AWASH INSURANCE COMPANY S.C.

ANNUAL REPORT 2017/18

Directors' Report on 23rd Year of Operations

June 30, 2018

Addis Ababa, Ethiopia

AWASH INSURANCE COMPANY S.C.

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Where there is Awash, there is peace of mind!

MISSION

AIC exists to provide diversified general and long-term insurance services to its esteemed customers with great excellence, profitably and ethically through the application of a state-of-the-art technology.

VISION

To be the leading and the best insurance service provider.

CORE VALUES

- **A**gility
- **W**inning Spirit
- **A**daptability
- **S**ocial Responsiveness
- **H**armony

BOARD DIRECTORS

HAMBISSA WAKWAYA
Board Chairman

WOLE GURMU
Vice Chairman

AMSALU BIZUNEH
Board Director

GUDETA AYELE
Board Director

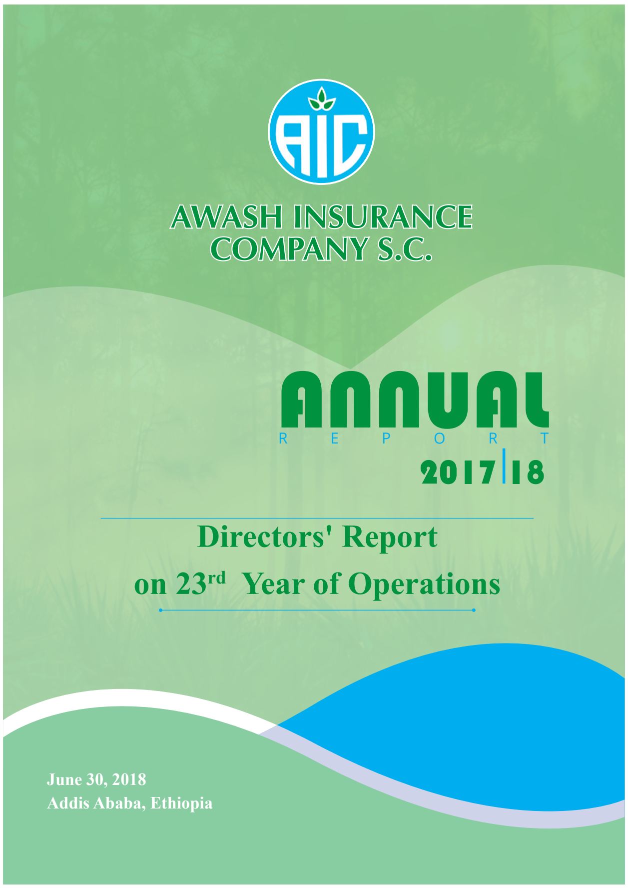
BACHA GINA
Board Director

AYELE DESALEGN
Board Director

Dr. ALEMAYEHU MECHESSA
Board Director

MEKONNEN TADESSE
Board Director

KEBEDE BORENA
Board Director



CONTENTS

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✉ - 12637 A.A.
E-mail - aic@ethionet.et
Website - www.awashinsurance.com

June 30, 2018
Addis Ababa
Ethiopia

EXECUTIVE MANAGEMENT

TSEGAYE KEMSI, FLMI
Chief Executive Officer

GUDISSA LEGESSE
Chief of Operations

AYELE YEBASSA
Chief of Resource Management

TADDESE ROBA
Director, Research & Business Development Directorate

BEKALU TILAHUN
Director, Legal & Advisory Services Directorate

MINTESINOT DESALEGN
Director, Audit & Inspection Directorate

JIBAT ALEMNEH
Director, General Insurance Claims Directorate

FREHIWOT ALEMAYEHU
Director, General Insurance Underwriting & Branch Operations Directorate

ABEL TADESSE
Director, Reinsurance Directorate

DEJENE TSEGAYE
Director, Management Information Systems Directorate

MULATU TEMESGEN
Director, Human Capital Management Directorate

ADANE SEYOUM
Director, Finance & Accounts Directorate

Notice to Shareholders

Notice is hereby given to the Shareholders to attend the 24th Annual General Meeting and 9th Extraordinary General Meeting of Awash Insurance Company S.C. that will be held in accordance with Articles 418/419 and 423 of the Commercial Code of Ethiopia and Articles 14 (1) and 17(1) of the Articles of Association of the Company on October 27, 2018 at Addis Ababa Hilton starting from 8:00 a.m. to transact the following business:

Agenda for the 24th Annual Ordinary General Meeting

1. Consideration of Share Transfers in 2017/18;
2. Consideration of the 2017/18 Annual Report of Directors;
3. Consideration of the 2017/18 Annual Report of Auditors;
4. Deliberation on and approval of items 2 & 3 above;
5. Deliberation on and approval of the proposed appropriation of 2017/18 profits;
6. Approval of Annual Compensation for Directors for 2017/18;
7. Approval of Directors' monthly allowance for 2018/19;
8. Approval of Auditors' fee for 2018/19;
9. Election of Members of Board Nomination Committee and fixing its Remuneration.

Agenda for the 9th Extraordinary General Meeting

- Capital Increase.

By order of the Board of Directors.

On behalf of the Board of Directors of Awash Insurance Company S.C. and on my own behalf, I feel highly honored and privileged to welcome you all to the 24th ordinary Annual General Meeting of shareholders of our Company.

My statement brings to your attention only the most salient features of the year that ended on June 30, 2018; while full details on performance are included in the Directors' Report and the Financial Statements.

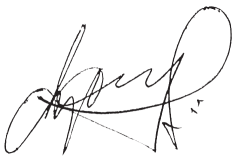
The Ethiopian economy continued to exhibit growth against the background that was full of daunting socio-political challenges. The insurance industry too, despite the many unfavorable conditions in the country and the market place, registered a modest growth of 13.7% as at the end of the fiscal year. Our Company's GWP of general insurance grew by 11% and our life assurance underwriting showed very promising growth of 27% at the close of the financial year. The surpluses we are making from underwriting operations, in both Life and Non Life, have continued to show positive results. The combined written premiums have, therefore, produced net profit after tax of Birr 128.17 million as at June 30, 2018. The return on paid-up capital was buyouant, 46%; it increased by over 12% when compared with last year. This satisfactory end results were obtained against the capital base that rose by 12% and through a highly concerted and collaborative efforts of both the Board and the Management team ably meeting the most tough challenges of the period. Our company has continued to expand remarkably in all organizational aspects that gives us and all stakeholders confidence and satisfaction.

Lastly, allow me to express my indebtedness to you, our Shareholders, who have always been rallying behind us in testing times as well to uphold the noble ideas of foundation. The support of our most valued customers deserves our hearty appreciation.

Hambissa Wakwaya
Board Chairman

In accordance with Articles 418 and 419 of the Commercial Code of Ethiopia of 1960 and Article 17(2) of our Company's Articles of Association, I present, for your consideration and approval as appropriate, the Report of the Directors and the audited Financial Statements that were prepared in accordance with IFRS for the financial year ended 30 June 2018.

Thank you.



Hambissa Wakwaya

Chairman, Board of Directors

I. INTRODUCTION

The Board of Directors of Awash Insurance Company S.C. is pleased to present the Annual Report for the fiscal year 2017/18 to the Annual General Meeting of Shareholders together with the audited financial statements for the year ended June 30, 2018. Brief review of the business landscape, major challenges and macro-factors with impact on our business on one side and prospects in the future on the other are part of this Annual Report.

II. THE BUSINESS ENVIRONMENT

THE ECONOMY

The performance of the global economy during 2017 was robust, in fact indicated as the highest since 2011. According to the IMF, it was reported as a record high growth of 3.8%. Strong and cyclical recovery in the global economy, rebound in investment, the manufacturing and trade activities were attributed to have contributed to the positive growth.

23rd AGM in Session

THE ETHIOPIAN ECONOMY

The Ethiopian economy was listed, by the IMF, as one of the fastest growing economies in Africa. The continued expansion in the services and in the industry sectors were noticeable. Industry's share in the GDP is exhibiting considerable growth in recent years, it increased from 16.7% in 2015/16 to 25.6% in 2016/17 driven mainly by the construction, the hydro-power and the manufacturing sub-sectors. The agricultural sector too registered rebound in 2017. The economy's growth has continued to be led by heavy investment in the public sector, mainly the development of infrastructure, the key driver of structural transformation of the economy.

REPORT OF THE BOARD OF DIRECTORS

THE INSURANCE INDUSTRY

The insurance market, according to the information from the National Bank of Ethiopia (NBE), grew by 13.7% in Non-Life as at June 30, 2018; it was a shrink by 3.3% against the previous year. The decline could be attributed, among others, to the state of unrest and instability that prevailed in the country throughout the year. Our Company, AIC, registered 11% growth rate in general insurance at the end of the fiscal year.

On the other hand, the Life premiums grew at the industry level by 28% as at June 30, 2018. It was a rebound growth when compared with the 8.1% growth of the fiscal year 2016/17. AIC's life business registered promising growth of 27%, record high in the recent three years.

III. OPERATIONAL RESULTS

At the close of the financial year on June 30, 2018, our Company's combined Life and Non-Life written premiums reached Birr 674.1 million exhibiting growth rate of 12.5%; while that of the industry was 14.4% for the period under report. Our Company's net claims ratio in Non-Life was 57% for the fiscal year 2017/18; that of the industry was 63% for all Non-Life classes. Our performance could be put on balance taking retention ratio into account. At the turn of the fiscal year, AIC's retention ratio in Non-Life was 75% while the industry's was 69%. Portfolio mix is another performance indicator; our motor class's share in the total was 62% while the industry's was 53.6% for the fiscal year 2017/18.

Out of the total net incurred claims of Birr 246.66 million, motor class accounted for Birr 233.97 million. Its claims ratio was 74% as at June 30, 2018 while the industry's motor claims ratio was 76% for FY 2017/18. The underwriting surplus registered by our Company for the year under review was Birr 137.2 million for Non-Life recording 30.4% growth over the previous year. The underwriting profit for both Life and Non-Life was Birr 154.6 million for the fiscal year ended June 30, 2018.

The profit before tax for the period ended June 30, 2018 was Birr 139.99 million. Consequently, the net profit after tax for the fiscal year 2017/18 stood at Birr 128.17 million. The Directors recommend that the net profit of the year be declared as dividend.

The Board encourages Shareholders with outstanding balance of subscribed shares to finalize payment with immediate effect up until December 31st 2018. We would also like to report to you that our paid-up capital has reached Birr 277,127,000 as at the balance sheet date. Earnings per share on par value of Birr 500, weighed against the capital base that increased by nearly 12%, was Birr 230.

IV. HIGHLIGHTS ON MAJOR ACTIVITIES

1. BRANCH EXPANSION

The Company opened two new branches during the fiscal year under report. The first one in Addis Ababa and second in Arba Minch.

We also upgraded one contact office in Bule Hora to a full-fledged branch. Added to these, four contact offices were opened during the fiscal year, two in Addis Ababa and two others in regional towns.

Staff of AIC(in partial) with CEO and Board Directors

2. HUMAN RESOURCE

Our Company's continued expansion and growth demanded additional manpower during the fiscal year. Accordingly, it created employment opportunities for 42 additional permanent employees in so doing relinquishing its responsibility as a corporate citizen. Our Company also preserved and continued to maintain its exemplary public image in giving proper attention to gender mix as fair and equal opportunity provider. On June 30, 2018, the Company had a total staff of 514 permanent employees. The gender mix of permanent employees was one to one: Female 258, Male 256.

As part of its strategy to invest on and gain much from its human capital, the Company's Management gave opportunities to its staff to pursue their further education here locally and abroad, of course, including through correspondences. Various trainings were also offered to the employees to help upgrade their skills and capacities.

3. INVESTMENT

In an effort to diversify our portfolio investment, the Board of Directors of our Company, thoroughly evaluated and decided to acquire a four storey building under construction at Birr 51million in Addis Ababa, Bole Sub-city. A commercial shop was also acquired at an ideal location in Lideta Sub-city for Birr 3 million.

An additional investment of Birr 1.6 million was made to purchase shares in two companies during the period.

On top of all these, the Board, following the successful implementation of the GIIS and with the purpose of integrating other Company support functions and in line with the strategic objectives for the year, allowed the acquisition of Enterprise Resource Planning (ERP) software for Birr 4.7 million. The ERP software was developed and successfully implemented during the fiscal year under report.

4. STATEMENT OF CORPORATE GOVERNANCE

This report is a summary of the various activities of the Board of Directors in order to ensure compliance and to remain committed to the principles of corporate governance.

Performance Review Meeting

a) Board directors obtained trainings focusing on effective corporate governance practices. Twelve regular and sixteen special meetings were held. Most Board directors attended all the meetings while some of them attended more than 80% of the meetings. In these meetings, the Board received Management reports and resolved on matters of strategic importance;

b) The Board approved several policy documents, strategies, business plan and budget as per requirements of Insurance Corporate Governance Directives

No.42/2015. Such documents were approved upon incorporating comments on the draft documents;

c) The Board committees for Audit, Risk Management and Compliance, Business Development & Strategy, Human Resource Affairs as well as Investment and Projects Follow up held monthly meetings and submitted quarterly reports to the Main Board. Based on the reports, the Board gave guidance to the Management upon considering the reports of committees;

d) The Board decided on strategic investment projects upon undertaking in-depth consideration of investment proposals. Furthermore, the Board obtained information on the implementation status of investment projects and gave appropriate guidance on same;

e) The Board gave directions on the preparation and conduct of the 23rd Annual Ordinary General Meeting of Shareholders and followed up the timely registration and authentication of the minutes of the General Meeting;

f) The Board regularly monitored corporate performance and attended semi-annual and annual management review meetings. Accordingly, the Board urged the management and staff to exert utmost efforts on marketing, prudence in operation and cost control so as to maximize productivity;

g) The Board reviewed the off-site surveillance and on-site investigation reports of the supervisory authority and monitored the actions taken by the Management for rectification; and

h) The Board held midyear and annual evaluations focusing on the effectiveness of the Board as a whole, Board Committees and individual Board directors. From these evaluations, important feedbacks were obtained in order to improve its effectiveness.

Blood donation to show solidarity with June 23rd 2018 victims of grenade attack

5. CORPORATE SOCIAL RESPONSIBILITY

The Board approved pledges with the amount of more than Birr twelve million to rehabilitate internally displaced citizens and to support various social causes as a means to discharge the Company's corporate social responsibility.

V. CHALLENGES AND PROSPECTS

1. CHALLENGES

The increasing price sensitivity of customers, a natural reflection and manifestation during times of economic difficulty, will continue to challenge prudence in underwriting and the exercise of professionalism in the trade.

The bargaining power of buyers too is expected to harden, as stated in our SPM III, intensifying in effect the price-based competition in the industry.

The escalation of price of imported goods, that of spare parts in particular, following the devaluation of Birr against major currency added to the rising labor and maintenance costs of Motor business will result in high claims and business running costs.

Low level of cooperation and absence of information exchange at national level among the companies in the industry will continue affecting the performance and image of the industry.

Weaker export performance on one hand and the gradual rise in the price of fossil oil and of imported industrial goods on the other hand will result in the imbalance in the overseas trade of our country and that in turn will affect the performance of insurance business.

Additional challenges like continuous power interruptions, very poor internet connectivity and the likes will have their share of impact on business.

The new threat of protectionism among the major global actors may hamper the anticipated growth of trade and of the international economy at large, whose spillover effects would affect the poorer nations.

On the domestic front, though the prevalence of peace and stability is believed to get momentum, the occurrence of sporadic conflicts may have their own limited impact on the business activity on the ground.

2. PROSPECTS

The national economy is expected to grow at a very satisfactory rates assisted by the continued expansion of the services and the industry sectors. The growth momentum is projected to strengthen provided the prevailing peace and stability situation consolidates over the months and years ahead.

The influx of foreign direct investment (FDI) and the enhancement of donations and loans through bilateral and multilateral relations with major global actors will strengthen and yield concrete results in the performance of Ethiopia's economy.

Economic growth is, therefore, projected to remain buoyant in 2017/18 and 2018/19 due to heavy investment in the infrastructure projects and as a result of ongoing reforms to bolster industrialization.

The country is also looking into partial privatization of major public enterprises. All of these will create business opportunities for our industry of which our Company will reap its due share.

VI. VOTE OF THANKS

The Board of Directors, Management and staff of AIC wish to express their deep gratitude to all, to the highly valued customers of our Company in particular for their continued support and patronage. Awash Insurance Company would like to thank the National Bank of Ethiopia for its guidance, support and cooperation.

The Board and Management also wish to record their appreciation for the good and mutually beneficial relationship the Company has established with insurance companies and keep on enjoying with its reinsurers as well as with both local and international brokers.

A special thank you is due to all its agents who have played and continue to play positive roles in our Company's growth.

Last but not least, the Board of Directors would like to confirm once again that the Company's Management and the entire staff demonstrated their commitment to the Company's continued growth, profitability and its position in the market through utter determination and exemplary team spirit without which the commendable results achieved would not have been possible.

Thank you.

Hambissa Wakwaya

Chairman, Board of Directors

Awash Insurance Company S.C.

Annual IFRS Financial Statements

30 June 2018

Directors, Bankers, Professional Advisers and Registered Office

Directors *(as of 30 June, 2018)*		**Date of appointment**
Hambissa Wakwaya	Chairman	*October 29 th 2016*
Wole Gurmu	Vice Chairman	*October 29 th 2016*
Amsalu Bizuneh	Director	*October 29 th 2016*
Dr. Alemayehu Mechessa	Director	*October 29 th 2016*
Bacha Gina	Director	*October 29 th 2016*
Gudeta Ayele	Director	*October 29 th 2016*
Ayele Desalegn	Director	*October 29 th 2016*
Kebede Borena	Director	*October 29 th 2016*
Mekonnen Tadesse	Director	*October 29 th 2016*

Executive Management

Tsegaye Kemsi, FLMI	Chief Executive Officer
Gudissa Legesse	Chief of Operations
Ayele Yebassa	Chief of Resource Management
Taddese Roba	Director, Research & Business Development Directorate
Bekalu Tilahun	Director, Legal & Advisory Services Directorate
Mintesinot Desalegn	Director, Audit & Inspection Directorate
Jibat Alemneh	Director, General Insurance Claims Directorate
Frehiwot Alemayehu	Director, Underwriting & Branch Operations Directorate
Abel Tadesse	Director, Reinsurance Directorate
Dejene Tsegaye	Director, Management Information System Directorate
Mulatu Temesgen	Director, Human Capital Management Directorate
Adane Seyoum	Director, Finance & Accounts Directorate

Independent auditor

Tay & Co.
Chartered Certified Accountants and Authorised Auditors
Ethio- China Friendship Street
Addis Ababa
Ethiopia

Corporate office

Awash Towers
Ras Abebe Aregay Street
Addis Ababa,
Ethiopia

Principal bankers

Awash Bank
Bank of Abyssinia
Berhan International Bank
Dashen Bank
Enat Bank
Commercial Bank of Ethiopia
United Bank
Oromia International Bank
Wegagan Bank
Nib Bank
Cooperative Bank of Oromia
Addis International Bank
Abay Bank
Debub Global Bank

Reinsurers/Reinsurance Brokers

Africa Reinsurance Corporation
J.B. Boda Reinsurance Brokers PLC
Zep Re (PTA Reinsurance Company)
Apex Reinsurance Broker
Afro Asian Insurance Service LTD
K.E.K Reinsurance Brokers Africa Limited
Ethio Reinsurer Share Company
Munich Reinsurance Company of Africa LTD.
East Africa Reinsurance Company LTD.

Consulting Actuaries

Actuarial Services (EA) Ltd.
26th Floor, UAP Old Mutual Tower, Upper Hill Road, Upper Hill
P. O. Box 10472 - 00100 Nairobi, Kenya
Nairobi City, Kenya

Zamara Actuaries, Administrators and Consulatant Ltd., 10th Floor
Plaza, Argwings Kodhek Road,
P.O Box 52439(Nirobi 00200)
Nairobi City, Kenya

Estate surveyor and valuer

African Business and Development Consultants (ABD- Consult) Plc.
P.O Box 4478
Addis Ababa
Ethiopia

Statement of Directors' Responsibilities

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 accordance with the International Financial Reporting Standards.

The Company's Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company is required to keep such records as are necessary to:

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

b) explain its transactions and financial position; and

c) enable the National Bank of Ethiopia to determine whether the Company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Management is responsible for the maintenance of accounting records that may be relied upon in the preparatation of the financial statements as well as adequate systems of internal control.

The Board of Directors (the Board) submits to the Auditors the annual financial statements which have been prepared by the Management using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Insurance Business Proclamation, Commercial Code of 1960 as well as the requirements of the Accounting and Auditing Board of Ethiopia and the relevant Directives issued by the National Bank of Ethiopia.

The Board 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.

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

Chairman, Board of Directors	**Chief Executive Officer**
September 29, 2018	September 29, 2018

TAY & Co.
Chartered Certified Accountants & Authorized Auditors
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INDEPENDENT AUDITORS REPORT
TO THE SHAREHOLDERS OF AWASH INSURANCE COMPANY S.C

Opinion

We have audited the financial statements of **Awash Insurance S.C.** which comprise the statement of the financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2018 and its financial performance, and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accounts (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of a Company report that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

TAY And Company Chartered Certified Accountants & Authorized Auditors
011 4707094
011 4421336

Ethio-China Friendship Street, Wengelawit Tadesse Building 1st Floor
Tel. (011) 442 1336, 442 0062, (011) 470 7092, (011) 470 7094 - Mob. (093) 001 4106, (091) 151 5038/39
Fax (011) 442 1338 - e-mail: tayco@ethionet.et - www.tayauditing.com - P.O. Box 1335 - Addis Ababa, Ethiopia

Auditor's Responsibility for the Audit of the Financial Statements

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

We have no comment to make on the reports of the Board of Directors so far as it relates to the financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia 1960 we recommend approval of the financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Yeheyis Bekele BA, FCCA.

TAY & Company
Chartered Certified Accountants &
Public Auditor (Ethiopia)

Addis Ababa
1 October 2018

Awash Insurance Company S.C.
Annual IFRS Financial Statements for the year ended 30 June 2018
Statement of Profit or Loss and Other Comprehensive Income

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Gross premium income	6	674,111	599,747
Premiums ceded to reinsurers	6	(162,403)	(137,889)
Net premiums		511,708	461,858
Change in unearned income	27	(22,781)	(21,471)
Net Earned premiums	6-b	488,927	440,387
Fee and commission income	7	47,218	42,242
Net underwriting income		536,145	482,629
Claims expenses	8	(311,412)	(295,446)
Claims recovered from reinsurers	8	53,518	39,155
Gross change in contract liabilities	8	(27,942)	(37,171)
Change in contract liabilities ceded to reinsurers	8	1,661	7,549
Net benefits and claims		(284,175)	(285,913)
Underwriting expenses	9	(30,207)	(28,689)
Increase in life fund	27	(29,336)	(10,983)
Underwriting profit		192,427	157,044
Investment income	10	104,791	84,316
Other operating income	11	6,109	9,229
Net income		303,327	250,589
Finance costs	12	(42)	(58)
Other operating and administrative expenses	13	(75,993)	(60,238)
Employee benefits	14	(87,307)	(76,275)
Profit before income tax		139,985	114,017
Income tax expense	15-b	(11,817)	(13,976)
Profit for the year		128,168	100,041
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Fair Value adjustement of revalued properties()	13	(18,021)	(26,391)
deferred tax expense(30%)		5,406	7,917
		(12,615)	(18,473)
Remeasurement gain/(loss) on defined benefits obligations	31	412	(533)
		(12,203)	(19,006)
Total comprehensive income for the year		**115,965**	**81,035**
Basic & diluted earnings per share (Birr)	33	0.46	0.41

The notes to the financial reports are an integral part of these financial statements.

Chairman, Board of Directors

Chief Executive Officer

Awash Insurance Company S.C.

Annual IFRS Financial Statements for the year ended 30 June 2018

Statement of Financial Position

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
ASSETS				
Cash and bank balances	16	644,414	585,883	488,645
Investment securities:				
– Available for sale	17	182,757	181,159	148,783
– Loans and receivables	17	10,003	10,584	10,603
Insurance receivables	18	-	-	-
Reinsurance assets	19	144,481	202,710	150,712
Other assets	20	113,865	50,711	64,109
Deferred acquisition cost	21 a	18,026	13,156	11,664
Salvage property held for sale	21b	12,970	20,043	12,370
Prepayments for leasehold land	22	7,043	6,876	6,987
Property, plant and equipment	23	746,853	759,859	781,325
Investment properties	24	247,604	197,707	195,732
Intangible assets	25	6,130	4,384	2,313
Statutory deposits	26	40,968	36,725	26,408
Deferred tax assets	15	-	-	-
Total assets		**2,175,114**	**2,069,797**	**1,899,651**
LIABILITIES				
Insurance contract liabilities	27	800,760	709,287	635,414
Provisions for claims under litigations	28	1,910	4,122	2,782
Insurance payables	29	60,834	133,245	89,485
Other liabilities	30	92,199	64,559	63,932
Defined benefit obligations	31	6,123	5,014	3,434
Deferred tax liability	15	213,349	218,756	226,673
Current income tax liabilities	15	15,288	13,976	13,495
Total liabilities		1,190,464	1,148,959	1,035,215
EQUITY				
Share capital	32	277,127	246,584	190,270
Share premium	32	778	778	778
Retained earnings	34	639,625	622,027	630,742
Legal reserve	35	67,120	51,449	42,646
Total equity		984,650	920,838	864,436
Total equity and liabilities		**2,175,114**	**2,069,797**	**1,899,651**

The notes to the financial reports are an integral part of these financial statements.

The financial statements and notes to the financial statements were approved and authorised for issue by the Board of Directors during its 188th Special Meeting held on September 29, 2018 and were signed by:

Chairman, Board of Directors **Chief Executive Officer**

Awash Insurance Company S.C.

Annual IFRS Financial Statements for the year ended 30 June 2018

Statement of Changes in Equity

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Total Birr'000
As at 1 July 2016		190,270	778	630,742	42,646	864,436
Additional shares issued	32	56,314	-	-	-	56,314
Dividends paid during the year	34	-	-	(80,947)	-	(80,947)
Profit for the year	34	-	-	100,041	-	100,041
Other comprehensive income:						-
Fair Value adjustment in OCI net of tax		-		(18,473)	-	(18,473)
Remeasurement loss on defined benefits obligations (net of tax)		-	-	(533)	-	(533)
Total comprehensive income for the year		-	-	81,035	-	81,035
Transfer to legal reserve	32	-	-	(8,803)	8,803	-
As at 30 June 2017		**246,584**	**778**	**622,027**	**51,449**	**920,838**
As at 1 July 2017		246,584	778	622,027	51,449	920,838
Additional shares issued	32	30,543	-	-	-	30,543
Dividends paid during the year	34	-	-	(78,325)	-	(78,325)
Prior year over/ (under) provision of current tax	34			(3,471)		(3,471)
Directors' compensation	34			(900)		(900)
Profit for the year	34	-	-	128,168	-	128,168
Other comprehensive income						-
Fair Value adjustment in OCI net of tax				(12,615)		(12,615)
Remeasurement gain/(loss) on defined benefits obligations (net of tax)		-	-	412	-	412
Total comprehensive income for the year		**-**	**-**	**115,965**	**-**	**115,965**
Prior year over/ (under) provision of legal reserve	32			(2,854)	2,854	
Transfer to legal reserve	32			(12,817)	12,817	
As at 30 June 2018		**277,127**	**778**	**639,625**	**67,120**	**984,650**

The notes to the financial reports are an integral part of these financial statements.

Chairman, Board of Directors

Chief Executive Officer

Statement of Cash Flows

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Cash flows from operating activities			
Cash generated from operations	36	136,828	143,020
Remeasurment of Employee Benefit	31	412	(533)
Income tax paid		(13,976)	(13,495)
Net cash (outflow)/ inflow from operating activities		123,264	128,992
Cash flows from investing activities			
Purchase of investment securities- equity investments	17	(1,598)	(32,376)
Additional investment in fixed deposit		(22,077)	(94,916)
Purchase of investment property	24	(53,958)	(5,794)
Purchase of intangible assets	20	(1,995)	(2,701)
Purchase of property, plant and equipment	21	(17,652)	(16,082)
Proceeds from sale of property, plant and equipment	36	932	31
Interest received		57,320	49,801
Net cash outflow from investing activities		(39,028)	(102,037)
Cash flows from financing activities			
Dividend paid		(78,325)	(80,947)
Proceeds from issues of shares	32	30,543	56,314
Net cash outflow from financing activities		(47,782)	(24,633)
Changes in cash and cash equivalents		36,454	2,322
Cash and cash equivalents at the beginning of the year	16	90,250	87,928
Net increase/ (decrease) in cash and cash equivalents		36,454	2,322
Cash and cash equivalents at the end of the year	16	**126,704**	**90,250**

The notes to the financial reports are an integral part of these financial statements.

Chairman, Board of Directors

Chief Executive Officer

1 General information

Awash Insurance Company S.C. ("the Company) is a private commercial insurance company domiciled in Ethiopia. The Company was established on 1 October 1994 in accordance with the provisions of the Commercial Code of Ethiopia of 1960 and sebsequently by the Insurance Business Proclamation No.746/2012. The registered office is at:

Awash Towers
Ras Abebe Aregay Street
Addis Ababa,
Ethiopia

The Company is principally engaged in the provision of general and life insurance services 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 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by Ethiopian laws including Insurance Business Proclamation No. 746/2012 and Financial Reporting Proclamation No. 847/2014 are 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.

The financial statements for the year ended 30 June 2018 are the first the Company has prepared in accordance with IFRS. Refer to not**e 42 f**or information on how the Company adopted IFRS.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept except for investment properties, buildings and vehicles which are measured at fair value at deemed cost.

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 after 12 months.

2.2.2 Changes in accounting policies and disclosures

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

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

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss.

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

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Early adoption of the standard is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 15 - Revenue from contracts with customers

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

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

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

IFRS 16 - Leases

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

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

IFRS 17 - Insurance contracts

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

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

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

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

IFRIC Interpretation 22 - Foreign currency transactions and advance consideration

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

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

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

2.3 Foreign currency translation

a) *Functional and presentation currency*

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

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 recognised 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.

Foreign currency translation (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised 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 recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.4 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 in hand and cash at bank.

2.5 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.

2.5.1 Financial assets

Initial recognition and measurement

All financial assets are recognised 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 recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

- Loans and receivables, and
- 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 amortised cost using the effective interest rate (EIR) method, less impairment. Amortised 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 amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Company’s loans and receivables comprise of insurance receivables, investment securities and other financial assets. Receivables arising from insurance contracts are 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 unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised 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 instruments. 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 held to maturity if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

'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 recognises 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 recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

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 AFS category, any previous gain or loss on that asset that has been recognised in equity is amortised to income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to income statement.

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

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

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 derecognised (i.e. removed from the Company's statement of financial position) when:

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

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

Derecognition of financial assets (continued)

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 recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises 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.

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 reorganisation, 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 amortised cost

For financial assets carried at amortised 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, recognised 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 recognised 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 realised 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 recognised, the previously recognised 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 collateralised 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.

(i) Financial assets carried at amortised cost (continued)

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

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

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

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

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

2.5.2 Financial liabilities

Initial recognition and measurement

All financial liabilities of the Company are classified as other financial liabilities at amortised cost.

They are recognised initially at fair value, net of directly attributable transaction costs and include insurance payables, dividend payables and other account payables.

Subsequent measurement

After initial measurement, the Company's financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

Derecognition of financial liabilities

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

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Company has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise 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.

2.6 Reinsurance assets

The Company cedes business to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks as described in note 2.15. Premium ceded comprise gross written premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policy holders.

Reinsurance assets are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract. The Company has the right to set off reinsurance payables against amounts due from reinsurers in line with the agreed arrangements between both parties.

2.7 Other assets

These are other receivables and prepayments. Other receivables are stated after deductions of amount considered bad or doubtful of recovery. These are loans and receivables other than investment securities, insurance trade receivables and reinsurance assets. When a debt is deemed not collectible, it is written-off against the related provision or directly to profit or loss account to the extent not previously provided for. Any subsequent recovery of written-off debts is credited to profit or loss.

The Company's other receivables are rent receivables, staff debtors and other account receivables.

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 amortised over the period in which the service is to be enjoyed. They include prepaid rent, prepaid staff expenses and other prepaid office expenses.

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 capitalised. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortised over the terms of the policies as premium is earned;
- For long-term insurance contracts, DAC is amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities.

Deferred acquisition costs represent a portion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins by applying to the acquisition expenses the ratio of unearned premium to written premium.

DACs are derecognised when the related contracts are either settled or disposed of.

2.9 Leases

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

Company as a lessee

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

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.10 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised.

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

Asset class	**Depreciation (in years)**	**Residual value (%)**
Buildings	50	5%
Lift	15	1%
Motor vehicles	10	5%
Furniture & fittings	10	1%
Computer equipment	7	1%
Office equipment	7	1%

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. 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 derecognised.

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.

2.11 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 independent valuers who have recent experience in the location and category of the investment property being valued.

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.

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 derecognised when they have been disposed.

2.12 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 amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised 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 amortised over the useful economic life. The amortisation period and the amortisation 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 amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented in income statement.

Amortisation 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)**
Computer software	8

2.13 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 recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the income statement.

2.14 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 deposits are measured at cost.

2.15 Insurance contracts

Classification

The Company enters into insurance contracts as its primary business activity. Insurance contracts are those that the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary, if a specified uncertain future event (the insured event) adversely affects the policyholder or the other beneficiary. The Company as a guide defines significant insurance risk as the possibility of having to pay benefit on the occurrence of an insured event that is at least 10% more than the benefit payable if the insured event did not occur.

The Company's insurance contracts are classified into two main categories, depending on the duration of risk.

(i) Non- life insurance contracts

These contracts are accidents and casualty and property insurance contracts.

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

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

(ii) Life insurance contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration.

In addition, the Company has short-term life insurance contracts which protect the Company's policyholders from the consequences of events (such as death or disability) that would affect the ability of the insured or his/ her dependants 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 insured or the beneficiary. In such cases,there are no maturity or surrender benefits.

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 under note 4.2, life insurance contracts 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.

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.14 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 recognised 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 recognised as an expense when due. The Company had the right to set-off reinsurance payables against the amount due from reinsurance in line with the agreed arrangement between both parties.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or accident and 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 amortised over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on an annual 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 2.5.

Deferred income

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

Receivables and payables related to insurance contracts

Receivables and payables are recognized when due and measured on initial recognition at the fair value. Subsequent to initial recognition, insurance receivables and payables are measured at amortized cost, using the effective interest rate method as described in note 2.5 and 2.17. 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 2.5.

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 claims paid, and salvage property is recognized in recovery properties held for sale. 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 claims paid and are recognized in other assets. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.16 Insurance contracts liabilities

The recognition and measurement of insurance contracts have been set out under Note 2.15. Insurance contract liabilities arising from insurance contracts are determined as follows:

(i) Non-life insurance contracts

(a) Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the balance sheet date. The IBNR is based on the liability adequacy test described in note 2.15.

(b) 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.

(c) Reserving methodology

Data segmentation: The data used for reserving is segmented into the following classes as per the NBE Directevives:
• Motor vehicle insurance business;
• Fire insurance business;
• Personal accident insurance business;
• Marine insurance business;
• Workmens' compensation insurance business;
• Engineering;
• Goods in transits;
• Public liability, pecuniary, Political Violence and Terrorism(PVT) and other miscellaneous insurances.

(ii) 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 and loss.

The reserves include Incurred But Not Reported (IBNR) and Unearned Premium Reserve (UPR).

Reserving methodology

Data segmentation: The data used for reserving is segmented into two classes as follows:
• Individual business; and
• Group business.

2.17 Provisions

Provisions are recognised 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 recognised 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 recognised as other operating expenses.

2.18 Insurance payables

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.

2.19 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.

2.20 Share capital

The Company classifies ordinary shares as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are recognized as deductions from equity, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

2.21 Retained earnings

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

2.22 Legal reserves

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

2.23 Dividend

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised 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.

2.24 Revenue recognition

Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised 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 recognised 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 recognised as an expense.
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 and it's computed based on the 1/24th method as prescribed in the Directives of the National Bank of Ethiopia.

Reinsurance premiums

Gross outward reinsurance premiums on life and investment contracts are recognised 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 recognised 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.

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 recognised 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 recognised over those future periods.

Investment income

Interest income is recognised 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 recognised as an adjustment to the EIR of the instrument.

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

Dividend income

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

2.25 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.

2.26 Claims recovered from reinsurers

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

2.27 Finance cost

Interest paid is recognised 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.

2.28 Underwrting expenses

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses and other direct costs.

Underwriting expenses for insurance contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

2.29 Employee benefits

(a) *Wages, salaries and annual leave*

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

(b) *Defined contribution plan*

The Company operates two defined contribution plans;

i) pension scheme in line with the provisions of Private Organisation Employees Pension Proclamation No. 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively;

ii) provident fund contribution, funding under this scheme is 8% and 15% by employees and the Company respectively based on the employees' salary.

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

(c) *Defined benefit obligations*

The Company operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in service of the Company are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is a pension plan that is not a 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.

2.30 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, summarised 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 amortised 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (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.

2.31 Earnings per share

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

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

2.32 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 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 recognised 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 recognised 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 realised or the deferred tax liability is settled.

Deferred tax assets are recognised 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.

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 recognised in the financial statements:

Operating lease commitments -Company as lessee

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 and accounts for the contracts as an operating lease.

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 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.

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 standard actuarial claims projection techniques: Chain Ladder.

The main assumption underlying this technique is that a Company's past claims development experience can be used to project future claims development and, hence, the ultimate claims costs. As such, the method extrapolates 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 analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. 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.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

(b) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.7.2 for further disclosures.

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

(d) Impairment of insurance receivables

The Company assesses at the end of every reporting period whether there is any objective evidence that its premium receivable is impaired. The Company determines whether impairment losses are incurred if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the receivable (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivable that can be reliably estimated, or a trigger event is identified.

The following impairment triggers have been set by the Company:
(a) significant financial difficulty of the premium debtor;
(b) significant financial difficulty of the broker;
(c) a breach of agreements, such as payment defaults or delinquency in premium payments;
(d) Economic, regulatory or legal reasons relating to the premium debtor's financial difficulty, granting to the premium debtor a concession that the Company would not otherwise consider;
(e) High probability that the premium debtor will enter banktrupcy or other finnacial reorganisation.

If any of the impairment triggers are identified, the Company specifically asseses the receivables for impairment. Where no impairment trigger is identified, or no objective evidence of impairment exists, the Company assesses its receivables collectively for impairment using the historical loss rate model.

The historical loss rate model considers the historical recoveries (cashflows) on premium debts for policies written in prior years, in order to determine the loss given default ratio on outstanding premium as at the reporting date. The model also considers premium receipts subsequent to the reporting date. The loss ratio derived is used to determine the allowance for impairment on premium debts.

This model assumes that all premium debts will be paid until evidence to the contrary (a loss or trigger event) is identified. On the identification of an objective evidence of impairment, the premium debts are subject to specific impairment.Where there is no objective evidence of impairment, the premium debts are subjected to collective impairment.

Collective impairment incorporates the following:
• current and reliable data, Management's experience on credit judgements, and all known relevant internal and external factors that may affect collectability;

• historical loss experience or where institutions have no loss experience of their own or insufficient experience, peer company experience for a comparable company's of financial instruments at amortized cost;

• adjustments to historical loss experiences on the basis of current observable data to reflect the effects of current

(e) 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 dertermined using statistical analyses and the Company deems the reserves as adequate.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

4 Insurance and financial risk management

4.1 Introduction

Risk is inherent in the 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 operational and financial (credit, liquidity and market) risk.

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 the Company's strategic planning process.

4.1.1 Risk management structure

The Board monitors 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 submit reports to the Board regarding risk management issues and give timely directions.

The Company's Risk Management Unit is responsible for implementing and maintaining risk related procedures, for assessesing and monitoring the level of risk assumed by the Company. Besides, the Risk Management 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 unit is functionally responsible to the Board. The risk management unit has also closer relation 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 Accounts Directorate 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.

4.1.2 Risk measurement and reporting systems

The Cmpany'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 statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

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

4.1.3 Risk mitigation

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

Risk control processes are identified and discussed in the quarterly risk report and Management Risk Committee meetings. Control processes are also regularly reviewed at Business Unit level and changes agreed with the Board.

4.2 Insurance risk

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

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

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.

Life insurance contracts

Life insurance contracts offered by the Company include: Individual riders, group term, group medical, group riders, endowment assurance, education endowments and individual mortgage protection.

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 and type of risk insured.

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 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. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs.

The following Tables show the concentration of life insurance contract liabilities by type of contract.

30 June 2018	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Individual life	101	-	101
Group life	2,093	(105)	1,988
Group medical	2,055	(269)	1,785
Total life insurance	**4,248**	**(374)**	**3,874**

30 June 2017	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Individual life	62	-	62
Group life	769	-	769
Group medical	1,485	(49)	1,436
Total life insurance	**2,316**	**(49)**	**2,267**

1 July 2016	Gross Birr'000	Reinsurance Birr'000	Total Birr'000
Individual life	25	-	25
Group life	3,172	(2,435)	737
Group medical	1,224	-	1,224
Total life insurance	4,421	(2,435)	1,986

Key assumptions

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

► 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.

► Policyholder decision (lapses and surrender)

Policy termination assumptions are determined using statistical measures based on the Company˝s experience and vary by product type.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders to the unrecouped initial expenses.

► Discount rate

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

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

Sensitivities

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

		Change in liability		
		30 June 2018	30 June 2017	1 July 2016
	Change in assumptions	Birr'000	Birr'000	Birr'000
Mortality/morbidity rate	+10%	69,642	58,607	58,607
Investment return	+1%	68,351	57,526	57,526
Expenses	+10%	70,825	59,544	59,544
Lapse and surrenders rate	+20%	69,323	58,331	58,331

		Change in liability		
		30 June 2018	30 June 2017	1 July 2016
	Change in assumptions	Birr'000	Birr'000	Birr'000
Mortality/morbidity rate	-10%	69,553	58,513	58,513
Investment return	-1%	71,035	59,754	59,754
Expenses	-10%	68,379	57,590	57,590
Lapse and surrenders rate	+20%	69,904	58,810	58,810

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

Non- life insurance contracts

The Company principally issues the following types of general insurance contracts: motor, fire, engineering, liability, marine, general health, pecuniary, burglary, floriculture and Workmens' compensation. Health care contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from accidents. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts.

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

30 June 2018

	Claims reported			Claims reported but not incurred		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	1,655	(935)	720	4,287	(34)	4,253
Burglary	132	(7)	125	380	-	380
Motor	207,758	(20,113)	187,645	74,386	(12,719)	61,667
Marine	8,312	(4,730)	3,582	2,468	(46)	2,422
Goods in transits	1,037	-	1,037	875	(144)	731
Workmens' compensation	2,028	(134)	1,894	1,815	(106)	1,709
Group Personal Accident	3,556	(847)	2,709	1,421	(63)	1,358
Engineering	7,753	(4,441)	3,312	2,696	(869)	1,827
Public liability	5,060	(1,787)	3,273	2,648	(39)	2,609
Pecuniary	1,211	(353)	858	3,197	(1,519)	1,678
Floriculture	2,102	(1,919)	183	176	-	176
Political Violence & Terrorism	-	-	-	226	-	226
Total non- life insurance	240,604	(35,266)	205,338	94,575	(15,539)	79,036

30 June 2017

	Claims reported			Claims reported but not incurred		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	4,347	(2,858)	1,489	3,343	(26)	3,317
Burglary	15	-	15	254	-	254
Motor	179,660	(15,112)	164,548	71,237	(12,138)	59,099
Marine	5,274	(4,032)	1,242	2,107	(39)	2,068
Goods in transits	250	(82)	168	515	(85)	430
Workmens' compensation	1,861	(58)	1,803	1,954	(115)	1,839
Group Personal Accident	2,111	(685)	1,426	1,034	(46)	988
Engineering	6,769	(4,306)	2,463	2,953	(952)	2,001
Public liability	2,935	(642)	2,293	2,246	(33)	2,213
Pecuniary	12,697	(3,944)	8,753	2,535	(1,204)	1,331
Floriculture	3,050	(2,787)	263	183	-	183
Total non- life insurance	218,969	(34,506)	184,463	88,361	(14,638)	73,723

1 July 2016	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	1,918	(1,126)	792	2,356	(108)	2,248
Burglary	50	-	50	137	-	137
Motor	179,519	(11,695)	167,824	34,678	(5,259)	29,419
Marine	9,595	(9,118)	477	3,374	(122)	3,252
Goods in transits	1,216	(43)	1,173	370	(37)	333
Workmens' compensation	1,081	-	1,081	1,824	(548)	1,276
Group Personal Accident	754	(643)	111	1,699	(2)	1,697
Engineering	5,188	(2,513)	2,675	2,023	(524)	1,499
Public liability	1,909	-	1,909	1,481	(42)	1,439
Pecuniary	18,954	(7,645)	11,309	3,998	(1,944)	2,054
Floriculture	249	(226)	23	274	-	274
Total non- life insurance	220,433	(33,009)	187,424	52,214	(8,586)	43,628

Geographical concentration

The geographical concentration of the Company's non–life insurance contract liabilities is in Ethiopia. This is the country where the business is written.

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 and claim numbers for each accident year.

Sensitivities

		Change in liability		
		30 June 2018	30 June 2017	1 July 2016
	Change in assumptions	Birr'000	Birr'000	Birr'000
Average claim cost	+10%	116,746	104,967	74,003
Average number of claims	+10%	116,746	104,967	74,003

		Change in liability		
		30 June 2018	30 June 2017	1 July 2016
	Change in assumptions	Birr'000	Birr'000	Birr'000
Average claim cost	-10%	(78,417)	(103,894)	(72,884)
Average number of claims	-10%	(78,417)	(103,894)	(72,884)

Claims Development Table

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

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

Accident year	2014 Birr'000	2015 Birr'000	2016 Birr'000	2017 Birr'000	2018 Birr'000	Total Birr'000
2014	140,490	165,896	193,974	266,881	308,297	
2015	186,528	214,132	255,289	325,530		
2016	191,021	221,124	257,231			
2017	192,183	223,234				
2018	194,098					
Current estimate of cummulative claims	194,098	223,234	257,231	325,530	308,297	1,308,391
IBNR			8,697	14,952	70,926	94,576
Cummulative payments to date	(82,897)	(205,069)	(231,165)	(270,648)	(278,006)	(1,067,786)
Liabilities recognised in the balance sheet (note 27)	111,201	18,165	34,764	69,835	101,217	335,182

Gross non–life insurance contract outstanding claims provision for 2017:

Accident year	2014 Birr'000	2015 Birr'000	2016 Birr'000	2017 Birr'000	Total Birr'000
2014	141,522	169,998	209,472	305,471	
2015	188,647	219,413	270,715		
2016	194,735	226,560			
2017	195,958				
Current estimate of cumulative claims	195,958	226,560	270,715	305,471	998,704
IBNR	1,234	2,240	14,369	70,518	88,361
Cumulative payments to date	(72,853)	(205,069)	(231,165)	(270,648)	(779,735)
balance sheet (note 27)	124,339	23,731	53,919	105,341	307,330

Gross non–life insurance contract outstanding claims provision for 2016:

Accident year	2014 Birr'000	2015 Birr'000	2016 Birr'000	Total Birr'000
2014	161,823	199,567	265,502	
2015	201,035	239,505		
2016	206,736			
Current estimate of cumulative claims	206,736	239,505	265,502	711,743
IBNR	656	7,308	44,248	52,212
Cumulative payments to date	(55,074)	(205,069)	(231,165)	(491,308)
Liabilities recognised in the balance sheet (note 27)	152,318	41,744	78,585	272,647

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 amortised 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 summarised in the Table below:

30 June 2018	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and cash equivalents	16	-	644,414	644,414
Investment securities:				
– Available for sale	17	182,757	-	182,757
– Loans and receivables	17	-	10,003	10,003
Reinsurance assets	19	-	144,481	144,481
Other assets	20	-	94,542	94,542
Total financial assets		182,757	893,440	1,076,197

30 June 2017	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and cash equivalents	16	-	585,883	585,883
Investment securities:				
– Available for sale	17	181,159	-	181,159
– Loans and receivables	17	-	10,584	10,584
Reinsurance assets	19	-	202,710	202,710
Other assets	20	-	36,311	36,311
Total financial assets		181,159	835,488	1,016,647

1 July 2016	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and cash equivalents	16	-	488,645	488,645
Investment securities:				
– Available for sale	17	148783	-	148,783
– Loans and receivables	17	-	10,603	10,603
Reinsurance assets	19	-	150,712	150,712
Other assets	20	-	42,149	42,149
Total financial assets		148,783	692,109	840,892

4.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment portfolio, long term staff loans and the reliance on reinsurers to make payment when certain loss conditions are met.

For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

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

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

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

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

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 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash and cash equivalents	644,414	585,883	488,645
Investment securities:			
– Available for sale	182,757	181,159	148,783
– Loans and receivables	10,003	10,584	10,603
Reinsurance assets	144,481	202,710	150,712
Other assets	94,542	36,311	42,149
	1,076,197	1,016,647	840,892

4.3.1 Credit quality analysis

(a) Cash and cash equivalents

The credit quality of cash and bank balances and short-term investments are neither past due nor impaired at as 30 June 2018, 30 June 2017 and 30 June 2016 and are non-rated as they are held in Ethiopian banks. There are no credit rating agencies in Ethiopia. The Company has no cash and cash equivalents that are held in foreign banks.

(b) Investment securities

The Company's investment portfolio is exposed to credit risk through its fixed income and money market instruments. The Company further manages its exposure to credit risk through counterparty risk via established limits as approved by the Directive issued by NBE. 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) Credit quality of reinsurers 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 2018	past due nor impaired Birr'000	Past due but not impaired Birr'000	impaired Birr'000	Total Birr'000
Insurance recivables:				
Due from contract holders	-	-	22,456	22,456
Due from agents	-	-	-	-
Less: Impairment allowance (note 19a)			(22,456)	(22,456)
Net	-	-	-	-
Other assets				
Rent receivables	-			
Other account receivables	43,662	-	1,516	45,178
Recievable of claims from third party	30,827			30,827
Accrued interest receivable	-			-
Staff debtors	20,053		1,438	21,491
	94,542	-	2,954	97,496
Gross				
Less: Impairment allowance (note 19a)			(2,954)	(2,954)
Net	94,542	-	-	94,542

30 June 2017	past due nor impaired Birr'000	Past due but not impaired Birr'000	impaired Birr'000	Total Birr'000
Insurance recivables:				
Due from contract holders	-	-	23,488	23,488
Due from agents	81	-	-	81
Gross	81	-	23,488	23,569
Less: Impairment allowance (note 19a)	-	-	(23,488)	(23,488)
Net	81	-	-	81

	past due nor impaired Birr'000	Past due but not impaired Birr'000	impaired Birr'000	Total Birr'000
Other assets				
Rent receivables	240	-	-	240
Other account receivables	3,024	-	1,516	4,540
Accrued interest receivable	-	-	-	-
Staff debtors	11,830	-	216	12,046
Gross	15,094	-	1,732	16,826
Less: Impairment allowance (note 19a)	-	-	(1,732)	(1,732)
Net	15,094	-	-	15,094

1 July 2016	past due nor impaired Birr'000	Past due but not impaired Birr'000	impaired Birr'000	Total Birr'000
Insurance recivables:				
Due from contract holders	-	-	23,488	23,488
Due from agents	81	-	-	81
	81	-	23,488	23,569
Less: Impairment allowance (note 19a)	-	-	(23,488)	(23,488)
Net	81	-	-	81

	past due nor impaired Birr'000	Past due but not impaired Birr'000	impaired Birr'000	Total Birr'000
Other assets				
Rent receivables	448	-	-	448
Other account receivables	11,421		1,516	12,937
Accrued interest receivable	-	-	-	-
Staff debtors	9,096	-	216	9,312
	20,965	-	1,732	22,697
Gross				
Less: Impairment allowance (note 19a)	-	-	(1,732)	(1,732)
Net	20,965	-	-	20,965

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 loans and receivables

Other receivables balances constitute, rent receivables, other account receivables 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

4.3.2 *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.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Due from contract holders	22,456	23,488	23,488
Other loans and receivables	2,954	1,732	1,732
Total allowance for impairment	25,410	25,220	25,220

4.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms.

Liquidity risk management in the Company is solely determined by Management, which bears the overall responsibility for liquidity risk. The main objective 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 Accounts Directorate. The Directorate monitors 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.

4.4.2 Maturity analysis of financial liabilities

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

30 June 2018	Less than 90 days Birr'000	90 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
Insurance contract liabilities	800,760			800,760
Insurance payables	60,834			60,834
Other liabilities	133,245	14,309		147,554
Total financial liabilities	994,839	14,309	-	1,009,148

30 June 2017	Less than 90 days Birr'000	90 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
Insurance contract liabilities	709,287	-	-	709,287
Insurance payables	133,245	-	-	133,245
Other liabilities	11,475	14,763	-	26,238
Total financial liabilities	854,007	14,763	-	868,770

1 July 2016	Less than 90 days Birr'000	90 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
Insurance contract liabilities	635,414	-	-	635,414
Insurance payables	89,485	-	-	89,485
Other liabilities	6,055	12,276	-	18,331
Total financial liabilities	730,954	12,276	-	743,230

4.5 Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.

The the Company does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 Management of market risk

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

4.5.2 Management of market risk

Market risk is monitored by the Risk Management Unit on regularly, to identify any adverse movement in the underlying variables.

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to this risk primarily results from timing differences in the repricing of assets and liabilities as they mature (fixed rate instruments) or contractually repriced (floating rate instruments).

The Company monitors this exposure through periodic reviews of the assets and liability position. Estimates 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 of 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 then 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 2018	Fixed	Non-interest bearing	Total
	Birr'000	Birr'000	Birr'000
Assets			
Cash and cash equivalents	644,414	-	644,414
Investment securities:			-
– Available for sale	-	182,757	182,757
– Loans and receivables	10,003	-	10,003
Insurance receivables		-	-
Reinsurance assets	144,481	-	144,481
Other assets	94,542	-	94,542
Total	893,440	182,757	1,076,197
Liabilities			
Insurance contract liabilities	800,760	-	800,760
Insurance payables	60,834	-	60,834
Other liabilities	147,554	-	147,554
Total	1,009,148	-	1,009,148

30 June 2017	Fixed	Non-interest bearing	Total
	Birr'000	Birr'000	Birr'000
Assets			
Cash and cash equivalents	585,883	-	585,883
Investment securities:			
– Available for sale	-	181,159	181,159
– Loans and receivables	10,584	-	10,584
Reinsurance assets	202,710	-	202,710
Other assets	36,311	-	36,311
Total	835,488	181,159	1,016,647
Liabilities			
Insurance contract liabilities	709,287	-	709,287
Insurance payables	133,245	-	133,245
Other liabilities	26,238	-	26,238
Total	868,770	-	868,770

1 July 2016	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and cash equivalents	488,645	-	488,645
Investment securities:			
– Available for sale	-	148,783	148,783
– Loans and receivables	10,603	-	10,603
Reinsurance assets	150,712	-	150,712
Other assets	42,149	-	42,149
Total	692,109	148,783	840,892
Liabilities			
Insurance contract liabilities	635,414	-	635,414
Insurance payables	89,485	-	89,485
Other liabilities	18,331	-	18,331
Total	743,230	-	743,230

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Company is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Company has no transaction in foreign currency.

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limits 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

The Company's objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4.6.1 Margin of Solvency ratio

According to the Licencing and Supervision of Insurance Business Margin of Solvency (MOS) Directives No. SIB/45/2016 of the National Bank of Ethiopia, an insurer carrying on general business shall keep admitted capital amounting to the highest of 25% of its technical provisions, or 20% of the net written premiums in the last preceding financial year, or the minimum paid capital. An insurer carrying on long term insurance business shall keep admitted capital amounting to the higher of 10% of technical provisions or the minimum paid up capital.

MOS ratio is the excess of assets over liabilities maintained for general and long term insurance business. Admissable assets and liabilities stated below is in accordance with the MOS Directives No. SIB/ 45/ 2016.

		30 June 2018 Birr'000	30 June 2017 Birr'000
Admissable assets	A		
Cash and bank balances		644,414	585,883
Investment securities:			
– Available for sale		182,757	181,159
– Loans and receivables		10,003	10,584
Property, plant and equipment		746,853	759,859
Investment property		247,604	197,707
Other assets net of prepayments		91,588	41,851
Statutory deposit		40,968	36,725
		1,964,187	1,813,768
Admissable liabilities	B		
Insurance contract liabilities		800,760	709,287
Insurance payables		60,834	133,245
Other liabilities		92,199	64,559
Deferred tax liability		221,000	221,000
Current income tax liabilities		15,288	13,976
		1,190,081	1,142,067
Excess (admitted capital)- (A-B)	C	774,106	671,701
Net premium (Preceding year)	D	461,858	411,136
Solvency margin			
Limit of net premium i.e 20% of net premium		92,372	82,227
Required Minimum of paid up capital		160,152	141,857
Since C>D - Positive Solvency Margin	(C-D)	312,248	260,565
Solvency ratio		1.95	1.84

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 categorised 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 sources; unobservable inputs reflect the the Company's market assumptions.

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

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

- Level 3: Inputs for the asset or liability that are not based on observable market data (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 summarises 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 categorised. The amounts are based on the values recognised in the statement of financial position.

	30 June 2018		30 June 2017		1 July 2016	
	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000
Financial assets						
Cash and cash equivalents	644,414	644,414	585,883	585,883	488,645	488,645
Investment securities:						
– Available for sale	182,757	182,757	181,159	181,159	148,783	148,783
– Loans and receivables	10,003	10,003	10,584	10,584	10,603	10,603
Reinsurance assets	144,481	144,481	202,710	202,710	150,712	150,712
Other assets	94,542	94,542	36,311	36,311	42,149	42,149
Total	1,076,197	1,076,197	1,016,647	1,016,647	840,892	840,892
Financial liabilities						
Insurance contract liabilities	800,760	800,760	709,287	709,287	635,414	635,414
Insurance payables	60,834	60,834	133,245	133,245	89,485	89,485
Other liabilities	147,554	147,554	26,238	26,238	18,331	18,331
Total	1,009,148	1,009,148	868,770	868,770	743,230	743,230

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 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 3

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 a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.8 Offsetting financial assets and financial liabilities

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

5 Segment information

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

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. This segment covers the protection of customers' assets (particularly their properties, both for personal and commercial business) and indemnification of other parties that have suffered damage as a result of customers' accidents. All contracts in this segment are short term in nature.

Life business- Includes life insurance policies with individual and corporate customers. This segment covers the protection of the Company's customers against the risk of premature death, disability, critical illness and other accidents.

The segment information provided by the Management Operations Committee for the reporting segments for the year ended 30 June 2018 is as follows:

a Assets and liabilities for each segment at 30 June 2018

	Non- life			Life			Total		
	30 June 2018 Birr'000	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
ASSETS									
Cash and bank balances	477,018	448,730	361,389	167,396	137,153	127,256	644,414	585,883	488,645
Investment securities:				-					
– Available for sale	155,536	155,036	127,619	27,221	26,123	21,164	182,757	181,159	148,783
– Loans and receivables	6,002	6,583	6,362	4,001	4,001	4,241	10,003	10,584	10,603
Reinsurance assets	144,481	202,552	150,712	-	158	-	144,481	202,710	150,712
Other assets	105,596	48,872	62,013	8,269	1,839	2,096	113,865	50,711	64,109
Deferred acquisition cost	18,026	13,156	11,664	-	-	-	18,026	13,156	11,664
Salvage property held for s	12,970	20,043	12,370				12,970	20,043	12,370
Prepayments for leasehold land	7,043	6,876	6,987	-	-	-	7,043	6,876	6,987
Property, plant and equipment	745,967	758,875	780,245	886	984	1,080	746,853	759,859	781,325
Investment properties	247,604	197,707	187,195	-	-	8,537	247,604	197,707	195,732
Intangible assets	6,130	4,384	2,313	-	-	-	6,130	4,384	2,313
Statutory deposits	38,718	34,445	24,008	2,250	2,280	2,400	40,968	36,725	26,408
Account with Life/NonLife	(4,480)	-	-	4,480	-	-			
Deferred tax assets	-	-	-	-	-	-	-	-	-
Total assets	**1,960,611**	**1,897,259**	**1,732,877**	**214,503**	**172,538**	**166,774**	**2,175,114**	**2,069,797**	**1,899,651**
LIABILITIES									
Insurance contract liabiliti	646,823	586,863	523,687	153,937	122,424	111,727	800,760	709,287	635,414
Provisions for claims under litigations	1,910	4,122	2,782	-	-	-	1,910	4,122	2,782
Deferred income tax		-	-	-	-	-	-	-	-
Insurance payables	54,114	126,254	78,853	6,720	6,991	10,632	60,834	133,245	89,485
Other liabilities	91,467	64,553	63,833	732	8	99	92,199	64,561	63,932
Defined benefit obligations	6,123	5,014	3,434	-	-	-	6,123	5,014	3,434
Deferred tax liability	213,316	218,718	226,636	34	36	37	213,349	218,754	226,673
Current income tax liabiliti	13,888	12,611	8,889	1,401	1,365	4,606	15,288	13,976	13,495
Total liabilities	1,027,640	1,018,135	908,114	162,824	130,824	127,101	1,190,463	1,148,959	1,035,215
Equity									
Share capital	262,127	231,584	175,270	15,000	15,000	15,000	277,127	246,584	190,270
Share premium	778	778	778	-	-	-	778	778	778
Retained earnings	610,417	600,791	609,184	29,208	21,236	21,558	639,625	622,027	630,742
Legal reserve	59,649	45,971	39,531	7,471	5,478	3,115	67,120	51,449	42,646
Total equity	932,971	879,124	824,763	51,679	41,714	39,673	984,650	920,838	864,436
Total equity and liabilities	**1,960,611**	**1,897,259**	**1,732,877**	**214,503**	**172,538**	**166,774**	**2,175,114**	**2,069,797**	**1,899,651**

b Profit or loss for each category for the year ended 30 June 2018

	Non- life		Life		Total	
	30 June 2018 Birr'000	30 June 2017 Birr'000	30 June 2018 Birr'000	30 June 2017 Birr'000	30 June 2018 Birr'000	30 June 2017 Birr'000
Revenue						
Gross premiums (note i)	604,584	544,648	69,527	55,099	674,111	599,747
Premiums ceded to reinsurers (note i)	(151,990)	(127,258)	(10,413)	(10,631)	(162,403)	(137,889)
	452,594	417,390	59,114	44,468	511,708	461,858
Change in unearned income (note 27)	(22,781)	(21,471)	-		(22,781)	(21,471)
	429,813	395,919	59,114	44,468	488,927	440,387
Fee and commission income	44,827	42,242	2,391	5,006	47,218	47,248
Investment income	81,073	63,870	23,718	20,446	104,791	84,316
Other operating income	5,991	15,334	118	4	6,109	15,338
	561,704	517,365	85,341	69,924	647,045	587,289
Expenses						
Claims incurred	(246,656)	(256,869)	(37,519)	(29,044)	(284,175)	(285,913)
Underwriting expenses	(25,620)	(26,469)	(4,587)	(2,220)	(30,207)	(28,689)
Other operating and administrative expenses	(159,443)	(133,893)	(3,899)	(2,678)	(163,342)	(136,571)
Increase in life fund	-	-	(29,336)	(35,982)	(29,336)	(35,982)
Profit before income tax	129,985	100,133	10,000	119,985	139,985	100,133
Income tax expense	(11,781)	(13,976)	(35)	(11,746)	(11,817)	(25,722)
Profit after income	**118,204**	**86,157**	**9,965**	**108,239**	**128,168**	**74,411**

i) Insurance premiums

	30 June 2018			30 June 2017		
General insurance	Gross written premium Birr'000	Reinsurers' premium Birr'000	Net written premium Birr'000	Gross written premium Birr'000	Reinsurers' premium Birr'000	Net written premium Birr'000
Fire	58,201	(36,558)	21,643	42,597	(25,187)	17,410
Burglary	4,425	(2,359)	2,066	3,844	(1,848)	1,996
Motor	376,360	(41,909)	334,451	356,254	(32,407)	323,847
Marine	23,930	(8,162)	15,768	28,863	(6,282)	22,581
Goods in transits	11,475	(3,461)	8,014	7,852	(11,384)	(3,532)
Workmens' compensation	14,774	(1,542)	13,232	12,122	(1,417)	10,705
Group Personal Accident	18,986	(4,472)	14,515	13,015	(562)	12,453
Engineering	33,610	(19,683)	13,926	27,533	(5,511)	22,022
Public liability	21,854	(8,403)	13,451	13,997	(18,273)	(4,276)
Pecuniary	30,974	(15,961)	15,013	35,743	(5,565)	30,178
Floriculture	1,895	(1,489)	405	1,984	(17,154)	(15,170)
Political Violence & Terrorism	7,249	(8,533)	(1,284)			
Others	875			844	(1,668)	(824)
	604,608	(152,532)	451,201	544,648	(127,258)	417,390

	30 June 2018			30 June 2017		
Life insurance	Gross written premium Birr'000	Reinsurers premium Birr'000	Net written premium Birr'000	Gross written premium Birr'000	Reinsurers premium Birr'000	Net written premium Birr'000
Individual life	3,547	(98)	3,449	4,267	(212)	4,055
Group life	26,430	(8,434)	17,996	19,809	(9,748)	10,061
Group medical	39,550	(1,881)	37,669	31,023	(671)	30,352
	69,527	(10,413)	59,114	55,099	(10,631)	44,468

	30 June 2018 Birr'000	30 June 2017 Birr'000
6 Net premiums		
a Gross premium on insurance contracts		
Gross written premium (note 5b (i))		
Life insurance	69,527	55,099
Non-life insurance	597,944	540,819
Coinsurance premium income	6,640	3,829
Total gross written premium	**674,111**	**599,747**
Change in unearned premiums provision (note 27)	(31,642)	(29,445)
Gross premium income	642,469	570,302
b Premiums ceded to reinsurers on insurance contracts (note 5b (i))		
-Life insurance	(10,413)	(10,631)
-Non-life insurance	(148,119)	(124,606)
-Coinsurance premium expenses	(3,871)	(2,652)
Change in unearned premiums provision (note 27)	8,861	7,974
Total premiums ceded to reinsurers	(153,542)	(129,915)
Total net premiums	488,927	440,387

There were no events in the reporting periods that prompted losses of sufficient size to trigger a recovery from contracts.

	30 June 2018 Birr'000	30 June 2017 Birr'000
7 Fee and commission income		
Policy administration	9,374	12,570
Reinsurance commission income	37,844	29,672
Total fees and commission income	47,218	42,242

Fee income represents commission received on direct business and transactions ceded to reinsurance during the year under review.

	30 June 2018 Birr'000	30 June 2017 Birr'000
8 Net benefits and claims		
a Claims expenses		
Life insurance contracts (note 27b)	37,797	32,503
Non-life insurance contracts (note 27a)	277,884	270,648
Change in recoveries salvage properties	7,073	(7,673)
Change in subrogation reimbursements	(11,342)	(32)
Total claims expenses	311,412	295,446
b Claims recovered from reinsurers		
Life insurance contracts (note 27b)	(1,885)	(3,740)
Non-life insurance contracts (note 27a)	(51,633)	(35,415)
Total Claims expenses recoverable	(53,518)	(39,155)
c Gross change in contract liabilities		
Change in life insurance contract liabilities (note 27b)	1,607	281
Change in non-life insurance contract outstanding claims provision (note 27a)	21,636	(1,466)
Change in non-life insurance contract IBNR provision (note 27a)	6,215	36,149
Losses recognised as a result of liability adequacy test	696	867
Change in claims under litigations (note 28)	(2,212)	1,340
Total gross change in contract liabilities	27,942	37,171
d Change in contract liabilities ceded to reinsurers		
Change in non-life insurance contract IBNR provision	(901)	(6,052)
Change in non-life insurance contract outstanding claims provision	(760)	(1,497)
	(1,661)	(7,549)
Net benefits and claims	284,175	285,913

	30 June 2018 Birr'000	30 June 2017 Birr'000
9 Underwriting expense		
Commission paid	35,078	30,181
Changes in deferred acquisition cost (note 21)	(4,871)	(1,492)
	30,207	28,689

	30 June 2018 Birr'000	30 June 2017 Birr'000
10 Investment income		
Rental income from investment properties (note 22)	6,631	6,025
Available for sale:		
- Dividend income	41,421	28,509
- Interest income	55,001	49,144
Cash and short-term deposits		
- Interest income savings	1,738	638
Total investment income	104,791	84,316

	30 June 2018 Birr'000	30 June 2017 Birr'000
11 Other operating income		
Gain on disposal of property, plant and equipment	837	12
Sundry income	5,272	9,217
Total other operating income	6,109	9,229

Sundry income includes income earned from sales of recoveries which are claim non specific policies.

Claims recoveries of specific policies that relate to the net realisable value of salvaged property included as an allowance in the measurement of the insurance claims paid.

	30 June 2018 Birr'000	30 June 2017 Birr'000
12 Finance costs		
Interest expense on bank overdraft	42	58
	42	58

	30 June 2018 Birr'000	30 June 2017 Birr'000
13 Other operating and administrative expenses		
Rental expenses	11,897	10,245
Stationery and office supplies	5,664	7,810
Auditor's fee	196	92
Legal and other consultancy fees	2,708	891
Communication	3,953	3,504
Amortisation of leasehold land (note 21)	177	111
Recovery of Impairment loss on receivables	(1,033)	9
Other expenses	7,109	6,847
Donations	10,210	1,156
Gift and sposorship	1,630	
Fees and commission expenses	18	10
Fuel and lubricants	1,712	1,569
Bank charges	1,749	1,221
Depreciation on property and equipment (note 23)	29,319	37,414
Depreciation on investment property (note 24	4,084	3,819
Fair Value adjustement (OCI)	(18,021)	(26,391)
Advertisement	2,531	1,644
Subscription	528	279
Amortisation of intangible assets (note 25)	249	630
Directors compensation	432	1,670
Repairs and maintenance	7,302	5,613
Travel expenses	1,638	947
Insurance cost	1,941	1,148
	75,993	60,238

	30 June 2018 Birr'000	30 June 2017 Birr'000
14 Employee benefits expense		
Salaries and wages	69,574	65,841
Medical expenses	38	420
Life insurance expense	3,770	
Staff training	2,506	2,372
Defined contribution costs- employers' contribution	7,081	5,333
Defined benefit costs- severance pay (note 31)	3,226	1,317
Other staff cost and allowances	1,112	992
	87,307	76,275

	30 June 2018 Birr'000	30 June 2017 Birr'000
15 Company income and deferred tax		
a Current income tax		
Company income tax	11,817	13,976
Prior year (over)/ under provision	3,471	
Capital gains tax		
Tax on foreign deposit interest		
Deferred income tax/(credit) to profit or loss		
Total charge to profit or loss	15,288	13,976
Tax (credit) on other comprehensive income	-	-
Total tax in statement of comprehensive income	15,288	13,976

b Reconciliation of effective tax to statutory tax

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit before tax	139,985	114,017
Income taxed at source		
- Interest income from depoits	(55,001)	
- Income from on dividend	(43,159)	
-Adustement of taxable depreciation	(6,094)	
-Non-deductible expenses	3,658	
Total taxable Income	39,390	
Tax calculated at statutory tax rate of 30 %	11,817	13,976

Depreciation for Company income tax for fixed assets aquired after the effective date of ncome Tax Proclamation No. 979/2016 & Council of Ministers Regulation 410/2017 Art. 67 is calculated by diminishing system other than buildings while fixed assets aquired prior to the above mentioned proclamation date is depreciated as follows.

i. Fixed assets with positive balance in a depreciation basis in the pool at a commencement of the Proclamation, are depreciated at the following rates per annum.

- Buildings 5%, using straight-line method,
- Computers, information systems, software products and data storage equipments 25%,
- All other Assets 20%

ii. Depreciable assets acquired on or after the commencement of the proclamation are depreciated by applying the following rates per annum against the net book value of the assets.

- Buildings 5%, using straight-line method,
- Computers, information systems, software products and data storage equipments 20%,
- All other Assets 15%

c Current income tax liability	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**
Balance at the beginning of the year	13,976	13,495
Charge for the year:		
Company Income tax expense	11,817	13,976
Prior year (over)/ under provision	3,471	
Payment during the year	(13,976)	(13,495)
Balance at the end of the year	15,288	13,976

d Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets for the Company has not been recognised because it is not probable that future taxable profits will be available against which they can be utilised.

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

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

Deferred income tax assets/(liabilities):	**At 1 July 2017 Birr'000**	**(charge) to profit or loss Birr'000**	**Credit/ (charge) to equity Birr'000**	**30 June 2018 Birr'000**
Property, plant and equipment	218,755			218,755
Provisions			(5,406)	(5,406)
Tax losses charged to profit or loss				-
Post employment benefit obligation				
Total deferred tax assets/ (liabilities)	218,755	-	(5,406)	213,348

Deferred income tax assets/(liabilities):	**At 1 July 2016 Birr'000**	**Credit/ (charge) to profit or loss Birr'000**	**Credit/ (charge) to equity Birr'000**	**30 June 2017 Birr'000**
Property, plant and equipment	226,672			226,672
Provisions			(7,917)	(7,917)
Tax losses charged to profit or loss				-
Post employment benefit obligation				
Total deferred tax assets/(liabilities)	226,672	-	(7,917)	218,755

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
16 Cash and bank balances			
Cash in hand	5,664	5,886	8,368
Cash at bank	100,784	62,363	35,338
Short term deposits with banks	20,256	22,001	44,222
Fixed time deposits with local banks	517,710	495,633	400,717
	644,414	585,883	488,645

Cash and bank balances are all current.

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

Cash and cash equivalents	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash in hand	5,664	5,886	8,368
Cash at bank	100,784	62,363	35,338
Short term deposits with banks	20,256	22,001	44,222
	126,704	90,250	87,928

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
17 Investment securities			
Available for sale			
Equity investments	182,757	181,159	148,783
Loans and receivables			
Ethiopian Government saving bonds	10,003	10,584	10,603

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	182,757	181,159	148,783
Non- current	10,003	10,584	10,603
	192,760	191,743	159,386

The Company holds equity investments in the following entities;

	30 June 2018 Number of shares '000	%	30 June 2017 Number of shares '000	%	1 July 2016 Number of shares '000	%
Awash International Bank S.C	150,000	5%	149,500	5%	122,083	5%
Ethiopian Reinsurance Company	25,000	3%	25,000	3%	25,000	3%
BIS Vegetables and Agro industry	800	1%	800	1%	800	1%
Sheger Investment Hotel and Tourism S.C	400	10%	400	10%	400	10%
Addis- Africa International CEC	909	0%	909	0.3%	500	0.3%
Oda Share Company S.C.	5,648	10%	4,550	10%	-	-
	182,757		181,159		148,783	

These investments are unquoted equity securities measured at cost less impairment.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
18 Insurance receivables			
Due from contract holders	22,456	23,407	23,407
Insurance agents	-	81	81
	22,456	23,488	23,488
Impairment loss on due from contract holders	(22,456)	(23,488)	(23,488)
Net amount	-	-	-

A reconciliation of the allowance for impairment loss for insurance receivables is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000
At 1 July	23,488	23,488
Charge for the year (note 13)		-
Recoveries	(1,032)	-
As at 30 June	24,520	23,488

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
19 Reinsurance assets			
Recoverable from reinsurers	30,825	99,901	61,040
<u>Reinsurance recoverable on outstanding claims</u>			
Short-term insurance contracts:			
– Claims reported and loss adjustment expenses	35,266	34,506	33,009
– Claims incurred but not reported (IBNR)	15,539	14,638	8,586
Long-term insurance contracts:			
– Outstanding claims provision	374	49	2,435
Prepaid reinsurance	62,477	53,616	45,642
Impairment provision	-	-	-
	144,481	202,710	150,712

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	30,825	99,901	61,040
Non- current	113,656	102,809	89,672
	144,481	202,710	150,712

The Company conducted an impairment review of the reinsurance assets and no impairment is required in respect of these assets as the Company has the right to set-off reinsurance assets against reinsurance liabilities on settlement. The carrying amounts disclosed above is in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
20 Other assets			
Other loans and receivables:			
Rent receivables	-	240	448
Other account receivables	43,662	4,540	12,937
Subrogation reimbursements	30,827	19,485	19,452
Accrued interest receivable			
Staff debtors	20,053	12,046	9,312
	94,542	36,311	42,149
Other non financial assets			
Prepaid staff expense	1,481	1,508	1,278
Withholding tax receivable	7,605	5,729	5,469
Value added tax receivable	460	35	5,086
Prepayments	12,731	8,860	11,859
	22,277	16,132	23,692
Less impairment loss on other receivables:			
Impairment loss on other accounts receivables	(1,516)	(1,516)	(1,516)
Impairment loss on staff debtors	(1,438)	(216)	(216)
	(2,954)	(1,732)	(1,732)
	113,865	50,711	64,109

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	113,865	50,711	64,109
Non- current			-
	113,865	50,711	64,109

A reconciliation of the allowance for impairment losses for other receivables, is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000
At 1 July	1,732	1,732
Charge for the year	-	-
Recoveries	1,222	-
As at 30 June	2,954	1,732

	2018 Birr'000	2017 Birr'000	2016 Birr'000
21 a Deferred acquisition cost			
This represents commission on unearned premium relating to the unexpired tenure of risk.			
Fire	2,944	1,373	1,344
Burglary	345	96	110
Motor	7,381	5,941	5,171
Marine	1,096	1,390	1,163
Goods in transits	630	352	305
Workmens' compensation	611	474	406
Group Personal Accident	987	413	498
Engineering	1,639	1,289	1,172
Public liability	936	610	533
Pecuniary	1,326	1,135	876
Floriculture	100	83	86
Political Violence and Terrorism	30.23		
	18,026	13,156	11,664

The movement in deferred acquisition costs is as follows:	30 June 2018 Birr'000	30 June 2017 Birr'000
As at 1 July	13,156	11,664
Additions during the year (note 9)	4,870	1,492
Amortisation during the year		
As at 30 June	18,026	13,156

21 b Salvage property held for sale

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Salvage property held for sale	12,970	20,043	12,370

The movement in salvage properties held for sale is as follows:	30 June 2018 Birr'000	30 June 2017 Birr'000
As at 1 July	20,043	12,370
Additions during the year	(7,073)	7,673
As at 30 June	12,970	20,043

These assets represent salvage properties that are fully or partially damaged and fully compensated to the policy holder by the company. These assets are recognized and classified as held held for sale in the financial satement by their carrying amount and fair value less cost of disposal as per IFRS 5.
The Companiy's Management intention regarding these asssets 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 rater that continuing use.

22 Prepayments for leasehold land	30 June Birr'000	30 June Birr'000
As at 1 July	6,876	6,987
Addition/adjustment during the year	1,746	
Amortization/adjustment for the year	(1,579)	(111)
As at 30 June	7,043	6,876

23 Property, plant and equipment

	Furniture and fittings Birr'000	Office equipment Birr'000	Buildings Birr'000	Lifts Birr'000	Motor vehicles Birr'000	Computer equipment Birr'000	Construction in progress Birr'000	Total Birr'000
Cost								
At 1 July 2016	10,186	4,150	646,717	36,180	66,508	9,490	18,550	791,781
Additions	609	760	1,523	-	12,365	825	-	16,082
Reclassifications	-	-	-		-	-		-
Disposals	-	(30)	-	-	-	(104)	-	(134)
At 30 June 2017	10,795	4,880	648,240	36,180	78,873	10,211	18,550	807,729
At 1 July 2017	10,795	4,880	648,240	36,180	78,873	10,211	18,550	807,729
Additions /adjustements	-12	2,201	-	-	13,958	833	672	17,652
Disposals	(0.02)	(0.08)	-		(1,652)	(0.10)	-	(1,652)
Reclassification	-	-	-		-	-	-	-
At 30 June 2018	10,783	7,081	648,240	36,180	91,179	11,044	19,222	823,729
Accumulated depreciation								
At 1 July 2016	(4,211)	(438)	-	-	-	(5,807)	-	(10,456)
Charge for the year	(794)	(2,920)	(13,215)	(3,100)	(15,427)	(2,073)	-	(37,529)
Disposals	-	26	-		-	89	-	115
At 30 June 2017	(5,005)	(3,332)	(13,215)	(3,100)	(15,427)	(7,791)	-	(47,870)
At 1 July 2017	(5,005)	(3,332)	(13,215)	(3,100)	(15,427)	(7,791)	-	(47,870)
Charge/adjustements for the year	14	(1,000)	(12,965)	(2,412)	(13,064)	(657)	-	(30,098)
Disposals	0.01	0.05	-		1,078	0.09	-	1,078
At 30 June 2018	(4,991)	(4,332)	(26,180)	(5,512)	(27,413)	(8,448)	-	(76,876)
Net book value								
At 1 July 2016	5,975	3,712	646,717	36,180	66,508	3,683	18,550	781,325
At 30 June 2017	5,790	1,548	635,025	33,080	63,446	2,420	18,550	759,859
At 30 June 2018	5,792	2,749	622,060	30,668	63,766	2,596	19,222	746,853

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

		Building Birr'000	Construction in progress Birr'000	Total Birr'000
24	**Investment property**			
	Cost:			
	At 1 July 2016	25,143	170,589	195,732
	Additions	-	5,794	5,794
	Transfer out of investment properties under construction	176,383	(176,383)	-
	Revaluation surplus/ (deficit)	-	-	-
	At 30 June 2017	201,526	-	201,526
	At 1 July 2017	201,526	-	201,526
	Additions	-	53,958	53,958
	Transfer out of investment properties under construction			
	Revaluation surplus/ (deficit)			
	At 30 June 2018	201,526	53,958	255,484
	Accumulated depreciation:			
	At 1 July 2016	-	-	-
	Charge for the year	3,819		3,819
	At 30 June 2017	3,819	-	3,819
	At 1 July 2017	3,819	-	3,819
	Charge for the year	4,061	-	4,061
	At 30 June 2018	7,880	-	7,880
	Net book value			
	At 1 July 2016	197,707	-	195,732
	At 30 June 2017	197,707	-	197,707
	At 30 June 2018	209,406	53,958	247,604

a Amounts recognised in profit or loss for investment property

	30 June 2018 Birr'000	30 June 2017 Birr'000
Rental income (note 10)	6,631	6,025
Direct operating expenses from property that generated rental income		-
	6,631	6,025

b Fair value measurement of the Company's investment properties

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

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

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

c Fair value hierarchy

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Carrying amount		-	-
Level 2	247,604	197,707	195,732

25 Intangible Assets

	development cost Birr'000	Computer software Birr'000	Total Birr'000
Cost			
As at 1 July 2016		3,841	3,841
Additions	2,701	-	2,701
As at 30 June 2017	2,701	3,841	6,542
Additions	1,995	4,696	6,691
Transfers	(4,696)	-	(4,696)
As at 30 June 2018	-	8,537	8,537
Amortisation			
As at 1 July 2016		(1,528)	(1,528)
Additions	-	(630)	(630)
As at 30 June 2017	-	(2,158)	(2,158)
Additions		(249)	(249)
As at 30 June 2018	**-**	**(2,407)**	**(2,407)**
Net book value			
As at 1 July 2016	**-**	**2,313**	**2,313**
As at 30 June 2017	**2,701**	**1,683**	**4,384**
As at 30 June 2018	**-**	**6,130**	**6,130**

26 Statutory deposits

This ralates to the amount deposited with National Bank of Ethiopia in line with Article 20 of the Insurance Business Proclamation No. 746/2012. 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 statutory deposit below includes 40,968,500 (2017: Birr 32,542,000, 2016: Birr 17,542,000) out of it Birr 40,910,000 is transferred to Ethiopian Government Saving Bond for Great Renaissance dam. The Bond bears interest income of 6% per annum.

	2018 Birr'000	2017 Birr'000	2016 Birr'000
Statutory deposits	40,968	36,725	26,408

The movement during the year is as follows:	2018 Birr'000	2017 Birr'000
As at 1 July	36,725	26,408
Additions	6,390	10,307
Interest received on statutory deposit invested in Government Bond	(3,231)	(1,067)
Interest receiveable on statutory deposit invested in Government Bond	1,084	1,077
As at 30 June	40,968	36,725

Although the minimum balance required to be set aside is 41, 569,050 (2017: Birr 35,648,000, 2016: Birr 25,341,000), accrued interest receiveable on the statutory deposit transferred to Ethiopian Government Savings Bond of 1,083,544 (2017: Birr 1,076,746, 2016: Birr 1,067,113) have been included in the disclosure .

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
27 Insurance contract liabilities			
Gross			
Short-term insurance contracts:			
– Claims reported and loss adjustment expenses	240,605	218,969	220,435
– Claims incurred but not reported IBNR	94,577	88,361	52,212
Outstanding claims provision	335,182	307,330	272,647
– Unearned premiums	302,888	271,246	241,801
– Unallocated loss adjustment expense	8,379	7,683	6,816
	646,449	586,259	521,264
Long-term insurance contracts:			
– Life insurance fund	150,063	120,712	109,729
– Outstanding claims provision	4,248	2,316	4,421
	154,311	123,028	114,150
Total insurance liabilities, gross	800,760	709,287	635,414
Reinsurers assets			
Short-term insurance contracts:			
– Claims reported and loss adjustment expenses	35,266	34,506	33,009
– Claims incurred but not reported (IBNR)	15,539	14,638	8,586
Outstanding claims provision	50,805	49,144	41,595
– Unearned premiums (note ii)	62,477	53,616	45,642
	113,282	102,760	87,237
Long-term insurance contracts:			
– Outstanding claims provision	374	49	2,435
Total reinsurers' share of insurance liabilities	113,656	102,809	89,672
Net			
Short-term insurance contracts:			
– Claims reported and loss adjustment expenses	205,339	184,463	187,426
– Claims incurred but not reported (IBNR)	79,038	73,723	43,626
Outstanding claims provision	284,377	258,186	231,052
– Unearned premiums (note b)	240,411	217,630	196,159
– Unallocated loss adjustment expense	8,379	7,683	6,816
	533,167	483,499	434,027
Long-term insurance contracts:			
– Life insurance fund	150,063	120,712	109,729
– Outstanding claims provision	3,874	2,267	1,986
	153,937	122,979	111,715
Total insurance contract liabilities, net	**687,104**	**606,478**	**545,742**

	2018 Birr'000	2017 Birr'000	2016 Birr'000
Current	537,041	485,766	436,013
Non- current	150,063	120,712	109,729
	687,104	**606,478**	**545,742**

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation.
The Company's net liability for insurance contracts was tested for adequacy by Actuarial Services (Actserve) Ltd., an actuary located in Kenya.

Movements in insurance liabilities and reinsurance assets

a **insurance**

	30 June 2018			30 June 2017		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
(i) Outstanding						
At 1 July	277,662	(44,604)	233,058	272,647	(41,595)	231,052
Notified claims	21,636	(760)	20,876	(1,466)	(1,497)	(2,963)
IBNR	6,216	(901)	5,315	36,149	(6,052)	30,097
As at 30 June	305,514	(46,265)	259,249	307,330	(49,144)	258,186
At 1 July	277,662	(44,604)	233,058	272,647	(41,595)	231,052
Cash paid for claims settled in year (note 8)	(277,884)	51,633	(226,251)	(270,648)	35,415	(235,233)
Increase in liabilities:						
– Arising from current-year claims	240,731		240,731	57,313	(38,424)	18,889
– Arising from prior-year claims	127,852		-	218,350	-	218,350
As at 30 June	368,361	7,029	247,538	277,662	(44,604)	233,058

(ii) Provisions for unearned premiums

30 June 2018

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	30,924	(17,484)	13,440
Burglary	2,632	(1,403)	1,229
Motor	180,371	(9,218)	171,153
Marine	14,712	(4,349)	10,363
Goods in transits	6,509	(1,963)	4,546
Workmens' compensation	8,257	(390)	7,867
Group's personal accident	10,665	(2,487)	8,178
Enginnering	17,505	(8,970)	8,535
Liability	9,717	(3,736)	5,981
Pecuniary	16,275	(8,378)	7,897
Floriculture	539	(432)	107
Political Violence & Terrorism	4,783	(3,667)	1,116
	302,889	**(62,477)**	**240,412**

30 June 2017

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	21,488	(12,015)	9,473
Burglary	2,350	(1,130)	1,220
Motor	170,450	(8,663)	161,787
Marine	16,916	(6,110)	10,806
Goods in transits	4,569	(823)	3,746
Workmens' compensation	6,293	(292)	6,001
Group's personal accident	7,215	(3,097)	4,118
Enginnering	14,705	(8,654)	6,051
Liability	6,559	(2,608)	3,951
Pecuniary	20,126	(9,735)	10,391
Floriculture	575	(489)	86
	271,246	**(53,616)**	**217,630**

1 July 2016	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	16,542	(8,730)	7,812
Burglary	1,667	(1,310)	358
Motor	152,720	-	152,720
Marine	13,048	(6,282)	6,766
Goods in transits	3,114	(1,072)	2,042
Worksmens' compensation	5,388	-	5,388
Group's personal accident	7,056	(1,041)	6,015
Enginnering	20,038	(12,863)	7,175
Liability	5,453	(2,143)	3,310
Pecuniary	15,904	(11,647)	4,257
Floriculture	871	(554)	317
	241,802	**(45,642)**	**196,160**

	30 June 2018			30 June 2017		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
At 1 July	271,246	(53,616)	217,630	241,801	(45,642)	196,159
Change in unearned income	31,642	(8,861)	22,781	29,445	(7,974)	21,471
As at 30 June	302,888	(62,477)	240,411	271,246	(53,616)	217,630

These provisions represent the liability for short-term insurance contracts for which the Company's obligations are not expired at year-end.

b Long-term insurance contracts:

i) **Life insurance funds**	30 June 2018 Birr'000	2017 Birr'000
At 1 July	120,711	109,729
Increase in individual life funds		
Adjustement of opening balance	16	
Net premiums received (note 6)	59,114	44,468
Investment income	23,718	20,446
Other income	118	4
Claims paid (note 8)	(37,797)	(32,503)
Claims recovered from reinsurers (note 8)	1,885	3,740
Management expenses	(3,899)	(2,678)
Net commission paid/ (received)	(2,196)	2,786
Changes in outstanding claim (note ii)	(1,607)	(281)
Distribution to shareholders	(10,000)	(25,000)
	29,336	10,982
As at 30 June	150,063	120,711

The Company did not cede any of these liabilities to its reinsurers.

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Actuarial liabilities	69,597	59,610	42,695
Actuarial surplus	90,465	86,101	67,034
Distribution to shareholders	(10,000)	(25,000)	-
Life fund	150,063	120,711	109,729

ii) Outstanding claims provision	2018 Birr'000	2017 Birr'000
At 1 July	2,267	1,986
Changes in outstanding claim (note 8)	1,607	281
As at 30 June	3,874	2,267

28 Provisions for claims under litigations	2018 Birr'000	2017 Birr'000
At 1 July	4,122	2,782
Provisions made during the year	(2,212)	1,340
As at 30 June	1,910	4,122

29 Insurance payables	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Due to reinsurers	51,567	129,705	88,740
Payable to local insurance	6,490	469	469
Due to agents	2,777	3,071	276
	60,834	133,245	89,485

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

30 Other liabilities	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Other financial liabilities			
Dividend payable	14,309	14,763	12,276
Directors' Compensation	900		
Other account payables	11,029	316	6,055
	26,238	15,079	18,331
Other non financial liabilities			
Deferred income	17,735	16,076	12,833
Withholdings Tax Payable	758	1,184	297
Provident/Pension Fund Payable	1,876	353	664
Unearned rental income	3,611	1,863	2,788
Leave pay	7,531	7,066	4,852
Accruals	23,650	16,838	15,304
Value Added Tax (VAT)	2,464	1,689	1,872
Dividend tax payable	426	-	694
Payroll tax payable	7,078	3,572	3,867
Advance premium deposit	832	839	137
	65,961	49,480	43,308
Gross amount	92,199	64,559	61,639

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	92,199	64,559	61,639
Non- current	-	-	-
	92,199	64,559	61,639

31 Defined benefit obligations

The Company operates an unfunded severance benefit plan for its employees who have served the Company and are below the retirement age (i.e. has not met the requirement to access the pension fund). The Severance Benefit Entitlement is provided under the Proclamation No. 377/2003.

Description of the plan:
If an employee is terminated due to redundancy, in the first year, the pay is thirty times the average daily wages of the last week of service. If less than one year service, severance pay is calculated in proportion to the period of service . For more than one year service, payment is increased by a third of the benefit for every additional year of service provided that the total amount does not exceed twelve month's wage of the employee.
This benefit is also entitled to employees in the event of death in service, voluntary resignation and disability after 5 years of service.

Key Risks
The key risks associated with the severance benefit entitlement are as follows:
1. The benefits are linked to salary and consequently have an associated risk to increases in salary.
2. The benefits are defined as per the Labour Proclamation. Amendments to the Labour Proclamation could change these benefits and materially change the costs of the Company.
3. The severance benefit is unfunded with no separate assets, investment risk would therefore not arise.
4. Severance benefits is payable where an employee's contract of employment is terminated by the initation of the employer against the provision of Law. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
A Liability recognised in the financial position			
Defined benefit obligations	6,123	5,014	3,434

B Amount recognised in the profit or loss	30 June 2018 Birr'000	30 June 2017 Birr'000
Current service cost	1,031	841
Interest cost	692	474
	1,723	1,315

C Amount recognised in other comprehensive income:	30 June 2018 Birr'000	30 June 2017 Birr'000
Remeasurement (gains)/losses arising from changes in the financial assumptions	(412)	533
Remeasurement (gains)/ losses employee benefit	-	-
Tax credit /(charge)	-	-
	(412)	533

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

	2018 Birr'000	2017 Birr'000
At 1 July	5,014	3,434
Current service cost	1,031	841
Interest cost	692	474
Remeasurement (gains)/ losses	(412)	533
Benefits paid	(202)	(268)
As at 30 June	6,123	5,014

D Assumptions
The significant actuarial assumptions were as follows:

i) Financial assumption: long term average

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Discount Rate (p.a)	12.75%	12.75%	12.75%
Rate of Pension Increase (p.a)	15%	15%	15%

ii) Mortality in Service

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

Age	Mortality rate Male	Female
20	11%	11%
25	11%	11%
30	12%	11%
35	13%	12%
40	19%	15%
45	33%	23%
50	60%	42%
55	104%	75%
60	172%	127%

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed that resignation rates decrease by 1% for each age from 15% at age 20 (and below) to 0% at age 60.

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

		Impact on defined benefit			
		30 June 2018		30 June 2017	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount rate	1%	13.75%	11.75%	13.75%	11.75%
Salary increase rate	1%	16%	14%	16%	14%

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 recognised within the statement of financial position.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
32 Share capital			
Authorised:			
600,000 ordinary shares of Birr 500 each	300,000	300,000	300,000
Issued and fully paid:			
Ordinary shares of Birr 500 each	277,127	246,584	190,270
Share premium	778	778	778

The Company was registered and had secured license number 003 from the National Bank of Ethiopia on 1st October 1994 to engage in General and Long Term Insurance businesses. Total subscribed shares at the balance sheet date was Birr xx (2017: Birr 300,000,000) out of which Birr xx (2017: Birr 246,583,500) was paid.

The paid up capital of the Company is as shown below:

	262,127	231,584	175,270
Non- life	15,000	15,000	15,000
Life			
	277,127	246,584	190,270

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

33 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year.

	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit attributable to shareholders	128,168	100,041
Weighted average number of ordinary shares in issue	277,127	246,584
Basic & diluted earnings per share (Birr)	0.46	0.41

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2017: nil) hence the basic and diluted loss per share have the same value.

	30 June 2018			30 June 2017		
	Undistributable retained earning	distributable Retained earnings	Total Birr'000	Undistributable retained earning	distributable Retained earnings	Total Birr'000
34 Retained earnings						
At 1 July	502,365	119,662	622,027	748,043	109,371	857,414
Transfer of revaluation gain tax to deferred tax				(226,672)		(226,672)
Prior year over/ (under) provision of legal reserve		(2,854)	(2,854)			
Prior year over/ (under) provision of current tax		(3,471)	(3,471)			
Retained earnings net of deferred tax	502,365	113,336	615,701	521,371	109,371	630,742
Dividend declared		(78,325)	(78,325)		(80,947)	(80,947)
Profit for the year		128,168	128,168		100,041	100,041
Other comprehensive income	(12,203)		(12,203)	(19,006)		(19,006)
Transfer to legal reserve		(12,817)	(12,817)		(8,803)	(8,803)
Transfer to directors' incentive		(900)	(900)			
As at 30 June	490,162	149,463	639,625	502,365	119,662	622,027

	30 June 2018 Birr'000	30 June 2017 Birr'000
35 Legal reserve		
At 1 July	51,449	42,646
Prior year (over)/ under provision of legal reserve	2,854	-
Transfer from retained earnings	12,817	8,803
As at 30 June	67,120	51,449

	30 June 2018 Birr'000	30 June 2017 Birr'000
36 Cash generated from operating activities		
Profit before income tax	139,985	114,017
Adjustments for non cash items:		
Depreciation on property and equipment (note 23)	29,319	37,529
Depreciation on investment property (note 24)	4,061	3,819
Fair value adjustement on deemed cost (note 24)	(18,021)	(26,391)
Amortisation of intangible assets (note 25)	249	630
Amortisation of leasehold land (note 18)	177	111
Gain on disposal of property, plant and equipment	(837)	(12)
Provision for claims under litigations (note 28)	(2,212)	1,340
Defined benefit obligations (note 31)	1,109	1,579
Interest income	(56,739)	(49,782)
Changes in working capital:		
-Increase/(decrease) in reinsurance assets	58,229	(51,998)
-Increase in other assets	(63,154)	13,398
-Increase in deferred acquisition cost	(4,870)	(1,491)
-Increase in deferred acquisition cost	7,073	(7,673)
-Increase in statutory deposits	(4,243)	(10,317)
-Increase in insurance contract liabilities	91,473	73,873
-Increase in insurance payables	(72,411)	43,760
-Increase in other payables	27,640	627
	136,828	143,020

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
Proceeds on disposal	932	31
Net book value of property, plant and equipment disposed (Note 24)	(95)	(19)
Gain/(loss) on sale of property, plant and equipment	837	12

37 Related party transactions

The Company is owned by several diverse shareholders without ultimate parent company.

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

	Nature of relationship	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
a *Transactions with related parties*				
Loans to related parties				
- Loans to key management personnel	Chief and Senior Excutive Officers	3,128	1,825	1,302

The following transaction were entered into with the Company's related parties.

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 is shown. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2018.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Salaries and other short-term employee benefits	8,152	7,480	5,839
Post-employment benefits	3,267	2,820	1,968
Leave Pay	1,479	2,101	1,212
Sitting allowance			
Other expenses			
	11,419	12,401	9,019

c Employees details

The average number of persons in the Company during the year was as follows:

	30 June 2018 Number	30 June 2017 Number	1 July 2016 Number
Chief and Senior Executive Officers	12	12	12
Management	59	45	39
Non- management	470	444	415
	541	501	466

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
10,000 - 30,000	-	-	-
30,001 - 50,000	59	45	39
50,001 - 100,000	-	-	-
Above 100,000	-	-	-
	59	45	39

38 Contingent liabilities

Claims and litigation

The Company, like all other insurers, is subject to litigation in the normal course of its business. The Company does not believe that such litigation will have a material effect on its profit or loss and financial condition.

The Company, together with other industry members, will participate on litigations mainly relating to the insurance coverage contained in the casualty insurance contracts it issued. If the courts continue in the future to expand the intent and scope of coverage contained in the insurance contracts issued by the Company, as they have in the past, additional liabilities would emerge for amounts in excess of the carrying amount held. These additional liabilities cannot be reasonably estimated but could have a material impact on the Company's future results. The liabilities carried for these claims as at this year end are reported in Note 27 and are believed to be adequate based on known facts and current law.

39 Commitments

Operating lease commitments - Company as lessee

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

The Company has no future aggregate minimum lease payments under non-cancellable operating leases.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
No later than 1 year	-	-	-
Later than 1 year and no later than 2 years	-	-	-
Later than 2 years but not later than 5 years	-	-	-
Total	-	-	-

40 Events after reporting period

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

41 Actuarial valuations

The latest available actuarial valuation of the life business was performed as at 30 June 2018. The book value of the life funds as at that date was Birr 150,062,928 over its net actuarial liabilities. The valuation of the Company's life business funds as at 30 June 2018 was carried out by Zamara (consultants and actuaries).

The valuation was done on the following principles:

Individual life assurances and annuities

i The valuation method and basis for the Individual life assurances can be summarized as a Gross Premium Valuation (GPV) method on policy by policy basis.

ii The method entails making monthly projections of all items of future outgo and income on a policy by policy basis. The future outgo comprises of all future expected contractual benefits and expenses, including bonuses and surrenders.

iii The Gross Premium Valuation reserves are then computed by deducting the present value of future income from the present value of future outgo at the prescribed valuation rate of interest.

iii Negative reserves are possible in cases where the premium basis is stronger than the valuation basis. All negative reserves were zeroised on a policy by policy basis.

Group life

i For group term assurances and Group Medical assurances, the reserve has been determined as the sum of:

* The Unearned Premium Reserve (UPR) calculated using the 365th method that assumes the risk profile is spread evenly over the year.

* The Incurred But Not Reported (IBNR) claims reserve calculated assuming a 3months annual premiums. The IBNR provision shall be the higher of 10% of the Net Earned Premium and or the result obtained under the claim triangulation returns specified under the GIDB-C form in the actuarial valuation report.

ii In establishing the total actuarial liabilities, a prudent approach of not making any deductions from the liabilities in respect of reassurances ceded was adopted.

Assumptions

iii The Gross Premium Valuation reserves are then computed by deducting the present value of future income from the present value of future outgo at the prescribed valuation rate of interest.

Mortality assumptions were based on the KE 07-10 mortality tables for assured lives with a loading of 150%.

The valuation rate of interest assumed was 9.23% p.a.

The Fixed Per Policy expense assumption was E Birr 2,262 Per annum.

The Expense inflation rate assumed was 13.7%.

The commission assumptions for Individual life policies were as follows;

Type of product	Commission rate (%)		
	1st year	2nd year	3rd year
5 years endownment	10	3	3
10 years endownment	25	3	3
15 years endownment	35	5	5
20 years endownment	50	10	-

42 First-time adoption of IFRS for the Company

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

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

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

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

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

Optional exemptions applied

The Company applied the following optional exemptions from retrospective application:

Insurance contracts

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

Fair value measurement of financial instruments at initial recognition

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

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

Fair value as deemed cost

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

Exceptions applied

The Company applied the following mandatory exception from retrospective application:

Estimates exception

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

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

42a Reconciliation of Statement of total comprehensive income for the year ended 30 June 2017

	Notes	GAAP General business Birr'000	GAAP Life business Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS Birr'000
Gross premiums	A	544,648	55,099			599,747
Premiums ceded to reinsurers	B	(127,258)	(10,631)			(137,889)
Net premiums		417,390	44,468	-	-	461,858
Change in unearned premium		(21,471)	-		-	(21,471)
Fee and commission income	C	40,479	5,006	-	(3,243)	42,242
Net underwriting income		436,398	49,474	-	(3,243)	482,629
Claims expenses	D	(270,648)	(32,503)	-	7,705	(295,446)
Claims recovered from reinsurers	E	35,415	3,740	-	-	39,155
Gross change in contract liabilities	F	2,963	(281)		(39,853)	(37,171)
Change in contract liabilities ceded to reinsurers	F	-	-	1,497	6,052	7,549
Other technical provisions	Fi	(4,969)	-	4,969	-	-
Other technical expenses	Fi	(1,340)	-	1,340	-	-
Net benefits and claims		(238,579)	(29,044)	7,806	(26,096)	(285,913)
Underwriting expenses	G	(27,960)	(2,220)	-	1,491	(28,689)
Management expenses	Iv	(64,670)	(1,418)	66,088	-	-
Increase in individual life fund	*	-		(34,892)	23,909	(10,983)
Underwriting profit		105,189	16,792	39,002	(3,939)	157,044
Investment income	H	-		84,287	29	84,316
Interest income	Hi	34,114	15,639	(49,753)		-
Dividend income	Hii	23,700	4,810	(28,510)		-
Rent income	Hiii	6,024	-	(6,024)		-
Other operating income		9,225	4	-	-	9,229
Net income		178,252	37,245	39,002	(3,910)	250,589
Finance costs		-	-	(58)	-	(58)
Directors emoluments/ expenses		(432)	-	432	-	-
Directors nomination committee expenses		(338)	-	338	-	-
Employees' salaries and benefits		(26,902)	(473)	27,375	-	-
Employee benefits	I	-	-	(78,550)	2,275	(76,275)
Depreciation and amortisation		(21,788)	(205)	21,993	-	-
Audit fee		(92)	-	92	-	-
Provisions for bad debts		(9)	-	9	-	-
Financial expenses		(1,120)	(159)	1,279	-	-
Administrative and general expense		(25,844)	(1,516)	27,360	-	-
Other operating and administrative expenses	J	-	-	(66,981)	5,133	(61,848)
Transfer to life fund		-	(34,892)	34,892	-	-
Profit before income tax		**101,727**	-	**7,183**	**3,498**	**112,408**
Income tax expense		(13,976)	-	-	-	(13,976)
Prior year adjustment		277	-	(277)	-	-
Directors compensation		(900)	-	900	-	-
Profit for the year		87,128	-	7,806	3,498	98,432
Other comprehensive income						
Remeasurement gain/(loss)		-	-	-	(533)	(533)
Total comprehensive income for the year		87,128	-	7,806	2,965	97,899

42b Reconciliation of equity as at 30 June 2017

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS Birr'000
ASSETS					
Cash and cash equivalents	K	-	585,883	-	585,883
Cash, bank and deposit at interest		558,662	(558,662)	-	-
Other debtors		24,791	(24,791)	-	-
Investments		190,109	(190,109)	-	-
Investment securities:				-	
– Available for sale	L	-	180,109	1,050	181,159
– Loans and receivables	L	-	10,882	(298)	10,584
Insurance receivables		-	-	-	-
Amount due from reinsurers		99,901	(99,901)	-	-
Reinsurance assets	M	-	202,710		202,710
Deferred acquisition cost	N	-	-	13,156	13,156
Prepaid withholding tax		5,731	(5,731)	-	-
Other assets	O	-	30,522	40,233	70,755
Accrued interest receivable		29,587	(29,587)	-	-
Prepayments for leasehold land	P	-	6,876	-	6,876
Fixed assets		232,661	(232,661)	-	-
Property, plant and equipment	Q	-	154,716	605,143	759,859
Investment properties	R	-	67,754	129,953	197,707
Intangible assets	S	-	3,315	1,069	4,384
Statutory deposits	T	35,648	1,485	(408)	36,725
Deferred tax assets		-	-	-	-
Total assets		**1,177,090**	**102,810**	**789,898**	**2,069,798**
LIABILITIES					
Insurance contract liabilities	U	-	691,338	17,949	709,287
Outstanding claims		230,360	(230,360)	-	-
Amount due to reinsurers		129,705	(129,705)	-	-
Creditors and accruals		61,122	(61,122)	-	-
Provision for profit tax		13,976	(13,976)	-	-
Unearned premiums and technical provision		217,630	(217,630)	-	-
Life fund		144,661	(144,661)	-	-
Provisions for claims under litigations	V	-	4,122	-	4,122
Deferred income tax		-	-	-	-
Insurance payables	W	-	133,245	-	133,245
Other liabilities	X	-	48,012	16,549	64,561
Defined benefit obligations	Y	-	9,570	(4,556)	5,014
Current income tax liabilities	Z	-	13,976	-	13,976
Total liabilities		797,454	102,809	29,942	930,205
EQUITY					
Share capital		246,584	-	-	246,584
Share premium		778	-	-	778
Retained earnings	**	2,500	78,325	759,957	840,782
Legal reserve		51,449	-	-	51,449
Unappropriated surplus		78,325	(78,325)	-	-
Total equity		379,636	-	759,957	1,139,593
Total equity and liabilities		**1,177,090**	**102,809**	**789,899**	**2,069,798**

42c Reconciliation of equity as at 1 July 2016

	Notes	GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	IFRS Birr'000
ASSETS					
Cash and cash equivalents	K	-	488,645	-	488,645
Cash, bank and deposit at interest		469,413	(469,413)	-	-
Other debtors		36,770	(36,770)	-	-
Investments		158,783	(158,783)	-	-
Investment securities:					
– Available for sale	L	-	148,783	-	148,783
– Loans and receivables	L	-	10,899	(296)	10,603
Amount due from reinsurers		61,040	(61,040)	-	-
Reinsurance assets	M	-	150,712	-	150,712
Deferred acquisition cost	N	-	-	11,664	11,664
Prepaid withholding tax		5,439	(5,439)	-	-
Other assets	O	-	42,209	34,270	76,479
Accrued interest receivable		21,592	(21,592)	-	-
Prepayments for leasehold land	P	-	6,987	-	6,987
Fixed assets		229,510	(229,510)	-	-
Property, plant and equipment	Q	-	155,858	625,466	781,324
Investment properties	R	-	65,625	130,107	195,732
Intangible assets	S	-	1,040	1,273	2,313
Statutory deposits	T	25,341	1,461	(394)	26,408
Deferred tax assets		-	-	-	-
Total assets		**1,007,888**	**89,672**	**802,090**	**1,899,650**
LIABILITIES					
Insurance contract liabilities	U	-	619,567	15,847	635,414
Outstanding claims		226,734	(226,734)	-	-
Amount due to reinsurers		88,739	(88,739)	-	-
Creditors and accruals		55,835	(55,835)	-	-
Provision for profit tax		13,495	(13,495)	-	-
Unearned premiums and technical provision		196,174	(196,174)	-	-
Life fund		109,769	(109,769)	-	-
Provisions for claims under litigations	V	-	2,782	-	2,782
Deferred income tax		-	-	-	-
Insurance payables	W	-	89,485	-	89,485
Other liabilities	X	-	48,757	15,175	63,932
Defined benefit obligations	Y	-	6,332	(2,898)	3,434
Current income tax liabilities	Z	-	13,495	-	13,495
Total liabilities		690,746	89,672	28,124	808,542
EQUITY					
Share capital		190,270	-	-	190,270
Share premium		778	-	-	778
Retained earnings	**	2,500	80,948	773,966	857,414
Legal reserve		42,646	-	-	42,646
Unappropriated surplus		80,948	(80,948)	-	-
Total equity		317,142	-	773,966	1,091,108
Total equity and liabilities		**1,007,888**	**89,672**	**802,090**	**1,899,650**

42d Adjustments to statements of cash flows

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

42e Notes to the reconciliation of profit

* **Accounting for life insurance**

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

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

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

In the year ended 30 July 2017, there was a total decrease in life fund of Birr 148,700 included in the consolidated numbers.

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

		30 June 2017 Birr'000
A	**Gross premium**	
	Amount reported under previous GAAP	**544,648**
	Gross written premium in life business *	55,099
	Reclassifications	
i	Change in unearned premium	-
	Amount reported under IFRS	**599,747**
B	**Premium ceded to reinsurers**	
	Amount reported under previous GAAP	**127,258**
	Premium ceded to reinsurance in life business *	10,631
	Reclassifications	
i	Change in unearned premium	-
	Amount reported under IFRS	**137,889**
C	**Fee and commission income**	
	Amount reported under previous GAAP	**40,479**
	Fee and commission income in life business *	5,006
	Remeasurement	
	Deferred income	(3,243)
	Amount reported under IFRS	**42,242**

		30 June 2017 Birr'000
D	**Claims expenses**	
	Amount reported under previous GAAP	**(270,648)**
	Claims expenses in life business *	(32,503)
	Change in recoveries	7,705
	Amount reported under IFRS	**(295,446)**
E	**Claims recovered from reinsurers**	
	Amount reported under previous GAAP	**35,415**
	Claims recovered from insurers in life business *	3,740
	Amount reported under IFRS	**39,155**
F	**Gross change in contract liabilities**	
	Amount reported under previous GAAP	**2,963**
	Gross change in contract liabilities in life business *	(281)
	Reclassifications	
	Change in non-life insurance contract IBNR provision	(4,969)
	Change in claims under litigations	(1,340)
	Change in non- life insurance contract ceded to reinsurers	(1,497)
		(7,806)
	Remeasurement	-
i	Change in IBNR	(31,180)
ii	Claims recovery	7,705
iii	Losses recognised as a result of liability adequacy test	(867)
		(24,342)
	Amount reported under IFRS	**(29,466)**

Notes on remeasurement

i Under Ethiopian GAAP, the Incurred but not reported (IBNR) claims in respect of each class of general insurance business is currently computed as 10% of the net premium earned in accordance with the National Bank of Ethiopia Directive No SIB 17/1998. Under IFRSs, reserves for claims incurred but not reported (IBNR) for non life insurance contracts are estimated using an actuarial method based on historical data available.

ii Under IFRS, estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other receivables when the liability is settled.

ii Under IFRS, an insurer shall assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognised in profit or loss.

	30 June 2017 Birr'000
Change in contract liabilities ceded to reinsurers	
Amount reported under previous GAAP	-
Change in contract liabilities ceded to reinsurers in life business *	-
Reclassifications	
Change in non-life insurance contract outstanding claims provision	1,497
Remeasurement	
Change in non-life insurance contract IBNR provision (note Fi)	6,052
	7,549
Amount reported under IFRS	**7,549**

G Underwriting expenses

Amount reported under previous GAAP	**(27,960)**
Underwriting expenses in life business *	(2,220)
Remeasurement	
Change in deferred acquisition cost	1,491
	1,491
Amount reported under IFRS	**(28,689)**

Notes on remeasurement

Under previous GAAP, acquisition costs were recognised as expenses in the period when these costs were incurred. Under IFRS, acquisition costs need to be deferred over the contract policy period. On transition, costs that relate to future periods were written back into the Company's books as assets using the 1/24th method.

H Investment income

Under IFRS, interest income are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Under Local GAAP, interest income are recognised in accordance with the terms of the related investment security on an accrual basis.

Adjustments were made to reclassify rental income, dividend income and interest income on bank deposit to investment income

The impact arising from the changes is summarised as follows:

		30 June 2017 Birr'000
	Amount reported under previous GAAP	-
	Investment income in life business *	-
	Reclassifications	
i	Interest income from non- life business	34,114
	Interest income from life business	15,639
ii	Dividend income	23,700
	Dividend income from life business	4,810
iii	Rental income	6,024
		84,287
	Remeasurements	
	Effective interest	(16)
	Difference between the interest recognised using the market rate and the below market interest rate	45
		29
	Amount reported under IFRS	**84,316**

		30 June 2017 Birr'000
I	**Employee benefit**	
	Amount reported under previous GAAP	-
	Employee benefit in life business *	-
	Reclassifications	
i	Employee salaries and benefits from non-life business	(26,902)
	Employee salaries and benefits from life business	(473)
ii	Management expenses	(51,175)
		(78,550)
	Remeasurements	
i	Recognition of defined benefit obligation	2,190
ii	Amortisation of prepaid staff benefit	85
		2,275
		(76,275)

Notes on remeasurement

i On transition to IFRS, the defined benefit obligations have been determined by actuarial techniques using the projected unit credit method.

ii Under IFRS, the fair value of the staff loan have been determined by discounting all future cash flows to present values. The difference between the amount disbursed and the fair value of the staff loan has been recognised as prepaid staff expenses (i.e prepayed employee benefit on staff loans).

		30 June 2017 Birr'000
J	**Other operating and administrative expenses**	
	Amount reported under previous GAAP	-
	Other operating and administrative expensesEmployee benefit in life business *	-
	Reclassifications	
i	Depreciation	(21,788)
	Depreciation from life business	(205)
ii	Audit fee	(92)
iii	Provision for doubtful debts	(9)
iv	Financial expenses	(1,120)
	Financial expenses from life business	(159)
v	Administrative and general expenses	(25,844)
	Administrative and general expenses from life business	(1,516)
vi	Mangement expenses	(14,913)
vii	Directors emolument	(432)
viii	Directors nomination committee	(338)
ix	Prior year adjustment	277
x	Directors compensation	(900)
xi	Finance cost	58
		(66,981)
	Remeasurements	
	Share premium expense	1,050
	Adjustments to depreciation due to review of useful lives and residual values of investment property	(154)
	Adjustments to amortisation due to review of useful lives and residual values of intangible assets	(204)
	Adjustments to depreciation due to review of useful lives and residual values of property, plannt and equipment	(20,340)
		(19,648)
	Amount reported under IFRS	**(86,629)**

Amortisation of establishment cost
Under previous GAAP, the Company had capitalised pre operational expenses as deferred charges and amortised these costs over a period of ten (10) years. Under the IFRS conceptual framework, pre operational expenses do not meet the definition of an asset. Therefore, on transition to IFRS, these costs were derecognised. The corresponding adjustment was recognised in retained earnings.

Reversal of excess accumulated depreciation
Under previous framework, the Company recognised accumulated depreciation of motor vehicles, computer accessories and office furniture and fittings using 5%, 10% and 10% respectively. Residual values was also not considered in calculating the depreciation charge on these assets. Under IFRS, the useful lives and residual values of items of motor vehicles, computer accessories and office furniture and fittings were revised to 15%, 10% and 10% respectively to better reflect the consumption pattern of those assets. This led to a decrease in the accumulated depreciation of these assets with a corresponding increase in profit or loss.

39f Notes to the reconciliation of equity

New captions and terminologies

The following terminologies, account names or captions have been used in the IFRS financial statements:

• Cash and bank balances: This includes cash on hand, bank balances and short-term fixed time deposit;

• Investment securities: These represent long- term investments in bonds and equities which were presented as investments under previous GAAP. Investment in government bonds is now reclassified as loans and receivables. Equity investments in entities that the Company has neither control nor significant influence were classified as available for sale financial assets;

• Insurance receivables: These are receivables due on insurance contracts that were presented as debtors under previous GAAP;

• Reinsurance assets: This is principally made up of due from reinsurers;

• Insurance contract liabilities: This account warehouses all liabilities relating to insurance contracts which were previously individually or collectively presented as insurance funds; claims payable or outstanding claims provisions; and

• Insurance payables: This account contains payables to reinsurers, agents and brokers that were presented as due to reinsurers under previous GAAP.

	30 June 2017 Birr'000	1 July 2016 Birr'000
K Cash and bank balances		
Amount reported under previous GAAP	-	-
Reclassifications		
Cash, bank and deposit at interest	558,662	469,413
Interest receivable recognised using effective interest rate	27,221	19,232
Amount reported under IFRS	**585,883**	**488,645**

Interest receivables which also form part of the expected cash flows on fixed time deposits were recognised as cash and cash balances and measured at amortised cost.

		30 June 2017 Birr'000	1 July 2016 Birr'000
L	**Investment securities:**		
	Available for sale		
	Amount reported under previous GAAP	-	-
	Reclassifications		
	Investments	190,109	158,783
	Reclassified to loans and receivables	(10,000)	(10,000)
		180,109	148,783
	Loans and receivables		
	Amount reported under previous GAAP	-	-
	Reclassifications		
	Reclassified from available for sale	10,000	10,000
	Accrued interest receivable reclassified for other assets	882	899
		10,882	10,899
	Remeasurements		
	Roll over adjustment	(296)	-
	Interest receivable recognised using effective interest rate	(2)	(296)
		(298)	(296)
	Amount reported under IFRS	**10,584**	**10,603**

Interest receivable recognised using effective interest rate

Under the previous framework, government bonds are recognised at nominal amount at inception while the accrued interest is recognised as debtors. Under IFRS, government bonds are accounted at fair value on inception and subsequently measured at amortised cost using the effective interest rate method. The accrued interest in debtors was reclassified to the carrying amount of the bonds, while interest was accrued on the fair value at inception using the effective interest method.

		30 June 2017 Birr'000	1 July 2016 Birr'000
M	**Reinsurance assets**		
	Amount reported under previous GAAP	-	-
	Reclassifications		
i	Due from reinsurers- paid claims	99,901	61,040
ii	Outstanding claims reclassified from insurance liabilities	34,555	35,444
iii	IBNR claims reclassified from insurance liabilities	14,638	8,586
iv	Prepaid reinsurance	53,616	45,642
		202,710	150,712
	Amount reported under IFRS	**202,710**	**150,712**
N	**Deferred acquisition cost**		
	Amount reported under previous GAAP	-	-
	Remesurements		
	Roll over	11,664	-
	Recognition of deferred acquisition expenses not recognised under previous GAAP	1,492	11,664
		13,156	11,664
	Amount reported under IFRS	**13,156**	**11,664**

(ii) Under previous GAAP, deferred acquisition costs were recognised as expenses in the period when these costs were incurred. Under IFRS, acquisition costs needs to be deferred over the contract policy period. On transition, costs that relates to future periods were written back into the Company's books as assets using the

		30 June 2017 Birr'000	1 July 2016 Birr'000
O	**Other assets**		
	Amount reported under previous GAAP	-	-
	Reclassifications		
	Other debtors	24,791	36,770
	Prepaid withholding tax	5,731	5,439
		30,522	42,209
	Correction of error	(1,972)	
	Remesurements		
	Roll over	34,270	-
	Amortisation of cumulative prepaid employee benefit	230	2,448
	Expected recoveries from salvage and subrogation reimbursements	7,705	31,822
		42,205	34,270
	Amount reported under IFRS	**70,755**	**76,479**
P	**Prepayment for leasehold land**		
	Amount reported under previous GAAP	-	-
	Reclassifications		
	Prepayment for leasehold land reclassified from property, plant and equipment	6,876	6,987
	Amount reported under IFRS	**6,876**	**6,987**
Q	**Property, plant and equipment**		
	Amount reported under previous GAAP	-	-
	Reclassifications		
	Reclassified from fixed assets	232,661	229,510
	Reclassified to prepayment for leasehold land	(6,876)	(6,987)
	Reclassified to investment property	(67,754)	(65,625)
	Reclassified to intangible assets	(3,315)	(1,040)
		154,716	155,858
	Remesurements		
	Roll over	625,466	-
i	Accumulated depreciation	(20,323)	3,414
ii	Fair value of property, plant and equipment	-	622,052
		605,143	625,466
	Amount reported under IFRS	**759,859**	**781,324**

i The accumulated depreciation adjustment is as a result of the Company's reassessment of useful life and residual values of its fixed assets at the reporting date to reflect the present consumption pattern.

ii Under IFRS, the Company is allowed to use fair value as deemed cost at 1 July 2016 for any individual item of PPE. The Company has determined the fair value of the assets as at 1 July 2016 and recorded these values as the cost.

	30 June 2017 Birr'000	1 July 2016 Birr'000
R Investment property		
Amount reported under previous GAAP	-	-
Reclassifications		
Reclassified from property, plant and equipment	67,754	65,625
Remesurements		
Roll over	130,107	-
Accumulated depreciation (note Qi)	-154	-
Fair value of property, plant and equipment (note Qii)		130,107
	129,953	130,107
Amount reported under IFRS	**197,707**	**195,732**
S Intangible assets		
Amount reported under previous GAAP	-	-
Reclassifications		
Reclassified from property, plant and equipment	3,315	1,040
Remesurements		
Roll over	1,273	-
Accumulated depreciation (note Qi)	(204)	1,273
	1,069	1,273
Amount reported under IFRS	**4,384**	**2,313**
T Statutory deposit		
Amount reported under previous GAAP	**35,648**	**25,341**
Reclassifications		
Accrued interest receivables	1,485	1,461
Remesurements		
Roll over	(394)	-
Effective interest rate	(14)	(394)
	(408)	(394)
Amount reported under IFRS	**36,725**	**26,408**
U Insurance contract liabilities- Gross		
Amount reported under previous GAAP	-	-
Reclassifications		
Outstanding claims	230,360	226,734
Unearned premiums and technical provision	217,630	196,174
Life fund	144,661	109,769
Reclassified to provisions for claims under litigations	(4,122)	(2,782)
Reclassified to reinsurance assets:		
Outstanding claims reclassified from insurance liabilities	34,555	35,444
IBNR claims reclassified from insurance liabilities	14,638	8,586
Prepaid reinsurance	53,616	45,642
	691,338	619,567

	30 June 2017 Birr'000	1 July 2016 Birr'000
Remesurements		
Roll over	15,847	-
Correction of error		(16)
	1,107	(41)
Recognition of actuarial valuation position on insurance contracts liabilities – loss adjustment	867	6,816
Life fund appropriated	(25,000)	-
Recognition of actuarial valuation position on insurance contracts liabilities – *IBNR*	30,097	43,626
Derecognition of insurance contracts liabilities – *IBNR recognised prior to acturial valuation*	(4,969)	(34,538)
	17,949	15,847
Amount reported under IFRS	**709,287**	**635,414**

Under local GAAP, the Company carries out periodic valuation of insurance contract liabilities in accordance with NBE Directives. IFRS requires regular assessment of liability adequacy test at the end of each reporting period whether the recognised insurance liabilities are adequate using current estimates of future cash flows under the insurance contract liabilities. IFRS requires any deficiency identified to be recognised in profit or loss.

At the date of transition to IFRS, this test was carried out by affirm of professional actuaries- ACTSERVE. The additional provisions were recognised by Company in line with the results of the actuarial valuation.

		30 June 2017 Birr'000	1 July 2016 Birr'000
V	**claims under litigations**		
	Amount reported under previous GAAP	-	-
	Reclassifications		
	Reclassified from insurance contract liability	4,122	2,782
	Amount reported under IFRS	**4,122**	**2,782**
W	**Insurance payables**		
	Amount reported under previous GAAP	-	-
	Reclassifications		
	Due to reinsurers	129,705	88,739
	Reclassified from other payables	3,540	746
	Amount reported under IFRS	**133,245**	**89,485**
X	**Other liabilities**		
	Amount reported under previous GAAP	-	-
	Reclassifications		
	Other creditors and accruals	61,122	55,835
	Reclassified to defined benefit obligation	(9,570)	(6,332)
	Reclassified to insurance payables	(3,540)	(746)
		48,012	48,757
	Correction of error (amount included in due from contract holders)	2,293	2,293
	Remesurements		
	Roll over	12,882	-
	Deferred commission income	3,243	12,833
		(1,869)	49
		14,256	12,882
	Amount reported under IFRS	**64,561**	**63,932**

	30 June 2017 Birr'000	1 July 2016 Birr'000
Y Defined benefit obligations		
Amount reported under previous GAAP	-	-
Reclassifications		
liabilities	9,570	6,332
Remesurements		
Roll over	(2,898)	-
Defined benefit obligations	(1,658)	(2,898)
	(4,556)	(2,898)
Amount reported under IFRS	**5,014**	**3,434**

Notes on remeasurement

Under previous GAAP, the Company's retirement benefit obligations were not recognised using the projected credit unit method as prescibed by IAS 19. On transition to IFRS, the defined benefit obligations have been determined by actuarial techniques using the projected unit credit method.

	30 June 2017 Birr'000	1 July 2016 Birr'000
Z Current income liability		
Amount reported under previous GAAP	-	-
Reclassifications		
Provision for profit tax	13,976	13,495
Amount reported under IFRS	**13,976**	**13,495**

**** Retained earnings**		
Retained earnings under previous GAAP	2,500	2,500
Unappropiated surplus	78,325	80,948
Remeasurements		
Roll over adjustments	773,966	-
Interest receivable recognised using effective interest rate- Government bonds	(2)	(296)
Recognition of deferred acquisition expenses not recognised under previous GAAP	1,492	11,664
Amortisation of cumulative prepaid employee benefit	230	2,448
Expected recoveries from salvage and subrogation reimbursements	7,705	31,822
Depreciation- property, plant and equipment	(20,323)	3,414
Fair value of property, plant and equipment	-	622,052
Accumulated depreciation- investment property	(154)	-
Fair value of investment property	-	130,107
Depreciation- intangible assets	(204)	1,273
Effective interest rate	(14)	(394)
Recognition of actuarial valuation position on insurance contracts liabilities – loss adjustment	(867)	(6,816)
Life fund appropriated	25,000	-
Recognition of actuarial valuation position on insurance contracts liabilities – IBNR	(30,097)	(43,626)
Deferred tax	(224,413)	
Change in Profit for the year	26,390	
Change in Other comprehensive income	(18,473)	
Derecognition of insurance contracts liabilities – IBNR recognised prior to acturial valuation	4,969	34,538
Deferred commission income	(3,243)	(12,833)
Defined benefit obligations	1,658	2,898
Correction of error		
Other assets	1,972	-
Unearned premium	-	16
Insurance contract liabilities	(1,107)	41
Other liabilities	1,869	(49)
Correction of error	(600)	
Due from contract holders	(2,293)	(2,293)
	543,461	773,966
Retaining earnings per IFRS	624,286	857,414

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Actuary's Solvency Certificate

Awash Insurance Company S.C.

Actuarial Valuation as at 30 June 2017

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 2017 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 **Awash 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 auditor's certificate appended to the balance sheet, fully of the value so adopted; and

c) that the actuarial valuation revealed an actuarial surplus of E Birr 86,100,857

....

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

Nairobi

July 2018

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Actuary's Solvency Certificate

Awash Insurance Company S.C.

Actuarial Valuation as at 30 June 2018

Actuary's Solvency Certificate

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

a) that in my opinion the value placed upon the aggregate liabilities relating to the long-term insurance business of **Awash 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 auditor's certificate appended to the balance sheet, fully of the value so adopted; and

c) that the actuarial valuation revealed an actuarial surplus of E Birr 90,465,447.

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James I. O. Olubayi

Fellow of the Institute of Actuaries

Nairobi Kenya

September 2018

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አዋሽ ኢንሹራንስ ኩባንያን ይመርጣል!!

ቅርንጫፎቻችን
Our Branches

S.No	Branches	Telephone	Fax
1	Bole Grand Main	(011) 661 4420/70	(011) 661 4419
2	Addis Ababa Main	(011) 156 00 96	(011) 155 9997
3	Adama	(022) 111 1215	(022) 112 1282
4	Ghimbie	(057) 771 0657	(057) 771 1022
5	Dire Dawa	(025) 111 4362	(025) 111 8165
6	Jimma	(047) 111 2196	(047) 112 3458
7	Merkato	(011) 276 0040	(011) 276 1577
8	22 Mazoria	(011) 662 5751	(011) 662 5750
9	Bishoftu	(011) 433 6262	(011) 433 6263
10	Gotera	(011) 466 3338	(011) 466 3337
11	Kolfe	(011) 278 4100	(011) 278 4101
12	Ambo	(011) 236 2758	(011) 236 2558
13	Piazza	(011) 111 8276	(011) 111 8277
14	Kazanchis	(011) 550 9865	(011) 550 9865
15	Shagar	(011) 667 0026	(011) 667 0027
16	Life Grand Main	(011) 557 0266	(011) 557 0281
17	Gofa Mazoria	(011) 466 1267	(011) 466 1268
18	Nifas Silk	(011) 442 15 25	(011) 443 1291
19	Dilla	(046) 331 2450	(046) 991 0910
20	Nakamte	(057) 661 3203	(057) 661 8513
21	Shashamane	(046) 110 3679	(046) 110 3678
22	Finfinne Main	(011) 557 0280	(011) 557 0281
23	Tekle Haimanot	(011) 277 3082/83	(011) 277 3082
24	Gerji	(011) 651 6590	(011) 647 6646
25	Mekelle	(034) 440 2761	(034)440 2769
26	Lideta	(011) 554 2400	(011) 554 2399
27	Hawassa	(046) 221 2028	(046) 221 4218
28	Gulalle	(011) 278 7400	(011) 278 7401
29	Central Merkato	(011) 213 4923	(011) 275 8633
30	Dil Gebeya	(011) 320 4183	(011) 320 4184
31	Wallo Sefer	(011) 552 6050	(011) 552 6091
32	Sebategna Akababi	(011) 276 0041	(011) 276 0172
33	Kaliti	(011) 442 2013	(011) 442 2013
34	Sarbet	(011) 320 0402	(011) 442 2023
35	Alemgena	(011) 367 9094	(011) 367 9135
36	Bahir Dar	(058) 220 8224	(058) 220 8197
37	Dessie	(033) 454 0445	(033) 454 0415
38	Birbirsa	(011) 264 4690	(011) 264 4690
39	Megenagna	(011) 667 4516	(011) 667 4533
40	CMC	(011) 667 6126	(011) 667 6322
41	Oda	(011) 554 2041	(011) 554 8686
42	Walisoo	(011) 366 4435	(011) 366 4505
43	Bule Hora	(046) 443 1053	(046) 443 1052
44	Labu	(011) 471 3358	(011) 471 3535
45	Arba Minch	(046) 181 4876	(046) 181 9710
46	Chiro	(025) 551 3621	(025) 551 3010

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AWASH INSURANCE COMPANY S.C.

You are in good hands with Awash for your Life, Property and Liability Insurance services

አጠቃላይ የንብረት ኢንሹራንስ

ኩባንያችን ከሚሰጣቸው የንብረትና የሕጋዊ ኃላፊነት ኢንሹራንስ አገልግሎቶች ዋና ዋናዎቹ፡-

- የልዩ ልዩ ተሽከርካሪዎች፣
- የእሳት ቃጠሎና ተዛማጅ አደጋዎች፣
- በኃይል ቤት በመስበር ለሚፈፀም ስርቆት / ዝርፊያ፣
- በመርከብ፣ በየብስና በአየር ለሚጓጓዙ እቃዎች፣
- የአሰሪ ግዴታ፣
- የአደጋ (የግለሰብና የቡድን)፣
- አጠቃላይ የምሕንድስና፡-
    - (የቦይለር፣ የማሽን ወዘተ)፣
- የሕጋዊ ኃላፊነት፣
- የገንዘብ (በካዝናና በጉዞ ላይ)፣
- የእምነት ማጉደል፣
- ፕሌት ግላስ፣
- የቦንድ (የሥራ አፈፃፀም፣ የአቅርቦት፣ የጥገና እና የቅድሚያ ክፍያ ቦንድ)፣
- የፍሎሪካልቸር ዋስትና፣

. . . . እና በርካታ ሌሎች የኢንሹራንስ አገልግሎቶችን ከአዋሽ በተሟላ ሁኔታ ያገኛሉ።

General Insurance

The Major Products are the following:

- Motor;
- Fire and Lightning and allied perils;
- Burglary and House-breaking;
- Marine Cargo;
- Workmen's Compensation;
- Personal and Group-Personal Accident;
- Engineering:
    - Boilers,
    - Contractors' All Risks,
    - Erection All Risks,
    - Contractors' Plant and Machinery,
    - Electronic Equipment,
    - Machinery Breakdown and others.
- Public Liability;
- Money in Safe and in Transit;
- Fidelity Guarantee;
- Plate Glass;
- Bonds(Bid, Performance, Advance)
- Floriculture Insurance;

. . . . and many others are available with AWASH!

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