



ANNUAL REPORT

2023 | 2024

JUNE 30, 2024

Addis Ababa, Ethiopia



FOR THE FINANCIAL YEAR
Ended 30 June 2024



Vision:

To be the leading and most dependable insurer of choice.



Core Values

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



Mission Statement:

AIC exists as a trusted insurance partner for all stakeholders by delivering value and financial security through innovative insurance solutions and excellent customer service.

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June 30, 2024

Addis Ababa

Ethiopia

BOARD DIRECTORS



Aseffa Seyoum (PhD)

Vice Chairman



Tadesse Gemed

Board Chairman



Wubishet Geremew (Captain)

Board Director



Gifty Yoseph

Board Director



Kebede Asres (Captain)

Board Director



Getachew Assefa (Eng)

Board Director



Tsegaye Sori (Eng)

Board Director



Solomon Nekatibeb

Board Director



Megerte Zewdie

Board Director

NOTICE FOR THE 30TH ANNUAL ORDINARY AND 12TH EXTRAORDINARY GENERAL MEETINGS OF SHAREHOLDERS

Notice is hereby given to the Shareholders to attend the 30th Annual Ordinary and 12th Extraordinary General Meetings of Awash Insurance S.C. which will be held in accordance with Article 366(1), 367(1), 370, 393(1) and Article 400(1) of the Commercial Code of Ethiopia, Proclamation Number 1243/2021 as well as Article 8(a) of the Articles of Association of the Company. The General meetings will be held on Saturday October 26, 2024 at Addis Ababa Hilton Hotel starting from 8:00 a.m.

1. BASIC INFORMATION ABOUT THE COMPANY

- 1.1. Address:- Awash Towers, Addis Ababa, Kirkos Subcity, Woreda 7;
Website: www.awashinsurance.com
- 1.2. Company's subscribed capital as at June 30, 2024:- Birr 3,850,185,500
- 1.3. Company's paid-up capital as at June 30, 2024:- Birr 1,921,492,300
- 1.4. Business Registration Certificate Number:- አአ/ገግ-3-1532/87
- 1.5. Insurance Business License Number:- 003/94

2. AGENDA FOR 30TH ANNUAL ORDINARY GENERAL MEETING

- 2.1. Notification of Share Transfers, Share Sales and New Shareholders who acquired shares in 2023/24;
- 2.2. Consideration and approval of the 2023/24 Annual Report of Board of Directors;
- 2.3. Consideration and approval of the 2023/24 Annual Report of Auditors;
- 2.4. Deliberation on and approval of the proposed appropriation of 2023/24 profits;
- 2.5. Approval of Annual Compensation of Board of Directors for 2023/24;
- 2.6. Approval of Board of Directors' monthly allowance for 2024/25;
- 2.7. Approval of the Auditors' Annual Fee for 2024/25; and
- 2.8. Election of the members of Board Nomination and Election Committee.

3. AGENDA FOR 12TH EXTRAORDINARY GENERAL MEETING

- Amendment of the Memorandum of Association of Awash Insurance S.C.

N.B.

Shareholders who are not able to attend the meetings in person may sign and return the proxy form and give one copy to the designated agent and the second copy along with the copy of renewed identification card of a shareholder to be submitted to the Company's CEO office, on the 2nd floor of Awash Towers, three days before the meeting date.

By Order of the Board of Directors

EXECUTIVE MANAGEMENT



Jibat Alemneh

Chief Executive Officer



Frehiwot Alemayehu

Chief Customers Officer



Bekalu Tilahun

Chief Governance Officer



Mintesinot Desalegn

Chief Finance & Resource
Management Officer



Dejene Tsegaye

Chief Technology Officer



Taddese Roba

Advisor to the CEO



Wondimagegn Assefa

Head, General Insurance Underwriting



Kumsa Birisa

Head, General Insurance Claims



Adane Seyoum

Head, Financial Management



Ayele Desalegn

Head, Human Resource Management



Sinafikish Tekle

Head, Legal & Advisory Services



Derese Berhanu

Head, Information system & Improvement



Wondimagegn Fufa

Acting Head, Audit and Inspection



Yohannes Tegegne

Head, ICT Infrastructure

CHAIRMAN'S STATEMENT



Tadesse Gemeda
Chairman, Board of Directors

On behalf of the Board of Directors and on my own behalf, I feel honored to welcome you all to the 30th Annual General Meeting of Shareholders of our Company.

Allow me to seize this opportune moment to honor the memories of Mr. Gudissa Legesse, our late CEO who passed away at the mid of the year. He will be missed by the General Assembly, Board, Management and the staff of the Company for his insightful views and leadership qualities. I hope his kind spirit would rest in peace.

My statement brings to your attention only the most salient features of the budget year under review, while details on performance are included in the Directors Report and the Financial Statements to follow.

On 30th June 2024, our Company concluded a year that could be termed as one of the best years in terms of net results.

Despite the continued stiffening of the competition in the industry based preponderantly on price-cutting, the unfolding of unfortunate circumstances that included the passing of the former CEO, the late Mr. Guddissa Legesse, the ever escalating business running costs, that of claims in particular, and the many unfavorable conditions in the country and the market place, our Company

has managed to register combined total revenue growth of 28 % as at the close of business. Our gross underwriting reached Birr 3.12 billion in all lines. Our Company has, therefore, maintained its market leadership position in both Non-Life among the private insurance companies and in life from the entire market. The growth we registered in Non-life and Life premiums were both above the industry average during the FY 2023/24.

Our Company's gross profit before tax, excluding profit from Takaful, increased by a laudable percentage of above 64% and reached Birr 902.6 million and the net profit after tax grew by 56% over last year 2022/23. Earning per share (EPS) for the year was 41%. This marvelous EPS amount was achieved against the paid up capital base that increased by 36% as at June 30, 2024. These remarkable net results were achieved in an economic and business environment that was tough unlike no other time. Our Company proved that it is a Company resilient enough and capable of facing adverse shocks.

Our Company, together with its sister Company, Awash Bank, celebrates its 30th Anniversary starting from October 2024. It is a landmark event in our three decades long journey of amazing history. The twins, Awash Insurance and Awash Bank, have become the dominant market leaders in their respective industries through hard-work, perseverance and able leadership. The journey, led by their transformative strategic roadmaps, will continue yielding great results. The theme of 30th Anniversary "Honoring success, looking beyond the horizon" is coined to articulate the vision of the sister companies.

I feel genuinely privileged to serve as the Chairman of the Board of Directors of Awash Insurance s.c at this historic moment of the 30th Anniversary.

All our shareholders, partners and the most valued customers deserve my heartily appreciations for their cooperation and unreserved support during all those much demanding years.

Lastly, it is with due respect, therefore, that I formally submit, in accordance with Article 426 of the Commercial Code of Ethiopia, Proclamation No. 1243/2021, to you the Board's Report and the Audited Financial Statements for the year ended June 30, 2024 for your kind consideration and approval.

Thank you.



Tadesse Gemedo

Chairperson, Board of Directors

REPORT OF THE BOARD OF DIRECTORS

I. INTRODUCTION

The Directors feel honored to submit to the Shareholders of Awash Insurance s.c the Annual Report and the Audited Financial statements for the fiscal year (FY) ended June 30, 2024.

In this report, brief review of the business landscape, highlight on key performance milestones and major challenges of the FY with impact on business would be presented in their logical order. The last part would dwell on what the future holds for us and the industry.

II. OPERATING ENVIRONMENT

1. THE GLOBAL ECONOMY

The global economy, according to the IMF's World Economic Outlook's (WEO) latest report of July 2024, was "in a sticky spot". Global growth is projected to be at 3.2% in 2024 and 3.3% in 2025.

2. USA AND CHINA

A. USA

Among the advanced economies, growth in the United States is revised downward to 2.6% in 2024, according to same source mentioned above. Its growth is expected to further slow down to 1.9% in 2025.

B. CHINA

According to WEO's report of July 2024, the growth forecast for China is revised upwards to 5% in 2024 (as compared to April 2024's outlook). In 2025, its GDP is projected to slow to 4.5%.

3. THE AFRICAN ECONOMY

According to African Development Bank (ADB) Group's African Economic Outlook (AEO) report of 2024, Africa's real GDP growth dropped to 3.1% in 2023 from 4.1% in 2022. Its growth is forecasted to rebound and reach 3.7% in 2024 and 4.3% in 2025, "highlighting the strong resilience of African economies". Though the outlook for 2024 and 2025 is "more positive", the report conveys that African countries have continued to contend with significant structural challenges and multiple severe shocks including heightened food and energy prices.

4. THE ETHIOPIAN ECONOMY

Ethiopia’s economy, according to the 2024 country focus Report for Ethiopia by ADB Group’s Economic Outlook, grew by 7.1% in 2022/23 exhibiting more than double growth of the continent’s average for 2023.

Looking forward, the Outlook for Ethiopian economy is positive, according to same source. Its growth is projected at an average of 6.7% between 2023/24 and 2024/25. The GDP, according to Government sources, grew by 8.1% in 2023/24. The Ethiopian economy has been facing numerous challenges and tough macroeconomic risks. Among the downside key risks: inflation, debt burden and climate vulnerabilities, scarcity of foreign currency, internal conflict and high global prices for strategic imports rank at the top. Inflation remained high at 29.2% in 2022/23. The effects of Russia-Ukraine war, over two years now, with its significant disruptive impact on global supply chain, has had huge impacts on food grain and oil prices.



The Executive Management with Board Directors (partial) and CEO

III. THE INSURANCE INDUSTRY

The Ethiopian Insurance industry grew by 21.4% in Non-life during the FY 2023/24. Non-life business increased markedly from Birr 21.46 billion as at June 30, 2023 to Birr 26.05 billion on 30th June 2024.

Life business, on the other hand, grew by about 32% to reach Birr 1.934 billion as at June 30, 2024, from Birr 1.46 billion a year before on June 30, 2023. Its growth this year was remarkable.

Takaful business, a Sharia'h compliant new line of business to the Ethiopian Insurance market, however, reached Birr 373.97million at the close of the budget year. Its growth was encouraging but requires much more concerted efforts from all actors to bring about fast growth.

Combined, Life and Non-life, performance of these two major lines of business grew at a moderate rate of 22% during the FY 2023/24 given the operating environment discussed in this Annual Report. Market gross written premiums (GWP) in both Non-life and Life reached Birr 27.986 billion on June 30, 2024 from Birr 22.923 billion a year before at the close of business.

Our industry's penetration rate still is at a meager level of around 0.6% that is less than 1%. It is clear that an aggressive and transformative concerted actions from all actors and the Government would be required to improve the contribution of the insurance industry to the national economy.

IV. PERFORMANCE RESULTS

A) OPERATIONAL

1. UNDERWRITING PERFORMANCE

1.1 NON-LIFE BUSINESS

Our Company's gross written premiums increased by 26% over last year and reached 2.6 billion Birr. The growth registered, compared to the industry's growth of 21% in Non-life, was satisfactory given the tough challenges, both internal and external, faced during the fiscal year.

1.2 LIFE and HEALTH BUSINESS

a. PREMIUM GROWTH AND PERFORMANCE

Following three consecutive years of robust growth, the Company's gross written premiums for Long-term insurance business showed a commendable growth of 36.3% against last year, up by four percentage points compared to the industry's. Our life premiums growth had consolidated our total market leadership position in the entire industry.

b. LIFE FUND

On top of the revenue growth, life business's fund had shown growth remarkably well contributing much to the surplus every year.

1.3 TAKAFUL BUSINESS

Salaam Takaful, our Sharia'h compliant line of business, has continued growing at a moderate pace during the budget year under review. In spite of the various challenges this product line was facing, our General Takaful's contribution grew by 75% over the preceding year. Given the untapped potentials of this new type of risk sharing line of business where both risks and benefits are shared among participants, Salaam Takaful business will be expected to yield great results in the foreseeable future.

In accordance with the recommendation of the Sharia'h Advisory Council, the surplus of Birr 6.9 million from Takaful business is retained as a reserve.

1.4 CONSOLIDATED PERFORMANCE RESULTS

At the close of business on 30th June 2024, the consolidated premiums of the Company crossed the three billion birr mark against the multitude of challenges, new and existing, that had unfolded during the year. The gross written premiums including Takaful's contributions reached Birr 3.12 billion registering a growth of 28% over the FY 2022/23.

The net earned premiums of the year almost doubled and reached Birr 2.1 billion from Birr 1.3 billion in 2022/23.

The underwriting surplus is one of the key Performance indicators to report to all concerned. It showed a robust growth of 71 percent during the year under review.



The Management Group

B) PORTFOLIO MIX AND RETENTION

Motor class's share, though has continued to assume the largest portion of the portfolio, declined by two percentage points as at June 30, 2024. Its share was 56% at June 30, 2024 going in the right direction as planned. On the other hand, Political Violence and Terrorism's (PVT) share in general insurance assumed 14% in the mix.

BUSINESS RETENTION

Our Company's retention ratio for Non-life was 69% during the fiscal year 2023/24. Last year it was 71%. The industry's business retention in Non-life was 68% for FY 2023/24.

C) FINANCIAL RESULTS

The fiscal year 2023/24 was a year in which many developments unfolded adding more to the existing challenges. In spite of these tough challenges, business and alike, the underwriting year 2023/24 marked yet another season of fabulous results in both the underwriting surplus and the bottom-line results.

Preparation for the implementation of IFRS 17 & 9 was underway by the Committee established by the Company in 2023/24. However, the acquisition of IFRS software, which is required for IFRS 17 analysis, could not be realized as the negotiation with the software supplier was not finalized.

It is expected that the IFRS 17 software will be acquired and financial reporting as per the requirements of IFRS 17 will be started in the subsequent period.

On June 30, 2024, the consolidated underwriting surplus rose to Birr 938.85 million from Birr 548.885 million in 2022/23; a hike by an impressive 71%. The stringent underwriting policy instruments in action were working as a catalyst for the remarkable results achieved. The net claims ratio for the year ended June 30, 2024 in general insurance declined sharply for the second year in a row to 47%; it was 60% last year. Even if the lowering of loss ratio in terms of percentages was a good news and a development in the right direction, the net claims incurred and claims paid in absolute figures were on the rise for the review period. The claims incurred for all lines crossed a billion birr figure as at June 30, 2024 for the first time reaching Birr 1.13 billion.

The combined gross profit before tax, excluding Takaful, registered an incredible growth of 64% during the year. The net profit for the year, after provision for tax, stood at Birr 794.92 million.

The paid-up capital of our Company reached Birr 1,921,492,300.00 as of the Balance Sheet date.

Earning per share (EPS) weighed against the capital base that increased by 36%, was Birr 207 or 41% return on equity. Given the much tough times our Company passed through in its history, the end results achieved would be, by all acceptable standards, marvelous and appreciable.

The Directors recommend that the net profit for the year be declared as dividend. Shareholders may, however, plough back to settle their outstanding subscriptions, if any, or collect it in cash.

V. HIGHLIGHT ON NON-FINANCIALS

1) MARKET EXPANSION

In order to reach out and ascertain easy accessibility to the broader public, three additional branches were opened during the year. All of them were opened in the regions bringing the total branch of the Company to 63 at the close of the budget year. Added to Non-life branches, we cater to our customers for their life and health insurance needs through two separate branches. Our branch network, life included, was 65 at June 2024.

There were also five contact offices serving the community for various insurance needs. Our physical channels altogether were 70 as at June 30, 2024.

2) HUMAN RESOURCE

The human resource, the most important of all the resources that we, at Awash, value most and work on its continued development, reached 756 at June 30, 2024; 49% of which were female employees and 51% Male. The Company gave employment opportunities for 114 new job seekers during the budget year contributing to the nation’s efforts to ameliorate unemployment problem during the budget year.



Celebrating Success of the Year

In line with the dictates in the Human Resource Strategy and the value we attach to the human capital development, various trainings were given to many staff members on different topics both here locally and abroad. The Company has invested over Birr 7.67 million to build highly competent human resources able and ready to execute any responsibility of the Company. Our institutional capacity building effort will continue through various intervention mechanisms in all the years ahead.

3) INVESTMENT

The sustainability of the profitability of an insurance business can be ascertained through portfolio diversification. Reliance solely on operational result cannot maximize and fatten the bottom-line. Cognizant of the contemporary investment landscape in Ethiopia, the Board of Directors of Awash Insurance was thoroughly examining the agenda on the viability of investment proposals submitted to it by the Management all through the budget year.

The Board in an effort to maximize the shareholders’ benefits, decided on an additional equity investment of Birr 387.93 million in five companies. The Board also allowed the purchase of additional DBE bonds for Birr 76.37 million and GERD bond for Birr 77.11 million during the fiscal year in so doing supporting and financing the various development projects of the country. An office space of 113.89 m2 worth Birr 29.1 million was procured from a Real Estate company. Birr 49.2million was utilized altogether to complete Burayou warehouse and multipurpose building project. Our Company’s time deposit in various banks also increased during the review year by a significant amount of Birr 269.277million bringing the total to over Birr 2 billion on June 30, 2024.

The other major investment related development was regarding our new Headquarters building project. The 4B+G+35 story Headquarters building project in Lideta Sub-City was advancing quite well during the budget year. According to the critical assessment of the project progress, 91% of the basement shoring construction work was completed as at the close of the fiscal year and design revisions were in progress to meet the new regulatory standard on building setbacks from roads. Our Burayu Warehouse and multipurpose building project, was completed as scheduled in February 2024 to the highest quality standards despite many challenges.

Our Company has secured an additional 385 m2 of adjacent land on a lease basis from City Administration of Addis Ababa for our Urael building expansion.



CEO Presiding over Performance Review Meeting

VI. STATEMENT ON CORPORATE GOVERNANCE

During the fiscal year 2023/24, the Board of Directors accomplished various activities to ensure compliance and to remain committed to the practice of corporate governance. The major activities undertaken by the Board were summarized as follows:

1. The Board Charter, which provides the framework for the enforcement of corporate governance standards as applicable to the Board of Directors was approved and the Board started its implementation. Similarly, Code of Conduct of the Board which provides guidance on the standards of behavior expected from Board Directors has also been put into effect;
2. Audit Charter and Audit Policy were installed. This is instrumental to strengthening the internal control system in the Company;
3. Terms of Reference for the Board committees were approved and enforced. Accordingly, each Board Committee attended to the matters under its mandate and reported its performance to the full Board. Based on the matters brought to the Board's attention, appropriate resolutions were made;
4. In the fiscal year 2023/24, the Board held 12 regular and 23 special meetings. Board Committees conducted monthly meetings and provided regular reports to the full Board. Regarding meeting attendance, most of the Board Directors attended all meetings while some of them attended above the minimum requirement of 75%. The Board deliberated on the agenda items prepared for the meetings and resolved on matters of strategic importance;
5. The Board received quarterly off-site surveillance reports from the National Bank of Ethiopia and reviewed the recommendations. Accordingly, appropriate guidance was given to the Management. An Onsite Examination Report was also received from the National Bank of Ethiopia. A rectification report for the Onsite Examination, along with an action plan, was submitted to the National Bank and its implementation is under follow up;
6. The Board regularly monitored corporate performance based on qualitative and quantitative key performance indicators. The Board attended the midyear and annual performance review meetings. The Board motivated the Management and the staff members to exert utmost efforts to realize the corporate targets and enhance the competitiveness of the Company;



Board of Directors and Sharia'h Advisory Council with CEO

7. The Board approved the Annual Operating Plan/ Business Plan for the fiscal year 2024/25. The strategic direction set under Vision 2030 Strategy for the fourth year of the Strategic Plan, i.e, 2024/25, was captured in the approved Annual Operating Plan;
8. The Board considered investment matters that reside under its mandate and approved strategic investments upon undertaking detailed discussions. Such investments include the acquisition of an office space from a real estate developer and equity investment in Ethiopian Securities Exchange (ESX). Besides, the Board authorized the issuance of the bid for the selection of a contractor for the new Headquarters Building project. But, following the introduction of the new building setback standard from roads, the bid was suspended. At the time of this report, review of the building design in light of the setback requirement was finalized and preparations are underway to undertake the rebidding process. For the expansion project of the Urael Building, additional 385m2 plot was acquired through a lease arrangement with the Addis Ababa City Administration. Burayu Warehouse and multipurpose building construction project was also completed in the period;
9. The Board considered the proposal to optimize the Company's Organization Structure. The Board approved the proposal on optimization of the Organization Structure in order to fill the gaps identified in the course of the implementation of the transitional Organization Structure put in place in the fiscal year 2021 under Vision 2030 Strategy;

10. The Board approved the amendment of Staff Benefits Package focusing on staff medical expenses. The Board also reinstated the amended long-term staff loan policy. It is recognized that such policies are significant to reinforce staff retention and motivation strategies of the Company;
11. The Board approved the policy to introduce a new product, crop insurance, following the proposal presented and the detailed feasibility study conducted by the Management;
12. The Board considered the proposal to grant Birr Six Million Qard al-Hasan (interest-free loan) to the Company's Salaam Takaful Window Operation based on the request of the Sharia Advisory Council of the Company. It is expected that the interest-free loan would be recouped from the surplus report in the Takaful fund;
13. To support the medical treatment of the late CEO, Mr. Gudissa Legesse, the Board resolved to allow the coverage of medical expenses for his medical treatment. This decision was made in line with the company's policy;
14. The Board appointed Mr. Jibat Alemneh Faji as the CEO of the Company following the sudden death of the late CEO, Mr. Gudissa Legesse. The Board worked to ensure smooth transition and that the appointment of the new CEO is in line with the Company's succession plan. The appointment of the CEO was approved by the National Bank of Ethiopia and subsequently registered and authenticated at the Documents Authentication and Registration Service.
15. The Board allowed promotion, salary increment and bonus to Management and Staff members for the fiscal year 2023/24. The rewards were made based on key performance indicators put in place for the respective Management and staff members;
16. Training focusing on corporate governance and risk management was provided to Board Directors. It assisted the Board to obtain further knowledge and skills that are necessary in order to provide strategic leadership to the Company;
17. The Board held semi-annual and annual evaluation on the effectiveness of the Board as a whole, Board Committees and individual Board Directors. The Board appraised the outcomes of the evaluation and found out important inputs to improve the effectiveness of the Board;
18. For the Fiscal Year 2022/23, an annual compensation limit of Birr 150,000 (One Hundred Fifty Thousand) and a monthly allowance for 2023/24 with the amount of Birr 10,000 (Ten Thousand) were paid to the Board directors individually as per the resolutions

of the 29th Annual Ordinary General Meeting of Shareholders. No additional benefits were provided to the Board Directors. Board Directors had insurance policies with the Company which were concluded at arm's length. No loan or guaranty was extended to Board Directors;

19. In the year under review, the CEO's monthly salary was Birr 300,000 (Three Hundred Thousand), while a representation allowance of Birr 10,000 (Ten thousand), a housing allowance of Birr 20,000 (Twenty Thousand) as well as a Company car with fuel were provided as specified under the Company's Benefits Package Policy. No loan or guaranty was extended to the CEO in the period under review;
20. The Board closely reviewed the implementation of the Company's Enterprise Risk Management Framework. The risks in the Company's risk register were monitored through an action plan which contained the risk mitigation measures. Besides, guidance was given on the drafting of information technology strategy as well as the drafting of information technology policies and its progress was under follow up;
21. The Board reviewed the conduct of the 29th Annual Ordinary General Meeting of Shareholders and gave instruction on the timely registration and authentication of the Minutes of the General Meeting. The Board also monitored the implementation of the resolutions of the General Meeting of Shareholders and gave directions on the preparation for the conduct of the 30th Annual Ordinary and 12th Extraordinary General Meetings of shareholders;
22. The Board also endorsed the action plan for the joint 30th Anniversary of the establishment of Awash Bank and Awash Insurance. The Anniversary would be celebrated starting from October 2024 under the theme: "Honoring Success, Looking Beyond the Horizon! ".

VII. THE FUTURE AND PROSPECTS

The Fiscal Year 2023/24 was unprecedented in many ways. Major developments impacting the financial services sub-sector unfolded in both the macro economy and the boarder policy environment regime.

The insurance industry had to pass through a range of difficulties during the year under review. Slow-down in the performance of the national economy, attributable mainly to the internal factors like the problem of peace and instability, and hence the slack in the performance of the economy and weak business activity, acute shortage of foreign currency, unemployment and the ever exacerbating inflationary situation in the economy were only a few among the many testing challenges encountered. Inflation was a major threat to the stability of the macro economy during the review year and may continue to be one of the downside risks in the couple years to come.

On the optimistic side, preparations to operationalize the capital market, the Federal Government’s serious commitments to enhance liberalization of the economy, the determination and concrete measures taken to deepen and realize digital Ethiopia, more so in the digital finance ecosystem, will be among the major drivers to rebound the performance of the economy at large and the Insurance industry in particular.

VIII. THE WAY FORWARD

According to official sources, the Ethiopian economy grew by 8.1% in 2016 EC (2023/24). The IMF, however, forecasted the real GDP growth of the country at 6.7% for the two years 2023 and 2024. African Development Bank’s predictions for both 2023/24 and for 2024/25 would be the same 6.7% (ADB, April 2024). Government’s growth plan for 2017 E.C budget year is 8.4%. The Ethiopian economy is, therefore, hoped to continue to grow as stated herein above rebounding following the daring moves taken very recently to reform the macro economy, the foreign exchange regime in particular. It is believed that with the holding of the assumptions that form the basis for the reform to succeed and with Government’s targeted policy measures and interventions to sustain the Reform, the economy will be expected to thrive and hence catalyze and spur speedy growth of all sectors including our industry.



Branch Managers (partial) after Performance Review with CEO and Board Directors (partial)

The NBE Directive that set floor premium rate for Motor Own Damage cover, as the first and laudable move of its kind, to guide the industry to compete on grounds other than price, the newly revised Regulation on Compulsory Motor Third Party (CMTP) premium rate, despite its past history of loss, the daring move but gradually widening commitment to digitalize the economy and the financial services ecosystem, the mounting pressure from the public in general and the digital savvy segment of the society in particular to explore and provide tech-driven solutions and services will engage the industry and its actors to eventually transform and grow faster than before.

The Company's investments in fixed assets and in projects found viable by thorough study as lucrative and feasible and in equity shares of different firms, the attraction that the economic reform and further privatization initiatives of the economy will have on enhancing Foreign Direct Investment, the positive impacts that opening up of the economy in general and the sub-sectors like banking industry in the foreseeable future will create a conducive environment for the economy and the insurance industry.

The implementations, at full swing, of the transformative strategic initiatives of our Company and the yields envisaged from revitalization of the Company and its productive workforce, the commitment of the Management to scale up operational efficiency and persistent efforts to further build on our competitive advantages will help achieve the strategic objectives set in the road map document.

IX. VOTE OF GRATITUDE

Three decades ago, we were blessed to have been trusted as a pioneer and a new private sector entrant into the then closed business of insurance. A special thank you vote of the Board goes, therefore, to our most valued customers who trusted us then and throughout the past thirty challenging years. Our Company, Awash Insurance, has become a big and dominant brand because of you; thank you for the patronage and for giving us the chance to serve you all these years.

Our Shareholders, too, deserve our due respect for their unwavering support and for rallying behind their company in difficult years, like the one under review.

The Board also treasures and reminisces for the association our Company has established with the Ethiopian insurers and a very strong business relationship developed with our Reinsurers as well as overseas Insurance and Reinsurance brokers. The Board would also like to accord its sincere gratitude to the NBE as well as the Management and entire staff of Awash Bank, the sister Company, for the good understanding and cooperation we received throughout the year.

We thank our insurance sales agents, too, for their valuable contributions during all the years past. We thank all of you mentioned right above deeply and heartily as we celebrate the 30th Anniversary of our Company.



Consultative Meeting with Insurance Brokers

Special credit of the Board goes to the Management and to all employees of our Company who have played and continue to play pivotal role in the Company's success and growth.

The Board owe you all too much. Our Company sailed successfully over turbulent seas facing all the tough challenges of the business throughout and reached its 30th Anniversary, consolidating its unbeatable market position. We made it possible because of you; the incredible success registered wouldn't have been possible without your support and backing.

Thank you!
Happy 30th Anniversary!

Tadesse Gemeda
Chairperson, Board of Directors



Celebrating Customers' Day





AWASH INSURANCE S.C
Annual IFRS Financial Statements
30 June 2024

Awash Insurance S.C.

Annual IFRS Financial Statements

For the year ended 30 June 2024

Directors, Professional Advisors and Registered Office

Directors (as of 30 June, 2023)

		Date of appointment
Tadesse Gemedo	Chairman	October 28 th 2022
Aseffa Seyoum (PhD)	Vice Chairman	October 28 th 2022
Gifty Yoseph	Non-Executive Director	October 28 th 2022
Getachew Assefa (Eng.)	Non-Executive Director	October 28 th 2022
Wubishet Geremew (Captain)	Non-Executive Director	October 28 th 2022
Kebede Asres (Captain)	Non-Executive Director	October 28 th 2022
Tsegaye Sori (Eng.)	Non-Executive Director	October 28 th 2022
Solomon Nekatibeb	Non-Executive Director	October 28 th 2022
Dandi Waka Toko PLC	Non-Executive Director	October 28 th 2022

Executive Management

Jibat Alemneh	Chief Executive Officer
Frehiwot Alemayehu	Chief Customers' Officer
Bekalu Tilahun	Chief Governance Officer
Mintesinot Desalegn	Chief Finance & Resource Management
Dejene Tsegaye	Chief Technology Officer
Taddese Roba	Advisor to the CEO
Ayele Desalegn	Head, Human Capital
Adane Seyoum	Head, Financial Management
Kumsa Birisa	Head, General Insurance Claims
Wondimagegn Assefa	Head, General Insurance Underwriting
Sinafikish Tekle	Head, Legal & Advisory Services
Derese Berhanu	Head, Information system & Improvement
Wondimagegn Fufa	Acting Head, Audit and Inspection
Yohannes Tegegne	Head, ICT Infrastructure

Sharia'h Advisory Council

Adil Abdullahi	Chairman
Sheik Sultan Haji Aman	Member
Dr. Mohammedhakim Ahmed Hasan	Member

Independent auditor

TAY Authorized Accountants and Auditors
Obtained Certificate from Accounting and Auditing Board of Ethiopia
Certificate No. ABF 00009
Ethio- China Friendship Street
Addis Ababa
Ethiopia

Corporate office

Awash Towers
Ras Abebe Aregay Street
Addis Ababa,
Ethiopia

Awash Insurance S.C.

Annual IFRS Financial Statements

For the year ended 30 June 2024

Directors, Professional Advisors and Registered Office

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
Abay Bank
Global Bank Ethiopia
Geda Bank
Siinqee Bank

Reinsurers/Reinsurance Brokers

Africa Reinsurers Corporation
Ethiopian Reinsurance Share Company
Zep Re (PTA Reinsurance Company)
Munich Reinsurance Company of Africa LTD.
East Africa Reinsurance Company LTD.
Afro Asian Insurance Service LTD
Apex Reinsurance Broker
NASCO France
Fair Insurance & Reinsurance Broker

Consulting Actuaries

Actuarial Services (EA) Ltd.
1113 Kayahwe Rd, Off Galana Road
P. O. Box 10472 - 00100
Kilimani Nairobi, Kenya

Estate surveyor and valuer:

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

Awash Insurance S.C.

Annual IFRS Financial Statements

For the year ended 30 June 2024

Statement of Directors' Responsibilities

In accordance with the Financial Reporting Proclamation No. 847/2014 and Insurance Business Proclamation No.746/2012, as amended by the Insurance Business (Amendment) Proclamation No.1163/2019, 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, Proclamation No. 1243/2021 and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company is required to keep such records as are necessary to:

- A) exhibit clearly and correctly the state of its affairs;
- B) explain its transactions and financial position; and
- C) enable the National Bank of Ethiopia to determine whether the Company had complied with the provisions of the Insurance Business Proclamation, 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 preparation 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 2021 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.

Signed by:



Tadesse Gemedo
Chairman, Board of Directors
September 28, 2024



Jibat Alemneh
Chief Executive Officer
September 28, 2024

Awash Insurance S.C.
Annual IFRS Financial Statements
For the year ended 30 June 2024
Sharia'h Advisory Council's Report



Adil Abdullahi
Chairman,
Sharia'h Advisory Council



Sheik Sultan Haji Aman
Council Member



Dr. Mohammedhakim
Ahmed Hasen
Council Member

Statement of the Sharia'h Advisory Council

The Council held 12 meetings during the financial year. All the members of the Council attended the meetings.

We, Adil Abdullahi, Sheik Sultan Haji Aman and Dr. Mohammedhakim Ahmed Hasen, members of the Sharia'h Advisory Council of Takaful Window Operation of Awash Insurance S.C. hereby confirm on behalf of the Sharia'h Advisory Council that strategic support was provided to the Company's Takaful Window Operation under 'Salaam Takaful' and the operations of the Company's Takaful business for the financial year ended June 30, 2024 was conducted in conformity with the Sharia'h requirements.

Regarding the financial result of the fiscal year 2023/24, a surplus after tax of Birr 6.9 Million was reported in the financial statement. Upon considering the the provisions of Article 5 of " A Directive to License a Takaful Window Operator Number STB/1/2020", we, the members of the Sharia'h Advisory Council, have unanimously endorsed to maintain the 2023/24 surplus after tax of Birr 6.9 Million as a reserve in order to strengthen the Takaful fund.

Signed on behalf of the Sharia'h Advisory Council

Adil Abdullahi
September 28, 2024



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INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF AWASH INSURANCE S.C.

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Awash Insurance S.C, which comprise the statement of the financial position as at 30 June, 2024, and the statement of profit or loss and other comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the accompanying financial statements give true and fair view of the financial position of the Company as at 30 June 2024 and of its statements of profit or loss and other comprehensive income and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

- The company has not adopted IFRS 17, *Insurance Contracts*, which is required to be applied for annual reporting periods beginning on or after January 1, 2023. Under IFRS 17, insurance contracts must be measured using updated assumptions, and their results must be recognized in the financial statements differently than under the previous standard, IFRS 4. Had IFRS 17 been applied, certain amounts in the financial statements, particularly relating to insurance liabilities, revenue, and profit recognition, would have been reported differently. Management has not quantified the impact of the non-implementation of IFRS 17 along with IFRS 9 on the financial statements.

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 the accounting policies of the Company 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.



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Fax (011) 442 1338 - e-mail: info@tayauditing.com - www.tayauditing.com - P.O. Box 1335 - Addis Ababa, Ethiopia

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.

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 statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. We describe these, matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Based on our duties and methodologies we used as stated under the basis for opinion paragraph above and pursuant to Article 349 of the Commercial Code of Ethiopia 2021 proclamation 1243 and we recommend approval of the financial statements by the shareholders.

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


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Addis Ababa
30 September 2024



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**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF
AWASH INSURANCE S.C.**

Report on Other Legal and Regulatory Requirements

On the board of directors

Pursuant to Article 349 sub article 1 of the Commercial Code of Ethiopia proclamation number 1243/2021 we have no comment to make on the report of the board of directors so as it related to these financial statements and hence, we recommend approval of the Board of directors report.

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

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TAY Authorized
Accountant and Auditors



Addis Ababa
30 September 2024

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**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF
AWASH INSURANCE S.C.**

Report on Other Legal and Regulatory Requirements

On the proposal for distribution of profit

Pursuant to Article 349 sub article 2 of the Commercial Code of Ethiopia proclamation number 1243/2021 the proposal for distribution of profit submitted by the directors so as it related to these financial statements and hence, we recommend approval of the proposal for distribution of profit

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


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Addis Ababa
30 September 2024

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Awash Insurance S.C.

Annual IFRS Financial Statements

For the year ended 30 June 2024

Statement of Profit or Loss and Other Comprehensive Income

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Gross premium income	6	3,050,875	2,398,156
General takaful contribution	6	68,454	39,221
Premiums ceded to reinsurers	6	(843,850)	(709,793)
General retakaful	6	(19,315)	(7,596)
Wakala Fee	6	(11,322)	(13,728)
Net premiums		2,244,842	1,706,260
Change in unearned income	27	(135,031)	(367,966)
Net Earned premiums	6-b	2,109,811	1,338,294
Fee and commission income	7	149,138	164,992
Net underwriting income		2,258,949	1,503,286
Claims expenses	10	(1,037,554)	(863,070)
Claims recovered from reinsurers	10	162,498	152,999
Gross change in contract liabilities	10	(596,156)	(209,772)
Change in contract liabilities ceded to reinsurers	10	342,458	83,528
Net benefits and claims		(1,128,754)	(836,315)
Underwriting expenses	11	(154,219)	(102,671)
Increase in participants' fund		(9,888)	2,822
Increase in life fund	27	(27,241)	(18,237)
Underwriting profit		938,847	548,885
Investment income	8	606,881	484,083
Wakala fee income	9	11,321	13,728
Other operating income	9	36,234	44,923
Net income		1,593,283	1,091,619
Finance costs	12	(518)	(429)
Other operating and administrative expenses	13	(289,735)	(274,033)
Employee benefits	14	(400,404)	(267,175)
Profit before income tax		902,626	549,982
Income tax expense	15	(107,706)	(40,858)
Profit for the year		794,920	509,124
Other comprehensive income	79492		
Items that will not be subsequently reclassified into profit or loss:			
Fair Value adjustment of revalued properties	13	(15,768)	(16,328)
Remeasurement (gain)/loss on defined benefits obligations		5,506	(2,576)
deferred tax expense(30%)	15-d	(11,914)	(18,131)
Fair Value adjustment of revalued properties net of tax		4,730	4,898
Remeasurement gain/loss on defined benefits obligations net of tax	32	(11,038)	(11,430)
		3,854	(1,803)
		(7,184)	(13,233)
Total comprehensive income for the year		787,736	495,892
Basic & diluted earnings per share (Birr)	35	0.41	0.36

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



Tadesse Gemedo
Chairman, Board of Directors
September 28, 2024



Jibat Alemneh
Chief Executive Officer
September 28, 2024

Awash Insurance S.C.
Annual IFRS Financial Statements
For the year ended 30 June 2024
Statement of Financial Position

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
ASSETS			
Cash and bank balances	16	2,883,680	2,330,958
Investment securities:			
– Available for sale	17	1,248,336	860,406
– Loans and receivables	17	136,457	60,087
Insurance receivables	18	2,950	2,514
Reinsurance assets	19	1,085,946	586,670
Retakaful assets	19	13,410	4,868
Other assets	20	295,958	227,573
Deferred acquisition cost	21 a	62,002	51,924
Salvage property held for sale	21b	49,970	29,945
Right of use asset	22 a	76,728	78,496
Property, plant and equipment	23	1,144,610	891,933
Investment properties	24	397,301	366,220
Intangible assets	25	8,474	10,653
Statutory deposits	26	284,286	209,496
Total assets		7,690,107	5,711,743
LIABILITIES			
Insurance contract liabilities	27	3,228,794	2,358,055
Provisions for claims under litigations	28	13,829	8,291
Insurance payables	29	354,943	308,054
Other liabilities	30	266,449	186,735
Defined benefit obligations	32	23,109	15,996
Deferred tax liability	15 d	183,779	189,860
Current income tax liabilities	15 c	110,673	40,858
Lease liability	30	16,557	20,912
Takaful liabilities	27	51,029	24,148
Retakaful liabilities	29	12,968	5,544
Payable to takaful participants	30	29	19
Participants' takaful fund	31	2,128	(4,101)
Qard	33	9,000	9,000
Total liabilities		4,273,288	3,163,370
EQUITY			
Share capital	34	1,921,492	1,411,094
Share premium	34	33,224	4,699
Retained earnings	36	1,166,479	917,138
Legal reserve	37	295,625	215,441
Total equity		3,416,819	2,548,372
Total equity and liabilities		7,690,107	5,711,743

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 284th Special Meeting held on September 28, 2024 and were signed by:



Tadesse Gemeda
Chairman, Board of Directors
September 28, 2024



Jibat Alemneh
Chief Executive Officer
September 28, 2024

Awash Insurance S.C.
Annual IFRS Financial Statements
For the year ended 30 June 2024
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 2022		956,562	4,699	772,222	164,528	1,898,012
Additional shares issued	32	454,532	-	-	-	454,532
Dividends paid during the year	34	-	-	(298,713)	-	(298,713)
Directors' compensation	34	-	-	(1,350)	-	(1,350)
Profit for the year	34	-	-	509,124	-	509,124
Other comprehensive income						-
FairValue adjustment in OCI net of tax				(18,131)		(18,131)
<i>Remeasurement (gain)/loss on defined benefits obligations (net of tax)</i>		-	-	4,898	-	4,898
Total comprehensive income for the year		-	-	495,892	-	495,892
Transfer to legal reserve	34			(50,912)	50,912	
As at 30 June 2023		1,411,094	4,699	917,138	215,441	2,548,372
As at 1 July 2023		1,411,094	4,699	917,138	215,441	2,548,372
Additional shares issued	32	510,398	28,525	-	-	538,923
Dividends paid during the year	34	-	-	(456,862)	-	(456,862)
Directors' compensation	34	-	-	(1,350)	-	(1,350)
Profit for the year	34	-	-	794,920	-	794,920
Other comprehensive income						-
<i>Fair-Value adjustment in OCI net of tax</i>				(11,914)		(11,914)
<i>Remeasurement (gain)/loss on defined benefits obligations (net of tax)</i>		-	-	4,730	-	4,730
Total comprehensive income for the year		-	-	787,736	-	787,736
Transfer to legal reserve	36			(80,184)	80,184	
As at 30 June 2024		1,921,492	33,224	1,166,479	295,625	3,416,819

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



Tadesse Gemedas
Chairman, Board of Directors
September 28, 2024



Jibat Alemneh
Chief Executive Officer
September 28, 2024


Awash Insurance S.C.
Annual IFRS Financial Statements
For the year ended 30 June 2024
Statement of Cash Flows

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Cash flows from operating activities			
Cash generated from operations	38	729,826	620,152
Remeasurement of Employee Benefit	32	3,854	(1,803)
Income tax paid		(40,858)	(19,951)
Net cash (outflow)/ inflow from operating activities		692,822	598,398
Cash flows from investing activities			
Purchase of investment securities- equity investments	17	(387,930)	(240,170)
Additional investment in fixed deposit	16	(288,154)	(490,699)
Purchase of investment property	24	(39,056)	(50,455)
Purchase of intangible assets	20	-	-
Purchase of property, plant and equipment	21	(292,634)	(124,227)
Proceeds from sale of property, plant and equipment	38	2,213	6,188
Dividend earned	8	281,466	239,420
Interest received	8	227,442	176,540
Net cash outflow from investing activities		(496,653)	(483,403)
Cash flows from financing activities			
Dividend paid		(456,862)	(298,713)
Repayment of lease liability	22 a	(13,661)	(34,441)
Proceeds from issues of shares	34	538,923	454,532
Net cash inflow(outflow) from financing activities		68,400	121,378
Changes in cash and cash equivalents		264,569	236,373
Cash and cash equivalents at the beginning of the year	16	458,047	221,674
Net increase/ (decrease) in cash and cash equivalents		264,569	236,373
Cash and cash equivalents at the end of the year	16	722,616	458,047

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



Tadesse Gemedo
Chairman, Board of Directors
September 28, 2024



Jibat Alemneh
Chief Executive Officer
September 28, 2024

Awash Insurance S.C.

Annual IFRS Financial Statements

For the year ended 30 June 2024

Notes to the Financial Statements

1 General information

Awash Insurance 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 in conformity with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia, Proclamation No. 1243/2021 and subsequently by the Insurance Business Proclamation No.746/2012 as amended by the Insurance Business (Amendment) Proclamation No.1163/2019. 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 2024 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, as amended by the Insurance Business (Amendment) Proclamation No.1163/2019 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 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 has no doubt that the Company would remain in existence after 12 months.

2.2.2 Changes in accounting policies and disclosures

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

Awash Insurance S.C.

Annual IFRS Financial Statements

For the year ended 30 June 2024

Notes to the Financial Statements

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.

In September 2016 IFRS 4 was amended by applying IFRS 9 Financial Instruments with IFRS 4, Insurance Contracts. These amendments address concerns arising from the different effective dates of IFRS 9 and the forthcoming insurance contracts Standard. Accordingly, these amendments introduce two optional approaches: an overlay approach and temporary exemption from applying IFRS 9, deferral approach if an insurer's activities are predominantly connected with insurance. Accordingly, the Company determined to choose temporary exemption until it applies IFRS 17 since its insurance contract liabilities is 80% of the total carrying amount of liabilities (excluding deferred taxes) as at 30 June 2024. Early adoption of the standard is permitted. Adoption of IFRS9 is deferred since adoption of IFRS 17 is deferred. The process of adoption of IFRS 17 took more time and cost to implement as per effective date. The Company is yet to assess IFRS9's full impact.

IFRS 17 - Insurance contracts

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

This standard requires a company that issues insurance contracts to report insurance obligations and risks on the balance sheet as the total of:

- (a) the fulfillment cash flows—the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and
- (b) the contractual service margin—the expected profit for providing future insurance coverage (ie unearned profit).

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

The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Adoptiton of IFRS 17 is deferred since the process of adoption of IFRS17 took more time and cost to implement as per the effective date. The Company is yet to assess the expected impact on this standard.

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2.3 Foreign currency translations

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 recognized in profit or loss within other (loss)/ income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Foreign currency translation

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.4 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 recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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Subsequent measurement

For purposes of subsequent measurement, 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 amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and similar income in income statement. The losses arising from impairment are recognized in income statement in loan impairment charge.

The Company's loans and receivables comprise of 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.

Qard al hasan, an interest free loan provided under Takaful operation, is classified at its own class of asset whereby the discount rate is nil.

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

AFS investments include equity investments. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial 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 recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'.

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

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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 recognized in equity is amortized to income statement over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to

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

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

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.

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

For the purpose of 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 setoff reinsurance payables against amounts due from reinsurers in line with the agreed arrangements between both parties.

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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 of 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 right of use assets. Payments for right of use assets 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.

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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

Properties that are held for rent by the Company to earn rental income or for capital appreciation, or both, and are not occupied by the Company, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The Company has opted to subsequently carry investment property at cost and disclose fair value. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Company's investment property is determined by the 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 are disposed of.

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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 as amended by the Insurance Business(Amendment) Proclamation No.1163/2019 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'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.

(iii) Takaful

The Company has obtained authorization from National Bank of Ethiopia to provide takaful window operation by adopting wakala operating model. With this operating model, the Company is acting as trustee on behalf of the participants to manage the operation of the Takaful business. The Company issues general takaful contracts on behalf of participants. Takaful contracts are issued based on risk sharing arrangement between participants. Contribution of participants are credited to the participants' takaful fund. Takaful fund can be invested in Shariah compliant areas and as approved by the Shariah Advisory Council.

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.

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Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.15 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are 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.

Retakaful

The Company as the operator of the participants' fund cedes underwriting risk in the normal course of takaful business. Retakaful certificates assets represent balances due from retakaful operators. Retakaful certificates liabilities represent balances due to retakaful operators. Contributions and claims are presented on a gross basis. Retakaful certificates assets are reviewed for impairment at each financial year end.

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.

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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 Directives:

- 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.

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Notes to the Financial Statements

(iii) Takaful Contracts

The Company is not the one assuming the risk. Rather it is the various participants who are mutually covering each other. All contributions (premiums) paid by the participants will be accumulated in the Takaful Fund. All payment of the Takaful benefits (i.e. claims) will be paid by the Takaful Fund. On the other hand the takaful operator guarantees the takaful fund's operations through the requirement to provide qard in times of deficit. The purpose of this 'financial assistance' is to maintain the sustainability of the fund.

The takaful operator also provide a common platform for managing the operations such as the same accounting software for the use of both the operator and the fund. Thus, the takaful operator is responsible for day to day activities such the allocation of resources, supplies and other services. the takaful operator appears to have power over the takaful funds. Underwriting and investment management, an operator would also undertake claims processing, loss adjusting, marketing, and appointment of agents

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 General takaful fund

The general takaful fund consists of reserves and any surplus/deficit arising from contribution and investment income after deducting retakaful, wakalah fee, claims incurred, other operating expenses, taxation and administration charges during the year. Where the general takaful fund becomes a deficit it will be financed by the shareholders contribution in the form of loan or Qard al hasan. Surplus is distributable to participants in accordance with the terms and conditions prescribed by the Shariah Advisory Council of the Company

Awash Insurance S.C.

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2.21 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.

2.22 Retained earnings

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

2.23 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.

2.24 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.

2.25 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.

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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.

2.26 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.

2.27 Claims recovered from reinsurers

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

2.28 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.

2.29 Underwriting expenses

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

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

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2.30 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.

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2.31 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.

Awash Insurance S.C.

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2.32 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 or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the efforts of all diluted potential ordinary shares.

2.33 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.

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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 include:

- Capital management Note 4.7
- 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:

Right of use asset

The Company leases land for its office buildings and investment properties and rents office buildings. Land leases are made for fixed period of 36-60 years. Office rents are made for fixed period of 1-5 years and in most cases they are renewable. All Company's right of use asset are supported by lease agreements. The lease amounts of these agreements are fully settled except one new land lease agreement which is partially paid. The land lease liability for partial payment is measured at amortized cost using the interest rate specified on lease agreement. The right-of-use assets are depreciated on a straight-line basis over the lease period. For all other leases, the right of use asset were measured as equal to the lease liability and adjusted for any accruals or prepayments on the balance sheet.

3.2 Estimates and assumptions

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 reflects 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 makes various assumptions such as expenses inflation and mortality in estimating the required liabilities for life contracts.

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Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a 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's 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 reinsurance 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 bankruptcy or other financial reorganization.

If any of the impairment triggers are identified, the Company specifically assesses 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 (cash flows) 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 judgments, 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 conditions.

(e) Liabilities arising from insurance contracts

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

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(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 judgment.

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. Property, plant and equipment is depreciated over its useful life.

Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase expenses and decrease the carrying value of non-current assets.

(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.

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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 comprehensive 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 of 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 assessing 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 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 Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on 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 activity.

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.

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4.2 Insurance risk

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

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. 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 Life, 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 2024

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Individual life	979	-	979
Group life	31,876	(20,358)	11,518
Group medical	27,511	(1,374)	26,136
Total life insurance	60,366	(21,732)	38,634

30 June 2023

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Individual life	404	-	404
Group life	13,071	(1,804)	11,267
Group medical	7,046	(352)	6,693
Total life insurance	20,521	(2,156)	18,365

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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 assumptions	Change in liability	
		30 June 2024	30 June 2023
		Birr'000	Birr'000
Mortality/morbidity rate	+10%	261,920	195,234
Investment return	+1%	261,185	193,069
Expenses	+10%	262,464	197,022
Lapse and surrenders rate	+20%	261,338	194,549

	Change in assumptions	Change in liability	
		30 June 2024	30 June 2023
		Birr'000	Birr'000
Mortality/morbidity rate	-10%	261,738	195,176
Investment return	-1%	262,585	197,759
Expenses	-10%	261,206	193,413
Lapse and surrenders rate	+20%	262,361	195,945

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, change in lapses and future mortality. Contingency reserve of Birr 9,000,000 is included in the sensitivities analysis.

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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 2024

	Claims reported			Claims incurred but not reported		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	36,928	(33,854)	3,074	15,123	(6,932)	8,191
Burglary	40	(2)	38	1,908	(379)	1,529
Motor	561,993	(50,377)	511,616	176,852	(19,712)	157,140
Marine	17,479	(2,091)	15,388	9,195	(2,614)	6,581
Goods in transits	2,383	(93)	2,290	6,205	(1,025)	5,180
Workmens' compensation	3,962	(196)	3,766	4,211	(214)	3,997
Group Personal Accident	12,824	(4,524)	8,300	11,616	(4,277)	7,339
Engineering	40,652	(9,605)	31,047	7,198	(4,554)	2,644
Public liability	10,415	(5,932)	4,483	16,910	(4,968)	11,942
Pecuniary	123,274	(79,087)	44,187	16,083	(8,339)	7,744
Floriculture	1,777	(1,702)	75	106	(98)	8
Political Violence & Terrorism	348,243	(304,507.00)	43,736	44,285	(38,643)	5,642
Total non- life insurance	1,159,970	(491,970)	668,000	309,692	(91,755)	217,937

30 June 2023

	Claims reported			Claims incurred but not reported		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	44,586	(33,951)	10,635	12,067	(5,531)	6,536
Burglary	4,809	(884)	3,925	801	(159)	642
Motor	490,424	(57,037)	433,387	152,907	(16,649)	136,258
Marine	10,282	(1,532)	8,750	4,736	(1,346)	3,390
Goods in transits	1,192	(18)	1,174	2,679	(443)	2,236
Workmens' compensation	3,450	(170)	3,280	4,970	(252)	4,718
Group Personal Accident	7,040	(3,875)	3,165	4,911	(1,808)	3,103
Engineering	28,073	(18,505)	9,568	7,256	(4,591)	2,665
Public liability	17,088	(3,612)	13,476	15,283	(4,490)	10,793
Pecuniary	34,466	(25,132)	9,334	8,878	(4,604)	4,274
Floriculture	1,876	(1,715)	161	116	(108)	8
Political Violence & Terrorism	50,392	(43,911)	6,481	14,427	(12,589)	1,838
Total non- life insurance	693,678	(190,342)	503,336	229,031	(52,570)	176,461

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.

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General takaful contracts

The Company principally issues the following types of general takaful contracts on behalf of participants: motor, fire, engineering, liability, marine, burglary, floriculture and Workmens' compensation. Risks under general takaful policies usually cover twelve months duration.

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

	30 June 2024 Claims reported			30 June 2024 Claims incurred but not reported		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	395	(20)	375	772	(377)	395
Burglary	-	-	-	24	(1)	23
Motor	9,207	(460)	8,747	4,007	(812)	3,194
Marine	198	(10)	188	184	(14)	170
Goods in transits	-	-	-	100	(32)	68
Workmens' compensation	-	-	-	7	-	7
Group Personal Accident	-	-	-	15	(1)	14
Engineering	-	-	-	8	(1)	7
Public liability	-	-	-	41	(24)	17
Pecuniary	-	-	-	41	-	41
Floriculture	-	-	-	2	-	2
Political Violence & Terrorism	-	-	-	166	107	273
Total non- life insurance	9,800	(490)	9,310	5,368	(1,155)	4,213

30 June 2023 Claims reported		
Gross Birr'000	Reinsurance Birr'000	Net Birr'000
-	-	-
-	-	-
539	(26)	513
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
539	(26)	513

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Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs and claim numbers for each accident year.

Sensitivities

	Change in assumptions	Change in liability	
		30 June 2024 Birr'000	30 June 2023 Birr'000
Average number of claims	+10%	40,546	21,976

	Change in assumptions	Change in liability	
		30 June 2024 Birr'000	30 June 2023 Birr'000
Average number of claims	-10%	(23,134)	(23,662)

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 2024:

Accident year	2018 & Prior	2019	2020	2021	2022	2023	2024	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
2019	766,809	167,764	170,876	206,397	296,142	637,485	630,399	
2020	459,528	107,232	135,722	162,656	211,440	27,906		
2021	64,670	21,313	41,678	36,454	164,326			
2022	25,685	5,803	13,351	43				
2023	15,032	2,884						
2024	40,656							
Current estimate of cumulative claims	1,372,380	304,996	361,627	405,550	671,908	665,391	630,399	4,412,251
IBNR		559	2,137	7,868	36,946	181,402	80,780	309,693
cummulative payments to date	(475,016)	(283,699)	(288,186)	(318,062)	(424,067)	(730,882)	(732,375)	(3,252,286)
Liabilities recognised in the balance sheet (note 27)	897,363	21,856	75,578	95,357	284,788	115,912	(21,196)	1,469,657

Gross non-life insurance contract outstanding claims provision for 2023:

Accident year	2017	2018	2019	2020	2021	2022	2023	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
2017	179,085	177,292	178,921	207,403	269,478	519,854	906,980	
2018	95,596	92,837	107,771	136,018	164,561			
2019	16,125	15,861	21,329	45,380				
2020	3,426	4,762	5,940					
2021	2,295	2,900						
2022	1,402							
2023	2,895							
Current estimate of cumulative claims	297,930	293,653	313,962	388,801	434,039	519,854	906,980	3,155,219
IBNR	-	119	559	2,137	7,868	36,946	181,402	229,032
Cummulative payments to date	(138,639)	(278,006)	(283,699)	(288,186)	(318,062)	(424,067)	(730,882)	(2,461,541)
Liabilities recognised in the balance sheet (note 27)	28,232	16,644	33,963	108,107	149,004	225,115	357,500	922,710

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4.3 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:

	Notes	Available- For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
30 June 2024				
Cash and cash equivalents		-	2,883,680	2,883,680
Investment securities:	16			
– Available for sale	17	1,248,336	-	1,248,336
– Loans and receivables	17	-	136,457	136,457
Reinsurance assets	19	-	1,085,946	1,085,946
Other assets	20	-	287,466	287,466
Total financial assets		1,248,336	4,393,549	5,641,885
	Notes	Available- For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
30 June 2023				
Cash and cash equivalents		-	2,330,958	2,330,958
Investment securities:	16			
– Available for sale	17	860,406	-	860,406
– Loans and receivables	17	-	60,087	60,087
Reinsurance assets	19	-	586,670	586,670
Other assets	20	-	217,393	217,393
Total financial assets		860,406	3,195,108	4,055,514

4.4 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:

- 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 Management risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or company of counterparties and industry segment (i.e. limits are set for investments and cash deposits).
- The Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The Company's reinsurance treaty contracts involve netting arrangements.

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- 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 2024 Birr'000	30 June 2023 Birr'000
Cash and cash equivalents	2,883,680	2,330,958
Investment securities:		
– Available for sale	1,248,336	860,406
– Loans and receivables	136,457	60,087
Reinsurance assets	1,085,946	586,670
Other assets	287,466	217,393
	5,641,885	4,055,514

4.4.1 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 as at 30 June 2024, 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.

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(d) Credit quality of other financial assets

	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	impaired Birr'000	Total Birr'000
30 June 2024				
Insurance receivables:				
Due from contract holders	2,950	-	22,453	25,403
Due from agents	-	-	-	-
Less: Impairment allowance (note 19a)			(22,453)	(22,453)
Net	2,950	-	-	2,950
Other assets				
Qard receivable from takaful	9,000			
Other account receivables	62,745	-	27,528	90,273
Subrogation reimbursements	46,539	-	2,437	48,976
Staff debtors	126,799	-	12,418	139,217
Prepaid staff expense	1,481		-	1,481
Withholding tax receivable	37,192			37,192
Value added tax receivable	-	-	-	-
Gross	283,756	-	42,383	317,139
Less: Impairment allowance (note 19a)			(30,181)	(30,181)
Net	283,756	-	12,202	286,958
30 June 2023				
Insurance receivables:				
Due from contract holders	2,514	-	32,449	34,963
Due from agents	-	-	-	-
Less: Impairment allowance (note 19a)			(32,449)	(32,449)
Net	2,514	-	-	2,514
Other assets				
Rent receivables	9,000			
Other account receivables	27,453	-	19,474	46,927
Subrogation reimbursements	46,549	-	2,437	48,986
Staff debtors	100,062	-	12,418	112,480
Prepaid staff expense	1,481		-	1,481
Withholding tax receivable	26,914			26,914
Value added tax receivable	3,912	-	-	3,912
Gross	215,371	-	34,329	240,700
Less: Impairment allowance (note 19a)			(22,127)	(22,127)
Net	215,371	-	12,202	218,573

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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 organs) 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 other receivables

4.4.2 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 2024 Birr'000	30 June 2023 Birr'000
Due from contract holders	22,453	32,449
Other loans and receivables	30,181	22,127
Total allowance for impairment	52,634	54,576

4.5 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 the Company meets its maturing obligations.

4.5.1 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 that it has sufficient cash to meet operational needs.

The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Company's reputation.

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4.5.2 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.

	Less than 90 days Birr'000	90 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
30 June 2024				
Insurance contract liabilities	3,228,794			3,228,794
Insurance payables	354,943			354,943
Other liabilities	245,216	21,233		266,449
Lease liabilities			16,557	16,557
Total financial liabilities	3,828,953	21,233	16,557	3,866,743
	Less than 90 days Birr'000	90 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
30 June 2023				
Insurance contract liabilities	2,358,055			2,358,055
Insurance payables	308,054			308,054
Other liabilities	165,551	21,184		186,735
Lease liabilities			20,912	20,912
Total financial liabilities	2,831,660	21,184	20,912	2,873,756

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

4.6.1 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.

4.6.2 Monitoring 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.

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

30 June 2024	Fixed	Non- interest bearing	Total
	Birr'000	Birr'000	Birr'000
Assets			
Cash and cash equivalents	2,883,680	-	2,883,680
Investment securities:			-
– Available for sale	-	1,248,336	1,248,336
– Loans and receivables	136,457	-	136,457
Insurance receivables			-
Reinsurance assets	1,085,946	-	1,085,946
Other assets	287,466	-	287,466
Total	4,393,549	1,248,336	5,641,885
Liabilities			
Insurance contract liabilities	3,228,794	-	3,228,794
Insurance payables	354,943	-	354,943
Other liabilities	266,449	-	266,449
Lease liabilities	16,557	-	16,557
Total	3,866,743	-	3,866,743

30 June 2023	Fixed	Non- interest bearing	Total
	Birr'000	Birr'000	Birr'000
Assets			
Cash and cash equivalents	2,330,958	-	2,330,958
Investment securities:			-
– Available for sale	-	860,406	860,406
– Loans and receivables	60,087	-	60,087
Insurance receivables			-
Reinsurance assets	586,670	-	586,670
Other assets	217,393	-	217,393
Total	3,195,108	860,406	4,055,514
Liabilities			
Insurance contract liabilities	2,358,055	-	2,358,055
Insurance payables	308,054	-	308,054
Other liabilities	186,735	-	186,735
Lease liabilities	20,912	-	20,912
Total	2,873,756	-	2,873,756

(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.

(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

4.7 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.

The Board of Awash Insurance S.C. agreed to inject more funds (as Qard-al- Hassan or interest-free loan) from the Shareholders Fund into the Participants Common Funds whenever there is an underwriting deficit. The Qard-al-Hassan or Interest-free loan shall be written-off if it could not be recouped after 5 years as a result of negative performance of the Takaful Window operation.

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4.7.1 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 up 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. Admissible assets and liabilities stated below is in accordance with the MOS Directives No. SIB/ 45/ 2016.

		30 June 2024 Birr'000	30 June 2023 Birr'000
Admissible assets	A		
Cash and bank balances		2,883,680	2,330,958
Investment securities:			
– Available for sale		1,248,336	860,406
– Loans and receivables		136,457	60,087
Property, plant and equipment		1,144,610	891,933
Investment property		397,301	366,220
Other assets net of prepayments		257,285	195,266
Statutory deposit		284,286	209,496
		<u>6,351,955</u>	<u>4,914,366</u>
Admissible liabilities	B		
Insurance contract liabilities		3,228,794	2,358,055
Insurance payables		354,943	308,054
Other liabilities		266,449	186,735
Deferred tax liability		183,779	189,860
Current income tax liabilities		110,673	40,858
		<u>4,144,638</u>	<u>3,083,561</u>
Excess (admitted capital)- (A-B)	C	<u>2,207,317</u>	<u>1,830,805</u>
Net premium (Preceding year)	D	<u>1,706,260</u>	<u>1,125,388</u>
Solvency margin			
Limit of net premium i.e 20% of net premium	E	<u>341,252</u>	<u>225,078</u>
Required Minimum of paid up capital	F	<u>807,198</u>	<u>589,514</u>
Since F>E - Positive Solvency Margin	(C-F)	<u>1,400,119</u>	<u>1,241,291</u>
Solvency ratio		<u>1.73</u>	<u>2.11</u>

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4.8 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.

4.8.1 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.

4.8.2 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 2024		30 June 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	Birr'000	Birr'000	Birr'000	Birr'000
Financial assets				
Cash and cash equivalents	2,883,680	2,883,680	2,330,958	2,330,958
Investment securities:				
– Available for sale	1,248,336	1,248,336	860,406	860,406
– Loans and receivables	136,457	136,457	60,087	60,087
Reinsurance assets	1,085,946	1,085,946	586,670	586,670
Other assets	287,466	287,466	217,393	217,393
Total	5,641,885	5,641,885	4,055,514	4,055,514
Financial liabilities				
Insurance contract liabilities	3,228,794	3,228,794	2,358,055	2,358,055
Other liabilities	354,943	354,943	308,054	308,054
Lease liabilities	266,449	266,449	186,735	186,735
Total	3,850,186	3,850,186	2,852,844	2,852,844

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4.8.3 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.

4.8.4 Valuation technique using significant unobservable inputs – Level 3

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

4.8.5 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.

4.9 Offsetting financial assets and financial liabilities

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

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5 Segment information

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

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

Business segments

The Company operates the following main business segments:

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

Takaful Contracts- The company is acting as trustee on behalf of the participants to manage the operation of the Takaful business. The company has an agreement with participants to charge Wakalah fee of 35% of their contributions for its operation of general takaful. The company also manages the investment of the takaful fund in Shariah-compliant investment avenues and will share its returns of share holders fund contribution on the investment at an agreed ratio similar to the profit-sharing structure under the Mudarabah contract. The company is also eligible to get investment management service fee for its service in managing investment of the participants fund.

The segment information provided by the Management Operations Committee for the reporting segments for the year ended 30 June 2024 is as follows:

a Assets and liabilities for each segment at 30 June 2024

	Non-life		Life		Takaful		Total	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
ASSETS								
Cash and bank balances	2,491,534	1,848,931	325,028	441,774	67,118	40,253	2,883,680	2,330,958
Investment securities:								
– Available for sale	1,098,520	748,743	149,816	111,663	-	-	1,248,336	860,406
– Loans and receivables	132,456	56,086	4,001	4,001	-	-	136,457	60,087
Insurance receivables	-	-	2,951	2,514	-	-	2,951	2,514
Reinsurance assets	1,084,161	584,885	1,785	1,785	-	-	1,085,946	586,670
Retakaful assets	-	-	-	-	13,410	4,868	13,410	4,868
Other assets	284,193	218,530	11,622	8,965	143	78	295,958	227,573
Deferred acquisition cost	62,002	51,924	-	-	-	-	62,002	51,924
Salvage property held for sale	49,970	29,945	-	-	-	-	49,970	29,945
Right of use asset	76,728	78,496	-	-	-	-	76,728	78,496
Property, plant and equipment	1,142,370	891,525	2,240	408	-	-	1,144,610	891,933
Investment properties	369,849	338,323	27,452	27,897	-	-	397,301	366,220
Intangible assets	5,778	7,283	2,696	3,370	-	-	8,474	10,653
Statutory deposits	266,286	191,496	18,000	18,000	-	-	284,286	209,496
Account with Non-Life/Life/Takaful	(155,567)	(51,845)	157,425	62,435	(1,859)	(10,590)	-	-
Total assets	6,908,280	4,994,322	703,016	682,812	78,812	34,610	7,690,108	5,711,743
LIABILITIES								
Insurance contract liabilities	2,863,776	2,041,488	365,018	316,567	-	-	3,228,794	2,358,055
litigations	13,829	8,291	-	-	-	-	13,829	8,291
Insurance payables	290,967	203,602	63,976	104,452	-	-	354,943	308,054
Takaful liabilities	-	-	-	-	51,029	24,148	51,029	24,148
Retakaful Payables	-	-	-	-	12,968	5,544	12,968	5,544
Other liabilities	261,215	185,131	5,234	1,604	-	-	266,449	186,735
Payable to takaful participants	-	-	-	-	29	19	29	19
Defined benefit obligations	23,109	15,996	-	-	-	-	23,109	15,996
Deferred tax liability	183,779	189,858	-	2	-	-	183,779	189,860
Lease liability	16,557	20,912	-	-	-	-	16,557	20,912
Current income tax liabilities	106,645	36,904	1,061	3,954	2,966	-	110,673	40,858
Total liabilities	3,759,877	2,702,181	435,289	426,579	66,993	29,711	4,262,159	3,158,471
Equity and Participants' Fund								
Share capital	1,801,492	1,291,094	120,000	120,000	-	-	1,921,492	1,411,094
Share premium	33,224	4,699	-	-	-	-	33,224	4,699
Retained earnings	1,065,182	818,442	101,297	98,696	-	-	1,166,479	917,138
Legal reserve	248,503	177,904	46,430	37,537	692	-	295,625	215,441
Qard	-	-	-	-	9,000	9,000	9,000	9,000
Participants' takaful fund	-	-	-	-	2,128	(4,101)	2,128	(4,101)
Total equity	3,148,402	2,292,139	267,727	256,233	11,820	4,899	3,427,949	2,553,271
Total equity and liabilities	6,908,280	4,994,322	703,016	682,812	78,812	34,610	7,690,108	5,711,743

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b Profit or loss for each category for the year ended 30 June 2024

	Non-life		Life		Takaful		Total	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Revenue								
Gross premiums (note i)	2,607,139	2,072,581	443,736	325,575	-	-	3,050,875	2,398,156
Gross contribution (note i)	-	-	-	-	68,454	39,221	68,454	39,221
Wakala fee	-	-	-	-	(11,322)	(13,728)	(11,322)	(13,728)
Retakaful	-	-	-	-	(19,315)	(7,596)	(19,315)	(7,596)
i)	(803,741)	(610,205)	(40,109)	(99,588)	-	-	(843,850)	(709,793)
	1,803,398	1,462,376	403,627	225,987	37,817	17,897	2,244,842	1,706,260
Change in unearned income (note i)	(127,434)	(351,904)	-	-	(7,597)	(16,062)	(135,031)	(367,966)
	1,675,964	1,110,472	403,627	225,987	30,220	1,835	2,109,811	1,338,294
Fee and commission income	136,382	152,141	7,911	10,853	4,845	1,998	149,138	164,992
Investment income	519,657	407,264	87,224	76,819	-	-	606,881	484,083
Wakala fee income	11,321	13,728	-	-	-	-	11,321	13,728
Other operating income	36,231	44,923	3	-	-	-	36,234	44,923
	2,379,555	1,728,528	498,765	313,659	35,065	3,833	2,913,385	2,046,020
Expenses								
Claims incurred	(788,263)	(666,800)	(320,159)	(164,858)	(20,332)	(4,657)	(1,128,754)	(836,315)
Underwriting expenses	(117,849)	(82,696)	(34,939)	(19,460)	(1,431)	(515)	(154,219)	(102,671)
Other operating & admin. expenses	(660,817)	(519,050)	(26,426)	(21,104)	(3,414)	(1,483)	(690,657)	(541,637)
Increase in life /Takaful fund	-	-	(27,241)	(18,237)	(9,888)	2,822	(37,129)	(15,415)
	812,626	459,982	90,000	90,000	9,888	-	902,626	549,982
Profit before income tax	(106,645)	(36,904)	(1,061)	(3,954)	(2,966)	-	(110,673)	(40,858)
Income tax expense								
Profit after income tax	705,981	423,078	88,939	86,046	6,922	-	791,953	509,124

i) Insurance premiums

	30 June 2024			30 June 2023		
	Gross written premium	Reinsurers premium	Net written premium	Gross written premium	Reinsurers premium	Net written premium
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
General insurance						
Fire	232,667	(122,582)	110,086	194,098	(103,119)	90,979
Burglary	33,505	(5,620)	27,885	22,386	(4,831)	17,554
Motor	1,451,118	(108,033)	1,343,085	1,203,751	(86,190)	1,117,561
Marine	56,729	(22,591)	34,137	50,836	(17,933)	32,904
Goods in transits	41,028	(5,332)	35,696	30,383	(4,260)	26,123
Workmens' compensation	23,081	(1,676)	21,405	19,961	(1,089)	18,872
Group Personal Accident	70,765	(29,506)	41,259	57,980	(29,491)	28,488
Engineering	112,218	(74,382)	37,836	103,158	(69,418)	33,740
Public liability	96,330	(66,287)	30,042	85,941	(54,173)	31,769
Pecuniary	107,898	(65,898)	42,000	108,474	(65,199)	43,275
Floriculture	546	(491)	55	816	(909)	(93)
Political Violence & Terrorism	370,088	(295,682)	74,406	186,643	(170,058)	16,585
Travel	10,647	(5,661)	4,987	7,747	(4,028)	3,718
Others	520	-	520	520	-	520
	2,607,139	(803,742)	1,803,398	2,072,695	(610,699)	1,461,997

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	30 June 2024			30 June 2023		
	Gross written premium	Reinsurers premium	Net written premium	Gross written premium	Reinsurers premium	Net written premium
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Life insurance						
Individual life	10,691	-	10,691	11,767	-	11,767
Group life	103,394	(24,085)	79,308	78,684	(27,125)	51,559
Group medical	329,652	(16,024)	313,628	184,716	(9,027)	175,690
Travel Covid-19 Insurance	-	-	-	50,408	(63,436)	(13,028)
	443,736	(40,109)	403,627	325,575	(99,588)	225,987

General takaful contribution

	30 June 2024				30 June 2023			
	written premium	Wakala fee	Retakaful	premium	written premium	Wakala fee	Retakaful	premium
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Fire	11,398.04	2,020.82	7,991.00	1,386	6,290.30	2,911.32	2,911.32	468
Burglary	376	(16)	12.27	379	-	-	-	-
Motor	48,229.34	8,337.31	7,012.56	32,879	31,058.57	3,468.11	3,468.11	24,122
Marine	1,325.33	525.01	217.96	582	1,055.12	599.82	599.82	(145)
Goods in transits	622	(4)	566.52	60	-	-	-	-
Workmens' compensation	208.44	26.08	-	182	109.72	29.60	29.60	51
Group Personal Accident	133.07	8.87	10.51	114	17.82	1.63	1.63	15
Engineering	764.70	85.09	11.70	668	92.20	8.21	8.21	76
Public liability	667.96	(185.31)	487.07	366	564.01	248.48	248.48	67
Pecuniary	51	11	-	40	-	-	-	-
Floriculture	0	-	-	0	-	-	-	-
Political Violence & Terrorism	4,678.71	513.03	3,005.50	1,160	32.50	26.40	26.40	(20)
Travel	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
	68,454	11,321	19,315	37,817	39,220	7,294	7,294	24,633

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	2024	2023
	Birr'000	Birr'000
6 Net premiums		
a Gross premium on insurance contracts		
Gross written premium (note 5b (i))		
Life insurance	443,736	325,575
Non-life insurance	2,558,538	2,054,883
Coinsurance premium income	48,601	17,698
Total gross written premium	3,050,875	2,398,156
General takaful contribution	68,454	39,221
Change in unearned premiums provision (note 27)	(260,185)	(470,020)
Gross premium income	2,859,144	1,967,357
b Premiums ceded to reinsurers on insurance contracts, retakaful and wakala fee(note 5b (i))		
-Life insurance	(40,109)	(99,588)
-Non-life insurance	(786,727)	(583,152)
-Coinsurance premium expenses	(17,014)	(27,053)
	(843,850)	(709,793)
-General retakaful	(19,315)	(7,596)
-Wakala fee	(11,322)	(13,728)
Change in unearned premiums provision (note 27)	125,154	102,054
Total premiums ceded to reinsurers	(749,333)	(629,063)
Total net premiums	2,109,811	1,338,294

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

	2024	2023
	Birr'000	Birr'000
7 Fee and commission income		
Policy administration	(4,372)	27,403
Reinsurance commission income	148,665	135,592
Policy administration-retakaful	1,492	423
General retakaful commission income	3,353	1,574
Total fees and commission income	149,138	164,992

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

	2024	2023
	Birr'000	Birr'000
8 Investment income		
Rental income from investment properties (note 22)	21,603	18,041
Available for sale:		
- Dividend income	281,466	239,420
- Interest income	299,142	222,860
Cash and short-term deposits:		
- Interest income savings	4,670	3,762
Total investment income	606,881	484,083

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	2024 Birr'000	2023 Birr'000
9 Other operating income		
Gain on disposal of property, plant and equipment	2,036	5,388
Wakala fee income	11,321	13,728
Sundry income	34,198	39,535
Total other operating income	47,555	58,651

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.

	2024 Birr'000	2023 Birr'000
10 Net benefits and claims		
a Claims expenses		
Life insurance contracts (note 27b)	314,786	143,083
Non-life insurance contracts (note 27a)	732,375	730,882
Takaful claims (note 27a)	10,408	5,771
Change in recoveries salvage properties	(20,025)	1,548
Change in subrogation reimbursements	10	(18,214)
Total claims expenses	1,037,554	863,070
b Claims recovered from reinsurers		
Life insurance contracts (note 27b)	(15,812)	14,740
Non-life insurance contracts (note 27a)	(143,614)	(166,532)
Takaful contracts (note 27a)	(3,072)	(1,207)
Total Claims expenses recoverable	(162,498)	(152,999)
c Gross change in contract liabilities		
Change in life insurance contract liabilities (note 27b)	21,185	7,035
Change in takaful outstanding claims provision (note 27a)	9,533	119
Change in takaful IBNR provision provision (note 27a)	5,108	-
Change in non-life insurance contract outstanding claims provision (note 27a)	466,288	142,442
Change in non-life insurance contract IBNR provision (note 27a)	80,659	53,198
Change in unallocated loss adjustment expense	7,845	3,108
Change in claims under litigations (note 28)	5,538	3,870
Total gross change in contract liabilities	596,156	209,772
d Change in contract liabilities ceded to reinsurers		
Change in non-life insurance contract IBNR provision	(39,185)	(24,240)
Change in non-life insurance contract outstanding claims provision	(301,628)	(59,262)
Change in takaful contractoutstanding claims provision	(490)	(26)
Change in takaful contractoutstanding claims provision	(1,155)	-
Total change in contract liabilities ceded to reinsurers	(342,458)	(83,528)
Net benefits and claims	1,128,754	836,315

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	2024	2023
	Birr'000	Birr'000
11 Underwriting expense		
Commission paid	164,297	112,138
Changes in deferred acquisition cost (note 21a)	(10,078)	(9,467)
	154,219	102,671
12 Finance costs		
Interest expense on bank overdraft	518	429
	518	429
13 Other operating and administrative expenses		
Rental expenses	-	82
Stationery and office supplies	12,337	13,268
Auditor's remuneration	322	230
Legal and other consultancy fees	24,035	29,037
Communication	3,882	3,847
Amortisation of right of use asset land lease(note 22)	1,646	1,685
Amortization of right of use asset land lease for investments(note 22)	690	124
Amortization of right of use asset buildings(note 22)	25,936	18,361
Recovery of Impairment loss on receivables	244	9,996
Other expenses	54,710	45,775
Donations	-	14,582
Gift and sponsorship	12,304	3,813
Fees and commission expenses	927	102
Fuel and lubricants	14,313	10,567
Bank charges	23,770	15,140
Depreciation on property and equipment (note 23)	40,453	36,467
Depreciation on investment property (note 24)	9,630	6,698
Fair Value adjustment (OCI)	(15,768)	(16,328)
Advertisement	20,596	27,564
Subscription	2,234	1,204
Amortization of intangible assets (note 25)	1,505	1,290
Directors emoluments	1,050	1,258
Shariah advisory board Fee	399	399
Takaful management expense	3,414	1,483
Repairs and maintenance	31,718	32,660
Travel expenses	9,436	6,538
Insurance cost	9,952	8,191
	289,735	274,033

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	2024	2023
	Birr'000	Birr'000
14 Employee benefits expense		
Salaries and wages	309,878	212,669
Medical expenses	29,793	1,382
Life insurance expense	6,916	6,810
Staff training	6,941	4,901
Defined contribution costs- employers' contribution	20,904	25,630
Defined benefit costs- severance pay (note 31)	7,412	2,110
Other staff cost and allowances	18,560	13,673
	400,404	267,175

	2024	2023
	Birr'000	Birr'000
15 Company income and deferred tax		
a Current income tax		
Company income tax	107,706	40,858
Prior year (over)/ under provision		
Capital gains tax		
Tax on foreign deposit interest		
Deferred income tax/(credit) to profit or loss		
Total charge to profit or loss	107,706	40,858
Tax (credit) on other comprehensive income	-	-
Total tax in statement of comprehensive income	107,706	40,858

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:

	2024	2023
	Birr'000	Birr'000
Profit before tax	902,626	549,982
Income taxed at source		
- Interest income from deposits	(303,812)	(226,622)
- Income from dividend	(281,466)	(239,420)
-Adjustment of taxable depreciation	(17,597)	(17,597)
-Non-deductible expenses	59,271	69,850
Total taxable Income	359,022	136,193
Tax calculated at statutory tax rate of 30 %	107,706	40,858

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

	2024 Birr'000	2023 Birr'000
c Current income tax liability		
Balance at the beginning of the year	40,858	19,951
Charge for the year:		
Company Income tax expense	107,706	40,858
Payment during the year	(40,858)	(19,951)
Balance at the end of the year	107,706	40,858

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.

	2024 Birr'000	2023 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	189,860	194,758
To be recovered within 12 months	(6,081)	(4,898)
	183,779	189,860

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):	30 June 2023 Birr'000	----- (charge) to profit or loss Birr'000	Credit/ (charge) to equity Birr'000	30 June 2024 Birr'000
Property, plant and equipment	189,860			189,860
Provisions			(6,081)	(6,081)
Tax losses charged to profit or loss	-			-
Post employment benefit obligation				
Total deferred tax assets/ (liabilities)	189,860	-	183,779	183,779

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	2024	2023
	Birr'000	Birr'000
16 Cash and bank balances		
Cash in hand	789	1,765
Cash at bank	604,217	337,711
Short term deposits with banks	117,609	118,571
Fixed time deposits with local banks	2,161,065	1,872,911
	2,883,680	2,330,958

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.

	2024	2023
	Birr'000	Birr'000
Cash and cash equivalents		
Cash in hand	789	1,765
Cash at bank	604,217	337,711
Short term deposits with banks	117,609	118,571
	722,615	458,047

	2024	2023
	Birr'000	Birr'000
17 Investment securities		
Available for sale		
Equity investments	1,248,336	860,406
Loans and receivables		
Ethiopian Government saving bonds	136,457	60,087
	2024	2023
	Birr'000	Birr'000
Current	1,248,336	860,406
Non- current	136,457	60,087
	1,384,793	920,493

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The Company holds equity investments in the following entities;

	30 June 2024		30 June 2023	
	Amount of shares '000	% holdings	Amount of shares '000	% holdings
Awash International Bank S.C	1,066,401	4.88%	745,026	5%
Ethiopian Reinsurance Company	89,242	5%	78,992	5%
BIS Vegetables and Agro industry	800	1%	800	1%
Sheger Investment Hotel and Tourism S.C	400	9.5%	400	10%
Addis- Africa International CEC	36,065	0.86%	10,000	0.9%
Oda Share Company S.C.	49,378	8.20%	24,138	4.1%
Capital Market Excellence Center S.C.	750		750	
Exchange S.C.	5,000			
Sheger Smart City Real Estate (under formation)	300		300	
	<u>1,248,336</u>		<u>860,406</u>	

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

18 Insurance receivables

	2024 Birr'000	2023 Birr'000
Due from contract holders	25,403	34,963
Insurance agents	-	-
	<u>25,403</u>	<u>34,963</u>
Impairment loss on due from contract holders	(22,453)	(32,449)
Net amount	<u>2,950</u>	<u>2,514</u>

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

	2024 Birr'000	2023 Birr'000
At 1 July	34,963	43,656
Charge for the year (note 13)	(9,560)	(8,693)
Recoveries		
As at 30 June	<u>25,403</u>	<u>34,963</u>

19 Reinsurance assets

	2024 Birr'000	2023 Birr'000
Recoverable from reinsurers	59,532	52,745
Receivable from local insurance	11,614	-
Short-term insurance contracts:		
- Claims reported and loss adjustment expenses (note27)	491,970	190,342
- Claims incurred but not reported (IBNR) (note27)	91,755	52,570
Long-term insurance contracts:		
- Outstanding claims provision (note27)	21,732	2,156
Prepaid reinsurance (note27)	409,343	288,857
Impairment provision	-	-
	<u>1,085,946</u>	<u>586,670</u>
Retakaful assets		
Prepaid retakaful (note27)	7,987	3,319
Retakaful Asset	3,778	1,523
Claims reported (note27)	490	26
Claims incurred but not reported (IBNR)	1,155	-
	<u>13,410</u>	<u>4,868</u>

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	2024	2023
	Birr'000	Birr'000
Current	1,099,356	591,538
Non- current	-	-
	1,099,356	591,538

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 contracts approximate fair value at the reporting date.

	2024	2023
	Birr'000	Birr'000
20 Other assets		
Other loans and receivables:		
Qard receivable from takaful	9,000	9,000
Other account receivables	90,273	46,927
Subrogation reimbursements	48,976	48,986
Staff debtors	139,217	112,480
	287,466	217,393
Other non financial assets		
Prepaid staff expense	1,481	1,481
Withholding tax receivable	37,192	26,914
Value added tax receivable	-	3,912
Prepayments	-	-
	38,673	32,307
Less impairment loss and amortization on other receivables:		
Amortization of receivables	(27,528)	(19,474)
Impairment loss on other accounts receivables	(2,437)	(2,437)
Impairment loss on staff debtors	(216)	(216)
	(30,181)	(22,127)
	295,958	227,573
	2024	2023
	Birr'000	Birr'000
Current	264,204	195,819
Non- current	31,754	31,754
	295,958	227,573

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

	2024	2023
	Birr'000	Birr'000
At 1 July	22,127	16,644
Charge for the year	8,054	5,483
Recoveries	-	-
As at 30 June	30,181	22,127

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	30 June 2024 Birr'000	30 June 2023 Birr'000
21 a Deferred acquisition cost		
This represents commission on unearned premium relating to the unexpired tenure of risk.		
Fire	8,531	6,704
Burglary	438	301
Motor	26,452	29,538
Marine	1,997	1,571
Goods in transits	1,600	1,119
Workmens' compensation	832	803
Group Personal Accident	6,171	2,748
Engineering	5,129	2,119
Public liability	1,833	1,744
Pecuniary	6,823	4,233
Floriculture	58	77
Political Violence and Terrorism	2,138	969
	62,002	51,924

The movement in deferred acquisition costs is as follows:

As at 1 July

Additions during the year (note 9)
Amortisation during the year

As at 30 June

	2024 Birr'000	2023 Birr'000
	51,924	27,957
	10,078	23,967
	62,002	51,924

21 b Salvage property held for sale

Salvage property held for sale

The movement in salvage properties held for sale is as follows:

As at 1 July

Additions (deduction) during the year

As at 30 June

	2024 Birr'000	2023 Birr'000
	49,970	29,945
	2024 Birr'000	2023 Birr'000
	29,945	31,493
	20,025	(1,548)
	49,970	29,945

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 for sale in the financial statement by their carrying amount and fair value less cost of disposal as per IFRS 5.

The Company's Management practice regarding these assets is to dispose through public auction. These assets will not be held for more than a year from the date of compensation and their carrying value will only be recovered through disposal rather than continuing use.

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22 a Right-of-use assets

The statement of financial position shows the separate line item for the right-of-use assets, which comprises the

	Office Buildings Birr'000	Land Own Use Birr'000	Land Investment Birr'000	Total Birr'000
As at 1 July	31,501	57,625	2,213	78,496
Additions – new lease contracts	29,226	(11,554)	(1,655)	16,017
Termination/adjustment/ of the lease contract	912	(3,268)	-	(2,356)
Depreciation	(25,936)	(1,646)	(690)	(28,272)
As at 30 June	35,703	41,157	(132)	76,728

22 b Due to transactions in right of use asset, the following amounts are recognised in profit or loss:

	30 June 2024 Birr'000	30 June 2023 Birr'000
Interest expense on lease liabilities	-	-
Depreciation	28,272	20,170
	28,272	20,170

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 2023	22,273	12,673	733,244	37,623	234,993	24,415	40,915	1,106,136
Additions	6,662	2,148	-	-	37,255	7,409	239,160	292,634
Disposals/Adjustments	-	-	-	-	(880)	-	-	(880)
Reclassification	-	-	-	-	-	-	-	-
At 30 June 2024	28,935	14,821	733,244	37,623	271,368	31,824	280,075	1,397,890
Accumulated depreciation								
At 1 July 2023	(11,360)	(8,107)	(92,560)	(17,428)	(70,335)	(14,413)	-	(214,203)
Charge for the year	(1,628)	(1,186)	(13,972)	(2,389)	(16,536)	(2,530)	-	(38,241)
Disposals/Adjustments	-	-	-	-	(836)	-	-	(836)
Reclassification	-	-	-	-	-	-	-	-
At 30 June 2024	(12,988)	(9,293)	(106,532)	(19,817)	(87,707)	(16,943)	-	(253,280)
Net book value								
At 30 June 2023	10,913	4,566	640,684	20,195	164,658	10,002	40,915	891,933
At 30 June 2024	15,947	5,528	626,712	17,806	183,661	14,881	280,075	1,144,610

The Buildings and construction in progress of the Company was revalued on June, 2024 by independent valuer, African Business and Development Consultants (ABD- Consult) Plc. The valuer determined the depreciated replacement value (DRV) and appreciated replacement value (ARV) in order to arrive at the market value of existing buildings and construction in progress of the Company. Accordingly, the current market value of buildings and construction in progress as reported under note 23&24 were valued Birr 2,169,234,480. Similarly, Motor vehicles of the Company were valued by internal valuers of the Company on March 29, 2024. Accordingly the market value of motor vehicles of the Company were valued Birr 512,740,000

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.

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	Building Birr'000	Construction in progress Birr'000	Total Birr'000
24 Investment property			
Cost:			
At 1 July 2023	334,706	68,856	403,562
Additions	77,050	39,056	116,106
Reclassification	-	-	-
Transfer out of investment properties under construction	-	(77,050)	(77,050)
Revaluation surplus/ (deficit)			
At 30 June 2024	411,756	30,862	442,618
Accumulated depreciation:			
At 1 July 2023	37,342	-	37,342
Charge for the year	7,975	-	7,975
Reclassification	-	-	-
At 30 June 2024	45,317	-	45,317
Net book value			
At 30 June 2023	297,364	68,856	366,220
At 30 June 2024	366,439	30,862	397,301

a Amounts recognised in profit or loss for investment property

	2024 Birr'000	2023 Birr'000
Rental income (note 10)	21,603	18,041
Direct operating expenses from property that generated rental income	-	-
	21,603	18,041

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.

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c Fair value hierarchy

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

	30 June 2024	30 June 2023
	Birr'000	Birr'000
Carrying amount		
Level 2	397,301	366,220
	Software developm	Software
	ent cost	cost
	Birr'000	Birr'000
		Total
		Birr'000
25 Intangible Assets		
Cost		
As at 30 June 2023	-	22,956
Additions	-	
Reclassification		
Transfers		-
As at 30 June 2024	-	22,956
Amortisation		
As at 30 June 2023	-	(12,303)
Adjustment		(675)
Additions		(1,504)
As at 30 June 2024	-	(14,482)
Net book value		
As at 30 June 2023		10,653
As at 30 June 2024	-	8,474

26 Statutory deposits

This relates to the amount deposited with National Bank of Ethiopia in line with Article 20 of the Insurance Business Proclamation No. 746/2012 as amended by the Insurance Business(Amendment) Proclamation No.1163/2019. 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 Birr 209,496,300 (2024: Birr 77,110,000) out of it Birr 284,285,000 is transferred to Ethiopian Government Saving Bond for Great Renaissance Dam. The Bond bears interest income of 8% per annum.

	30 June 2024	30 June 2023
	Birr'000	Birr'000
Statutory deposits	284,286	209,496

The movement during the year is as follows:

	30 June 2024	30 June 2023
	Birr'000	Birr'000
As at 1 July	209,496	143,956
Additions	72,348	67,705
Interest received on statutory deposit invested in Government Bond	(8,171)	(6,433)
Interest receivable on statutory deposit invested in Government Bond	10,614	4,268
As at 30 June	284,286	209,496

Although the minimum balance required to be set aside is Birr 288,223,845 (2024: Birr 76,559,756), accrued interest receivable on the statutory deposit transferred to Ethiopian Government Savings Bond of Birr 10,613,510 have been included in the disclosure .

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	30 June Birr'000	30 June Birr'000
27 Insurance contract liabilities		
Gross		
Short-term insurance contracts: Non life		
– Claims reported and loss adjustment expenses	1,159,965	693,678
– Claims incurred but not reported IBNR	309,692	229,032
Outstanding claims provision	1,469,657	922,710
– Unearned premiums	1,350,146	1,102,226
– Unallocated loss adjustment expense	22,242	14,397
	<u>2,842,045</u>	<u>2,039,333</u>
Long-term insurance contracts:		
– Life insurance fund	326,383	299,142
– Outstanding claims provision	60,366	19,580
	<u>386,749</u>	<u>318,722</u>
Total insurance liabilities, gross	<u>3,228,794</u>	<u>2,358,055</u>
Short-term insurance contracts: General takaful		
Claims reported and loss adjustment expenses-Takaful	9,847	340
– Claims incurred but not reported IBNR- takaful	5,109	-
Outstanding claims provision	14,956	340
– Unearned premiums- takaful	36,073	23,808
	<u>51,029</u>	<u>24,148</u>
Reinsurers assets		
Short-term insurance contracts: Non life		
– Claims reported and loss adjustment expenses	491,970	190,342
– Claims incurred but not reported (IBNR)	91,755	52,570
Outstanding claims provision	583,725	242,912
– Unearned premiums (note ii)	409,343	288,857
	<u>993,068</u>	<u>531,769</u>
Short-term insurance contracts: General takaful		
– Claims reported and loss adjustment expenses	490	26
– Claims incurred but not reported (IBNR)	1,155	-
Outstanding claims provision	1,645	26
– Unearned premiums (note iii)	7,987	3,319
	<u>9,632</u>	<u>3,345</u>
Long-term insurance contracts:		
– Outstanding claims provision	21,732	2,156
Total reinsurers' share of insurance liabilities	<u>1,024,432</u>	<u>537,270</u>
Net		
Short-term insurance contracts: Non life		
– Claims reported and loss adjustment expenses	667,995	503,336
– Claims incurred but not reported (IBNR)	217,937	176,462
Outstanding claims provision	885,932	679,798
– Unearned premiums (note ii)	940,803	813,369
– Unallocated loss adjustment expense	22,242	14,397
	<u>1,848,977</u>	<u>1,507,564</u>
Short-term insurance contracts: General takaful		
– Claims reported and loss adjustment expenses	9,357	314
– Claims incurred but not reported (IBNR)	3,954	-
Outstanding claims provision	13,311	314
– Unearned premiums (note iii)	28,086	20,489
	<u>41,397</u>	<u>20,803</u>
Long-term insurance contracts:		
– Life insurance fund	326,383	299,142
– Outstanding claims provision	38,634	17,424
	<u>365,017</u>	<u>316,566</u>
Total insurance contract liabilities, net	<u>2,255,391</u>	<u>1,844,933</u>

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	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	1,887,611	1,524,988
Non- current	326,383	299,142
	2,213,994	1,824,130

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 2024			30 June 2023		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
(i) Outstanding						
At 1 July	922,710	(242,912)	679,798	727,072	(159,410)	567,662
Notified claims	466,287	(301,628)	164,659	142,441	(59,262)	83,179
IBNR	80,660	(39,185)	41,475	53,197	(24,240)	28,957
As at 30 June	1,469,657	(583,725)	885,932	922,710	(242,912)	679,798
At 1 July	922,710	(242,912)	679,798	727,072	(159,410)	567,662
Cash paid for claims settled in year (note 10)	(732,375)	143,614	(588,761)	(730,882)	166,532	(564,350)
Increase in liabilities:						
– Arising from current-year claims	942,030	(446,268)	495,762	505,627	(172,989)	332,638
– Arising from prior-year claims	337,292	(38,159)	299,133	420,893	(77,045)	343,848
As at 30 June	1,469,657	(583,725)	885,932	922,710	(242,912)	679,798

	30 June 2024			30 June 2023		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Takaful						
Outstanding claims provision						
At 1 July	340	26	314	232	11	221
Notified claims	9,507	(464)	9,043	108	(15)	93
IBNR	5,110	(1,155)	3,955	-	-	-
As at 30 June	14,957	(1,593)	13,312	340	(4)	314
At 1 July	340	(4)	284	232	(11)	221
Cash paid for claims settled in year (note 10)	(10,408)	3,072	(7,336)	(5,771)	1,207	(4,564)
Increase in liabilities:						
– Arising from current-year claims	12,987	(4,596)	8,391	5,647	(1,189)	4,436
– Arising from prior-year claims	12,037	(64)	11,973	232	(11)	221
As at 30 June	14,956	(1,592)	13,312	340	(4)	314

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(ii) Provisions for unearned premiums (Non life)
30 June 2024

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	120,968	(59,780)	61,188
Burglary	16,216	(2,713)	13,503
Motor	705,156	(42,683)	662,473
Marine	35,462	(11,501)	23,961
Goods in transits	21,397	(2,780)	18,617
Workmens' compensation	12,376	(899)	11,477
Group's personal accident	43,804	(18,259)	25,545
Enginnering	52,529	(30,830)	21,699
Liability	54,486	(37,149)	17,337
Pecuniary	73,983	(45,273)	28,710
Floriculture	193	(169)	24
Political Violence & Terrorism	207,437	(154,221)	53,216
Travel	5,804	(3,086)	2,718
	1,349,811	(409,343)	940,468

30 June 2023

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	101,130	(51,654)	49,476
Burglary	11,522	(2,492)	9,030
Motor	658,412	(32,562)	625,850
Marine	28,292	(8,717)	19,575
Goods in transits	15,723	(2,205)	13,518
Workmens' compensation	10,215	(557)	9,658
Group's personal accident	35,506	(18,053)	17,453
Enginnering	49,479	(31,730)	17,749
Liability	42,175	(26,696)	15,479
Pecuniary	55,471	(33,814)	21,657
Floriculture	124	(163)	-39
Political Violence & Terrorism	90157	(78,124)	12033
Travel	4019	(2,090)	1929
	1,102,225	(288,857)	813,368

(iii) Provisions for unearned premiums (General takaful)
30 June 2024

	30 June 2024			30 June 2023		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	5,511	(4,224)	1,287	3,412	(1,579)	1,833
Burglary	133	(4)	129	-	-	-
Motor	24,244	(1,325)	22,919	18,991	(1,068)	17,923
Marine	628	(249)	379	703	(399)	304
Goods in transits	549	-	549	-	-	-
Workmens' compensation	93	-	93	59	(22)	37
Group's personal accident	56	(3)	53	6	(1)	5
Enginnering	414	(242)	172	66	(6)	60
Liability	555	-	555	526	(232)	294
Pecuniary	27	-	27	-	-	-
Floriculture	-	-	-	-	-	-
Political Violence & Terrorism	3,020	(1,940)	1,080	15	(12)	3
Travel	-	-	-	-	-	-
	35,230	(7,987)	27,243	23,778	(3,319)	20,459

Awash Insurance S.C.

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Change in unearned income

	30 June 2024			30 June 2023		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Non Life	247,920	(120,486)	127,434	451,767	(99,863)	351,904
General takaful	12,265	(4,668)	7,597	18,253	(2,191)	16,062
As at June 30, 2024	260,185	(125,154)	135,031	470,020	(102,054)	367,966

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 2024 Birr'000	30 June 2023 Birr'000
At 1 July	299,142	280,905
Increase in individual life funds		
Adjustment of opening balance		
Net premiums received (note 6)	403,627	225,987
Investment income	87,224	76,819
Other income	3	-
Claims paid (note 10)	(314,786)	(143,083)
Claims recovered from reinsurers (note 10)	15,812	(14,740)
Management expenses	(26,426)	(21,104)
Net commission paid/ (received)	(27,028)	(8,607)
Changes in outstanding claim (note ii)	(21,185)	(7,035)
Distribution to shareholders	(90,000)	(90,000)
	27,241	18,237
As at 30 June	326,383	299,142

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:

	2024 Birr'000	2023 Birr'000
Actuarial liabilities	261,829	195,204
Actuarial surplus	154,553	193,938
Distribution to shareholders	(90,000)	(90,000)
Life fund	326,383	299,142

ii) Outstanding claims provision

	2024 Birr'000	2023 Birr'000
At 1 July	17,606	10,571
Changes in outstanding claim (note 8)	21,185	7,035
As at 30 June	38,791	17,606

28 Provisions for claims under litigations

	30 June 2024 Birr'000	30 June 2023 Birr'000
At 1 July	8,291	4,421
Provisions made during the year	5,538	3,870
As at 30 June	13,829	8,291

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	2024	2023
	Birr'000	Birr'000
29 Insurance payables		
Due to reinsurers	333,140	220,652
Payable to local insurance	-	2,548
Due to contract holders	10,780	77,901
Due to agents	11,023	6,953
	354,943	308,054
Retakaful liabilities	12,968	5,544
	12,968	5,544
The carrying amounts disclosed above approximate fair value at the reporting date. All amounts payable on direct insurance business are payable within one year.		
	2024	2023
	Birr'000	Birr'000
30 Other liabilities		
Financial Liability		
Lease liability	16,557	20,912
Other financial liabilities		
Dividend payable	13,283	10,662
Directors' Compensation	1,350	1,350
Other account payables	21,233	21,184
	35,866	33,196
Other non financial liabilities		
Deferred income	96,788	64,235
Withholdings Tax Payable	9,310	4,136
Provident/Pension Fund Payable	1,063	1,063
Unearned rental income	5,187	1,746
Leave pay	25,574	18,767
Accruals	66,895	50,918
Value Added Tax (VAT)	4,054	3,553
Dividend tax payable	-	-
Payroll tax payable	6,579	5,866
Advance premium deposit	15,133	3,255
	230,583	153,539
Gross amount	266,449	186,735
	2024	2023
	Birr'000	Birr'000
Payable to takaful participants	29	19
	30 June	30 June
	2024	2023
	Birr'000	Birr'000
Current	266,449	186,735
Non- current	16,557	20,912
	283,006	207,647

Awash Insurance S.C.

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Notes to the Financial Statements

31 Participants' Takaful Fund

	2024	2023
	Birr'000	Birr'000
At 1 July	(4,101)	(1,279)
Current reserves /deficits/	6,229	(2,822)
As at 30 June	2,128	(4,101)

Surplus/deficit in participants' fund

If the surplus in the participants' fund is sufficiently large, it will be distributed between participants after accounting for reserves and recommendation of Shari'a Advisory Council and its approval by the Board of Directors. Any remaining amount after the distribution of such surplus remains in the participants' fund.

32 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 Labour Proclamation No. 1156/2019.

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 months' 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 are payable where an employee's contract of employment is terminated by the initiation 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 2024	30 June 2023
	Birr'000	Birr'000
A Liability recognised in the financial position		
Defined benefit obligations	23,109	15,996
B Amount recognised in the profit or loss		
Current service cost	7,113	3,797
Interest cost	523	301
	7,636	4,098

Awash Insurance S.C.
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C Amount recognised in other comprehensive income:

	2024	2023
	Birr'000	Birr'000
Remeasurement (gains)/losses arising from changes in the financial assumptions	1,905	102
Defined benefit obligations	3,854	1,803
Tax credit /(charge)		
	5,759	1,905

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

	2024	2023
	Birr'000	Birr'000
At 1 July	15,996	12,199
Current service cost	13,838	2,619
Interest cost	523	301
Remeasurement (gains)/ losses	(3,854)	1,803
Benefits paid	(3,394)	(926)
	23,109	15,996

D Assumptions

The significant actuarial assumptions were as follows:

i) Financial assumption: long term average

	2024	2023
	Birr'000	Birr'000
Discount Rate (p.a)	14.75%	14.30%
Rate of Pension Increase (p.a)	15.5%	15%
Average Rate of Inflation (p.a)		

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	11.1%	11.1%
25	11.2%	11.2%
30	11.6%	11.3%
35	13.2%	12.0%
40	18.8%	14.7%
45	33.0%	23.1%
50	59.9%	42.0%
55	100.0%	75.0%
60	170.2%	120.7%

Awash Insurance S.C.

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For the year ended 30 June 2024

Notes to the Financial Statements

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed that resignation rates to be 1% to 2.5% at age 45 to 35 respectively. 6% at age 30, 12% at age 25, 15% at age 20 (and below) to 0% at age 50 and above.

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

	Impact on defined benefit obligation					30 June 2023	
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Impact of an increase Birr'000	Impact of a decrease Birr'000
	Base	Discount Rate	Salary Rate	Discount Rate	Salary Rate		
	Increased by 1%	Decreased by 1%	Increased by 10%	Decreased by 10%			
Discount rate	14.75%	13.75%	14.75%	14.75%	14.75%	13%	14%
Salary increase rate	16.50%	15.50%	14.50%	15.50%	15.50%	15%	15%
Net liability at start of period	15,997	15,997	15,997	15,997	15,997	12,200	12,200
Expense recognised in PL	5,003	5,003	5,003	5,003	5,003	8,713	8,713
Expense recognised in OCI	5,059	6,566	6,630	3,724	5,642	3,086	862
Employer contributions	(2,948)	(2,948)	(2,948)	(2,948)	(2,948)	(6,821)	(6,821)
Net liability at end of period	23,110	24,617	24,681	21,776	23,693	17,177	14,953

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.

33 Qard

Qard is interest-free loan from the Shareholders Fund for the purpose of meeting the minimum required margin of solvency and to cover underwriting deficit in takaful operations. The Qard shall be recouped out of future underwriting surpluses of takaful operations

	2024 Birr'000	2023 Birr'000
Qard	9,000	9,000

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For the year ended 30 June 2024

Notes to the Financial Statements

34 Share capital

Subscribed:

7,585,280 ordinary shares of Birr 500 each

Issued and fully paid:

Ordinary shares of Birr 500 each

Share premium

	30 June 2024	30 June 2023
	Birr'000	Birr'000
	3,792,640	3,792,640
	1,921,492	1,411,094
	33,224	4,699

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 3,850,185,500 out of which (2024: Birr 1,921,492,000) was paid.

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

	2024	2023
	Birr'000	Birr'000
Non- life	1,801,492	1,291,094
Life	120,000	120,000
	1,921,492	1,411,094

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

35 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.

	2024	2023
	Birr'000	Birr'000
Profit attributable to shareholders	794,920	509,124
Weighted average ordinary shares in issue with a value of:	1,921,492	1,411,094
Basic & diluted earnings per share (Birr)	0.41	0.36

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 2024: nil) hence the basic and diluted loss per share have the same value.

Awash Insurance S.C.

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For the year ended 30 June 2024

Notes to the Financial Statements

	30 June 2024			30 June 2023		
	Undistributable retained earnings	distributable Retained earnings	Total Birr'000	Undistributable retained earnings	distributable Retained earnings	Total Birr'000
36 Retained earnings						
At 1 July	432,792	484,346	917,138	446,025	326,198	772,222
Prior year under classification of distributable retained earnings						
Retained earnings net of deferred tax	432,792	484,346	917,138	446,025	326,198	772,222
Dividend declared		(456,862)	(456,862)		(298,713)	(298,713)
Profit for the year		794,920	794,920		509,124	509,124
Other comprehensive income	(7,184)		(7,184)	(13,233)		(13,233)
Transfer to legal reserve		(80,184)	(80,184)		(50,912)	(50,912)
Transfer to directors' incentive		(1,350)	(1,350)		(1,350)	(1,350)
As at 30 June	425,609	740,870	1,166,479	432,792	484,346	917,138
				30 June 2024	30 June 2023	
				Birr'000	Birr'000	
37 Legal reserve						
At 1 July				215,441	164,528	
Transfer from retained earnings				80,184	50,912	
As at 30 June				295,625	215,441	
				30 June 2024	30 June 2023	
				Birr'000	Birr'000	
38 Cash generated from operating activities						
Profit before income tax				902,626	549,982	
Adjustments for non cash items:						
Depreciation on property and equipment (note 18)				40,453	36,467	
Depreciation on investment property (note 18)				9,630	6,698	
Depreciation on right of use asset (note 22a)				25,936	18,361	
Fair value adjustment on deemed cost (note 13)				(15,768)	(16,328)	
Amortisation of intangible assets (note 18)				1,505	1,290	
Amortisation of leasehold land (note 18)				2,336	1,809	
Gain on disposal of property, plant and equipment				(1,957)	(5,387)	
Adjustments on right of use asset/ fixed asset				(5,030)	(110)	
Provision for claims under litigations (note 28)				5,538	3,870	
Defined benefit obligations (note 31)				3,259	3,797	
Dividend earned (note 8)				(281,466)	(239,420)	
Interest income (note 8)				(303,812)	(226,622)	
Changes in working capital:						
-Increase in insurance receivables				(436)	18,690	
-Increase/(decrease) in reinsurance assets				(499,276)	(209,078)	
-Increase/(decrease) in other assets				(68,385)	(79,331)	
-Increase/(decrease) in deferred acquisition cost				(10,078)	(23,967)	
-Increase/(decrease) in Salvage property held for sale				(20,025)	1,548	
-Increase/(decrease) in statutory deposits				(74,790)	(65,540)	
-Increase in insurance contract liabilities				870,739	677,000	
-Increase in takaful and retakaful liabilities				22,223	16,181	
-Increase/(decrease) in insurance payables				46,889	127,342	
-Increase/(decrease) in other payables				79,714	22,900	
				729,826	620,152	
In the statement of cash flows, gain/loss on sale of property, plant and equipment comprise:						
				30 June 2024	30 June 2023	
				Birr'000	Birr'000	
Proceeds on disposal				2,213	6,188	
Net book value of property, plant and equipment disposed (Note 24)				(256)	(801)	
Gain/(loss) on sale of property, plant and equipment				1,957	5,387	

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For the year ended 30 June 2024

Notes to the Financial Statements

39 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	30 June
		2024	2023
		Birr'000	Birr'000
a Transactions with related parties			
Loans to related parties			
	Senior Executive Officers		
- Loans to key management personnel		17,827	10,152

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 2024.

	30 June	30 June	
	2024	2023	
		Birr'000	Birr'000
Salaries and other short-term employee benefits	22,051	17,900	
Post-employment benefits	10,011	10,082	
Leave Pay	3,304	3,335	
Sitting allowance			
Other expenses			
	35,366	27,982	

c Employees details

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

	30 June	30 June	
	2024	2023	
		Number	Number
Chief, Senior Executive Officer and Directors	17	15	
Management	88	80	
Non- management	660	622	
	765	717	

ii) The Table below shows the number of employees (excluding CEO, Senior Executive Officer and Directors) who earned over Birr 10,000 as emoluments in the year and were within the bands stated.

	30 June	30 June	
	2024	2023	
		Birr'000	Birr'000
10,000 - 30,000	352	582	
30,001 - 50,000	115	38	
50,001 - 100,000	48	14	
100,000 - 700,000	9	83	
	524	717	

Awash Insurance S.C.

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40 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. 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.

Dividend tax

The Ethiopian Federal Revenue Authority by its letter issued on 17 th July 2023 and 4th July 2024 has notified the company an additional dividend tax of Birr 74,858,925.51 before interest and penalty on the dividend capitalised by the shareholders for the years from 2009 to 2015 E.C.

41 Commitments

Right of use asset commitments - Company as lessee

The Company leases various properties under various non-cancellable lease agreements. The lease terms are between 36 and 60 years, and these lease agreements can be renewed at the end of the each lease period.

The future aggregate minimum lease payments under non-cancellable leases are as follows:

	30 June 2024	30 June 2023
	Birr'000	Birr'000
No later than 1 year	-	-
Later than 1 year and no later than 2 years	2,375	2,375
Later than 2 year and no later than 5 years	7,124	7,124
Later than 5 years	56,992	59,367
Total	66,491	68,866

42 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 2024 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

43 Actuarial valuations

The latest available actuarial valuation of the life business was performed as at 30 June 2024. The book value of the life funds as at that date was Birr 326,382,618 over its net actuarial liabilities. The valuation of the Company's life business funds as at 30 June 2024 was carried out by actserv (Actuarial Services (EA) Ltd).

The valuation was done on the following principles:

Awash Insurance S.C.

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Individual life assurances and annuities

- i The Gross Premium Valuation ("GPV") method was used in arriving at the liabilities which have been stated in this report
- ii The GPV liability was used for individual life business and was calculated by projecting all future expected cash-flows on each policy and discounting them at an applicable interest rate as shown in the formula below.

$$pv \text{ of future benefits} + pv \text{ of bonuses} + pv \text{ of expenses} - pv \text{ of premiums}$$

- iii Expenses :Fixed Per Policy expense assumption of ETB 1,600 Per annum
Bonuses : No bonuses, all policies are without profit.

Group life

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

- * The UPR has been determined using the 365ths method.
- * The Incurred but not reported claims (IBNR) have been determined as 15% of annualized premiums
- * Group Life Liabilities have been determined using methods applied to determine short term insurance liabilities
- iii. Contingency reserve of Birr 9,000,000 is included as part of liability in respect of possible mortality costs and to allow normal fluctuations in claims payment and investment return from life fund

Assumptions

- iv 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 10% p.a.

The Fixed Per Policy expense assumption was Birr 1,600 Per annum.

The Expense inflation rate assumed was 19.9%.

The commission assumptions for Individual life policies were as follows;

Type of product	Commission rate (%)		
	1st year	2nd year	3rd year+
5 years endowment	10	3	3
10 years endowment	25	3	3
15 years endowment	35	5	5
20 years endowment	50	10	5
60 years endowment Annuity	60	10	5
65 years endowment Annuity	60	10	5



ACTUARY CERTIFICATE

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

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

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

In my opinion,

- (i) The actuarial value of the liabilities in respect of all classes of general insurance business of the company reflect a fair value as at 30 June 2024;
- (ii) The actuarial value of the liabilities in respect of all life assurance business did not exceed the amount of reserves of the life assurance business at 30 June 2024; and
- (iii) The severance benefit liability as at 30 June 2024 can be incorporated in the financial statements in line with the International Accounting Standards 19.

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

Abed Mureithi
Fellow of the Institute and Faculty of Actuaries
Actuary

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Company Entire Management after Performance Review



AGM in Session

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Term Assurances:

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Endowment Assurances:

- o 10,15,20. . . years endowment,
- o Anticipated endowment,
- o Endowment Annuity &
- o Education Policy.

Riders

- o Accident Insurance
- Supplementary Accident Insurance (SAI)
- Comprehensive Accident Insurance (CAI)
- o Waiver of Premium

Whole Life;

Mortgage Redemption Insurance (MRI)

Medical Expenses Insurance

Travelers' Health Insurance

**CALL & INSTRUCT US TODAY TOMORROW YOU GET OLDER AND PREMIUMS GO UP!!
WHO KNOWS, THINGS MAY CHANGE JUST GO FOR IT TODAY!**

Contact Address: AWASH INSURANCE S.C.

AIC S.C. Head Office

Tel: +251-11- 557 00 01/33-62 P.O.Box: 12637 A.A.

Fax: 251-11-557 02 08

E-mail:- aic@ethionet.et Website:- www.awashinsurance.com

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አዋሽ ኢንሹራንስ ከብንድን ይመርጧል!!**



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ኩባንያችን ከሚሰጣቸው የንብረትና የሕጋዊ ኃላፊነት ኢንሹራንስ አገልግሎቶች ዋና ዋናዎቹ፡-

- የልዩ ልዩ ተሽከርካሪዎች፣
- የእሳት ቃጠሎና ተዛማጅ አደጋዎች፣
- በኃይል ቤት በመስበር ለሚፈጸም ስርቆት / ዝርፊያ፣
- በመርከብ፣ በየብስና በአየር ለሚጓዙ እቃዎች፣
- የአሰሪ ግዴታ፣
- የአደጋ (የግለሰብና የቡድን)፣
- አጠቃላይ የምሕንድስና፡-
 - (የቦይሊር፣ 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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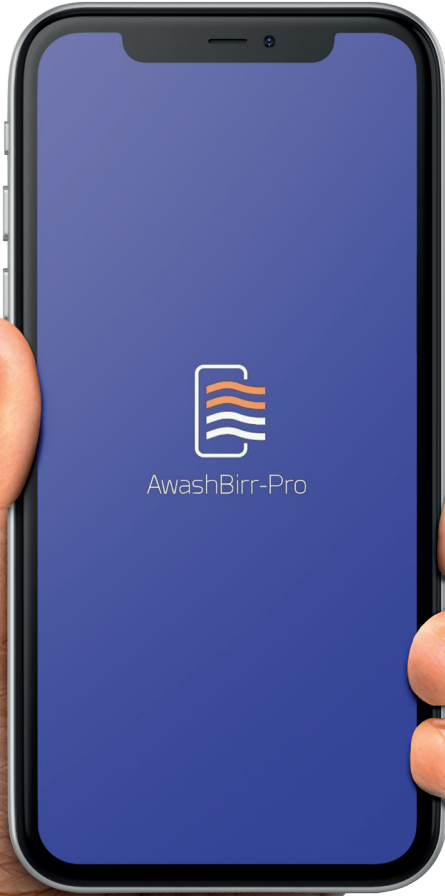


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 በእጅ ስልክዎ

ዘርፈ ብዙ አገልግሎት የሚሰጠውን
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