June 2023	30 June 2022
			Birr'000	Birr'000
33	**Defined benefit liability**			
	Defined benefits liabilities:			
	Severance pay - Life business	Note 36(a)	186	155
	Severance pay - Non life business	Note 36(a)	6,719	5,431
	Liability in the company statement of financial position		**6,905**	**5,586**
	Income statement charge included in personnel expenses:			
	Severance costs - Life business	Note 36(a)	153	110
	Severance costs - Non life business	Note 36(a)	6,719	3,403
	Total defined benefit expenses		**6,276**	**3,513**
	Remeasurement for:			
	Life business			
	Remeasurement (gains)/losses - Life business		450	17
	Deferred tax (liability)/asset on Remeasurement gain or loss		135	5
			315	12
	General business			
	Remeasurement (gains)/losses - Non life business		1,296	1,373
	Deferred tax (liability)/asset on Remeasurement gain or loss		389	412
			907	961
	Gross amount		**1,222**	**973**

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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.

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

		30 June 2023 Birr'000	30 June 2022 Birr'000
A	**Defined benefit liability**		
	Liability recognized in the financial position - Life business	186	155
	Liability recognized in the financial position - General business	6,719	5,431
		6,905	**5,586**

		30 June 2023 Birr'000	30 June 2022 Birr'000
B	**Amount recognized in the profit or loss**		
	Life business		
	Current service cost	160	92
	Interest cost	(7)	17
	Past service cost	-	-
		153	**109**
	General business		
	Current service cost	5,401	2,877
	Interest cost	722	526
	Past service cost	-	-
		6,123	3,403
	Gross amount	**6,276**	**3,512**
C	**Amount recognized in other comprehensive income:**		
	Remeasurement (gains)/losses arising from changes in demographic assumptions - Life	450	17
	Remeasurement (gains)/losses arising from changes in demographic assumptions - General	1,296	1,373
		1,746	**1,390**

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
At the beginning of the year	155	127
Current service cost	160	92
Interest cost	(7)	17
Remeasurement (gains)/ losses	450	17
Past service cost	-	-
Benefits paid	(572)	(98)
At the end of the year	**186**	**155**
General business		
At the beginning of the year	5,431	3,844
Current service cost	5,401	2,877
Interest cost	722	526
Remeasurement (gains)/ losses	1,296	1,373
Past service cost	-	-
Benefits paid	(6,131)	(3,189)
At the end of the year	**6,719**	**5,431**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2023 Birr'000	30 June 2022 Birr'000
Discount rate (p.a)	14.30%	14.25%
Long term salary Increase rate (p.a)	12.30%	12.25%

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:

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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	15.000%	15.000%
25	12.000%	12.000%
30	6.000%	6.000%
35	2.500%	2.500%
40	1.800%	1.800%
45	1.000%	1.000%
50	0.180%	0.080%
55	0.080%	0.080%
60	0.080%	0.080%

iv) Ill-Health/Disability

The withdrawal rates are as summarized below :

Age	Resignation rates per annum	
	Male	Female
20	0.040%	0.040%
25	0.040%	0.040%
30	0.040%	0.040%
35	0.040%	0.040%
40	0.063%	0.050%
45	0.110%	0.080%
50	0.200%	0.140%
50	0.350%	0.250%
55	0.570%	0.420%
60		

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

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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	14.30%	15.30%	14.30%	13.30%	14.30%
Salary rate	12.30%	12.30%	13.30%	12.30%	11.30%
Net liability at start of period	**5,431,228**	**5,431,228**	**5,431,228**	**5,431,228**	**5,431,228**
Total net expense recognized in income statement	6,122,914	6,122,914	6,122,914	6,122,914	6,122,914
Net expense recognized in other comprehensive income	1,295,909	904,030	1,725,798	1,740,294	912,333
Employer contribution	(6,131,413)	(6,131,413)	(6,131,413)	(6,131,413)	(6,131,413)
Net liability at end of period	**6,718,638**	**6,326,759**	**7,148,527**	**7,163,023**	**6,335,062**

	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 increase 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**

Life business

	30 June 2023				
	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	14.30%	14.30%	14.30%	14.30%	14.30%
Salary rate	12.30%	12.30%	12.30%	12.30%	12.30%
Net liability at start of period	**155,237**	**155,237**	**155,237**	**155,237**	**155,237**
Total net expense recognized in income statement	152,534	152,534	152,534	152,534	152,534
Net expense recognized in other comprehensive income	450,117	439,502	461,646	462,269	439,950
Employer contribution	(571,903)	(571,903)	(571,903)	(571,903)	(571,903)
Net liability at end of period	**185,985**	**175,370**	**197,514**	**198,137**	**175,818**

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			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%	12.25%	1.25%	12.25%	11.25%
		Birr'000	Birr'000	Birr'000	Birr'000
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 increase 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**

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 6.3 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.

		30 June 2023	30 June 2022
		Birr'000	Birr'000
34	**Ordinary share capital**		
	Authorized:		
	1,500,000 ordinary shares of Birr 1000 each	1,500,000	500,000
	Issued and fully paid:		
	499,278 ordinary shares of Birr 1000 each	499,278	473,416
	341,318 ordinary shares of Birr 1000 each	341,318	25,862
	Total share capital & share premium	**840,596**	**499,278**
	Share Premium	**21,717**	**-**

The movements in issued ordinary shares and fully paid share :

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	No. of shares (thousands)	Share Capital ETB'000	Total ETB"000
At 1 July 2021	473,416	473,416	473,416
Issue of ordinary shares	25,862	25,862	25,862
As at 30 June 2022	**499,278**	**499,278**	**473,416**
At 1 July 2022	499,278	499,278	499,278
Issue of ordinary shares	341,318	341,318	341,318
As at 30 June 2023	**840,596**	**840,596**	**840,596**

35 **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 2023 Birr'000	30 June 2022 Birr'000
Current year profit Attributable to the shareholders	**327,024**	**181,563**
Weighted Average number of ordinary share in issue	**681,512**	**489,664**
Earnings per share in BIRR	**479.85**	**370.79**

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.

36 **Retained earnings**	30 June 2023 Birr'000	30 June 2022 Birr'000
General business		
At the beginning of the year distributable earnings	132,180	97,245
At the beginning of the year undistributable earnings	61,468	61,468
Profit/ (Loss) for the year	290,269	146,867
Transfer to legal reserve	(29,027)	(14,687)
Transfer to capital	(116,218)	(23,152)
Transfer to life fund	-	0
Dividend provided for	(15,962)	(74,093)
Total retained earnings- General business	**322,710**	**193,648**
At the end of the year undistributable earnings	61,468	61,468
At the end of the year distributable earnings	**261,242**	**132,180**

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		30 June 2023 Birr'000	30 June 2022 Birr'000
	Life business		
	At the beginning of the year distributable earnings	31,224	33,359
	At the beginning of the year undistributable earnings	4,472	4,472
	Profit/ (Loss) for the year	36,755	34,696
	Transfer to legal reserve	(3,676)	(3,470)
	Transfer to Capital	(31,224)	(2,710)
	Dividend provided for	0	(30,651)
	Total retained earnings- Life business	**37,552**	**35,696**
	At the end of the year undistributable earnings	**4,472**	**4,472**
	At the end of the year distributable earnings	**33,080**	**31,224**
		360,262	**229,345**

		30 June 2023 Birr'000	30 June 2022 Birr'000
37	**Legal reserve**		
	General business		
	At the beginning of the year	91,954	77,267
	Transfer from profit or loss	29,027	14,687
	At the end of the year	**120,981**	**91,954**
	Life business		
	At the beginning of the year	21,522	18,052
	Transfer from profit or loss	3,676	3,470
	At the end of the year	**25,197**	**21,522**
		146,178	**113,476**

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 2023 Birr'000	30 June 2022 Birr'000
38	**Life fund reserve**		
	Life business		
	At the beginning of the year	82,843	79,925
	Transfer from / to retained earnings	45,812	2,918
	At the end of the year	**128,655**	**82,843**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

		30 June 2023	30 June 2022
		Birr'000	Birr'000
39	**Actuarial (gain)/Loss of employee**		
	General Business		
	At the beginning of the year	1,322	361
	Gross (gain)/loss	1,296	1,373
	Deferred tax asset/(liability)	389	412
	Net (gain)/Loss	**2,229**	**1,322**
	Life business		
	At the beginning of the year	24	12
	Gross (gain)/loss	450	17
	Deferred tax asset/(liability)	135	(5)
	Net (gain)/Loss	**339**	**24**
		2,568	**1,346**

		Notes	30 June 2023	30 June 2022
			Birr'000	Birr'000
40	**Cash generated from operating activities**			
	Profit before tax	31(b)	**390,720**	**206,497**
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment	14,15	27,220	23,322
	Amortization of intangible assets	16	435	287
	Right of use asset -depreciation	33	9,568	7,976
	Gain/(Loss) on disposal of property, plant and equipment	40	(753)	(3,050)
	Fixed assets adjustment	14	(7,100)	-
	Change in operational assets:			
	Decrease/(Increase) Reinsurance receivables	19	(4,504)	642
	Decrease/(Increase) Insurance receivables	20	905	182
	Decrease/(Increase) Reinsurance assets	21	(126,125)	(54,285)
	-Decrease/ (Increase deferred acquisition costs	23	(19,755)	(5,555)
	Decrease/(Increase) other assets	25	479	(4,713)
	Decrease/(Increase) loan and receivable	17	(26,952)	3,946
	Decrease/ (Increase) salvage property held for sales	24	(5,855)	(8,982)
	Change in operational liabilities:			
	-Increase/ (decrease) insurance contract liabilities	27	440,254	219,341
	-Increase/ (decrease) deferred reinsurance commission	28	9,678	6,024
	-Increase/ (decrease) Insurance payables	29	24,928	42,801
	-Increase/ (decrease) other liabilities	30	45,018	11,309
	Cash generated from operations		**758,162**	**445,742**

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In the statement of cash flows, profit on sale of property, plant and equipment comprise:	30 June 2023	30 June 2022
	Birr'000	Birr'000
Proceeds on disposal	1,150	4,092
Net book value of property, plant and equipment disposed	397	1,042
Gain/(loss) on sale of property, plant and equipment	**753**	**3,050**

41 **Related party transactions**

The Company is owned by several diverse shareholders with out ultimate parent Company. A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
a) Transactions with related parties		
Loan to key management personnel	28	104
	28	**104**

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 2023.

	30 June 2023	30 June 2022
	Birr' ooo	Birr' ooo
Board of Directors Remuneration fee	1,188	1,188
Salaries and Bonuses of Chief Executive Officer	12,024	6,514
Salaries and Bonuses of Deputy General Managers	5,513	4,230
Post Employee benefits of Chief Executive Officer	336	252
Post Employee benefits of Deputy General Manager	252	202
Sitting Allowances of Chief Executive Officer	240	180
Sitting Allowances of Deputy General Managers	360	288
Sitting Allowance of Board of Directors	782	950
Termination Benefits of Chief Executive Officer	1,276	907
Termination Benefits of Deputy General Manager	454	323
Other expenses for Board of Directors	225	27
	22,650	15,061

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42 **Directors and employees**

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Professionals and High Level Supervisors	72	45
Semi-professional, Administrative and Clerical	20	18
Technician and Skilled	-	5
Manual and Custodian	31	20
	123	**88**

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 2023 Birr'000	30 June 2022 Birr'000
10,000 - 30,000	242	198
30,001 - 50,000	79	35
50,001 - 100,000	27	1
Above 100,000	3	-
	351	**234**

43 **Contingent liabilities**

43.1 **Claims and litigation**

The Company is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The legal department evaluates the status of these exposures on regular basis to assess the probabilities of the Company's incurring related liabilities. The liabilities are recognised and recorded in the financial statement after;

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

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

c) Estimating the amount to be paid out.

Following the above facts, the Company has made a final assessment related to the claims under litigation for 21 cases amounting to Birr 27,256,145 is included in the current financial statement, However, 241 legal cases amounting to Birr 124,306,175 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 2023.

43.2 **Tax dispute on reinvested dividend**

The Company has received an illegitimate tax payment request from the Ministry of Revenues Large tax payers Branch Office on reinvested dividend, including interest and panality since 2016 to 2020 which totals Birr 21,832,381. The Company has disputed the request and is seeking legal advice and believes that the request is without merit and does not expect to incur any liability as aresult. This disclosure is important because it informs shareholders and other stakeholders of the potential financial impact of the tax office's request. It also demonstrates that the Company is taking the matter seriously and is taking steps to protect its interests.

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

44 **Commitments**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Capital Expenditure	1,623	6,004
Rebranding cost	3,400	0
Subscribed shares in Ethiopian Reinsurance Company	23,174	28,296
	28,197	**34,300**

45 **Operating lease commitments - Company as lessee**

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
No later than 1 year	5,809	2,901
Later than 1 year and no later than 2 years	1,210	1,386
Later than 2 years but not later than 5 years	3,246	2,244
Total	**10,265**	**6,531**

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).

46 **Currency**

The financial statements are presented in thousands of Ethiopian Birr (Br'000).

47 **Revaluation reserves at deemed cost**

The revaluation reserve at deemed cost relates to investment, property and equipment. The reserve is non -distributable .The revaluation surplus amounting Birr 65.94 million net of deferred tax liability of Birr 31.73 million is included in the retained earning account. This represents the surplus on the revaluation of investment property and property and equipment.

48 **Actuarial valuations**

An actuarial valuation of the Company's Life business as of 30 June 2023 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 2023. The Company did not have any with profit policies as at 30 June 2023.

49 **Events after reporting period**

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 30 June 2023 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 2023;

(ii) The severance benefit liability as at 30 June 2023 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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Website: www.actserv.co.ke

The United Insurance Company S.C.

Actuarial Valuation as at 30 June 2023

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 2023 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 2023

Photo Gallery

28TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

SALES AGENTS' REFRESHMENT TRAINING

STAFF TRAINING

ANNUAL MANAGEMENT CONSULTATIVE MEETING

NEW SALES AGENTS ON TRAINING

ANNUAL STAFF DAY CELEBRATION

PARTICIPATION IN GREAT ETHIOPIAN RUN

PARTICIPATION IN EXHIBITION

CUSTOMER TRAINING

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THE UNITED INSURANCE COMPANY SC

Tomorrow's Company Today!

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