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Awash INSURANCE | We Flow with You

ANNUAL REPORT

2022 I 2023

JUNE 30, 2023

Addis Ababa, Ethiopia

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Awash

INSURANCE | We Flow with You

ANNUAL REPORT

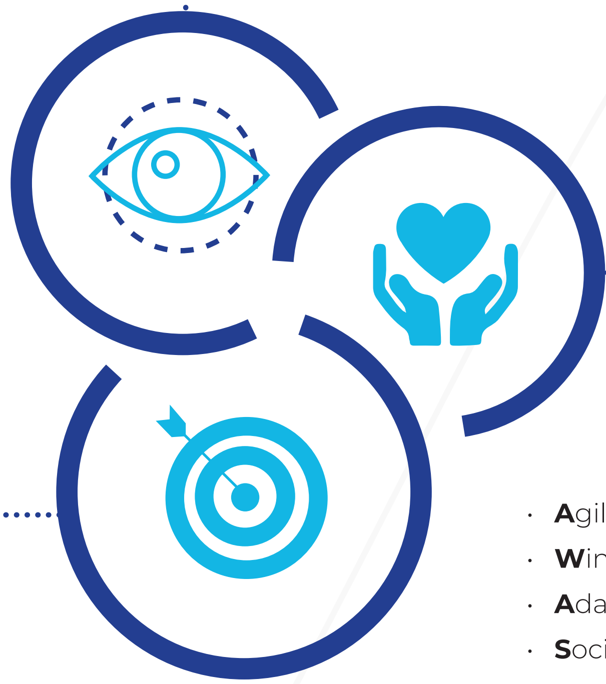
2022 I 2023

FOR THE FINANCIAL YEAR

Ended 30 June 2023

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.

CONTENTS

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Website - www.awashinsurance.com

June 30, 2023
Addis Ababa
Ethiopia

BOARD DIRECTORS

Tadesse Gemeda

Board Chairman

Aseffa Seyoum (PhD)

Vice 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

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Awash
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29TH ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given to the Shareholders to attend the 29th Annual Ordinary General Meeting of Awash Insurance S.C. which will be held in accordance with Article 393(1) of Commercial Code of Ethiopia, Proclamation Number 1243/2021 and Articles 8(a) of the Memorandum of Association of the Company. Awash Insurance S.C. has a subscribed capital of Birr 3,792,640,000 and paid-up capital of Birr 1,411,094,000 as at June 30, 2023; Business Registration Certificate Number of the Company is 1532/87 from the Trade Bureau, Insurance Business License Number 003/94 issued by the National Bank of Ethiopia, and the Company's Headquarters is at Awash Towers, Addis Ababa, Kirkos Subcity, Woreda 7. The General meeting will be held on Saturday October 28, 2023 at Addis Ababa Hilton starting from 8:00 a.m. to transact the following business:

AGENDA FOR 29TH ANNUAL ORDINARY GENERAL MEETING

1.	Notification of Share Transfers, Share Sales and New Shareholders who acquired shares in 2022/23;
2.	Notification of the substitute of a representative of Board member;
3.	Consideration of the 2022/23 Annual Report of Board of Directors;
4.	Consideration of the 2022/23 Annual Report of Auditors;
5.	Deliberation on and approval of the proposed appropriation of 2022/23 profits;
6.	Approval of Annual Compensation of Board of Directors for 2022/23;
7.	Approval of Board of Directors' monthly allowance for 2023/24;
8.	Election of Auditors;
9.	Approval of Annual Auditors Fee for 2023/24.

N.B.

Shareholders who are not able to attend in person on the meeting 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 15th floor of Awash Towers, three days before the meeting date.

By Order of the Board of Directors

EXECUTIVE MANAGEMENT

Gudissa Legesse

Chief Executive Officer

Jibat Alemneh

Chief Operating Officer

Frehiwot Alemayehu

Chief Customers Officer

Mintesinot Desalegn

Chief Finance & Resource Management Officer

Bekalu Tilahun

Chief Governance Officer

Dejene Tsegaye

Chief Technology Officer

Taddese Roba

Advisor to the CEO

Abel Tadesse

Head, Branch Channel

Wondimagegn Assefa

Head, General Insurance Underwriting

Kumsa Birisa

Head, General Insurance Claims

Adane Seyoum

Head, Financial Management

Mulatu Temesgen

Head, Human Resource Management

Sinafikish Tekle

Head, Legal & Advisory Services

Derese Berhanu

Head, Information System Improvement

Wondimagegn Fufa

A/Head, Audit & Inspection

CHAIRMAN'S STATEMENT

Tadesse Gemeda
Chairman, Board of Directors

On behalf of the Board of Directors and on my own behalf, I would like to welcome you all to the 29th Annual General Meeting of the Shareholders of our Company.

The financial year 2022/23 was another year of success in terms of growth in Gross Written Premium in both Life and Non-Life business. The year under review registered positive growth in respect of many pertinent parameters. The details are contained in the body of the Directors' report. The main highlights are stated below.

Our Company's Gross Written Premium in general insurance grew by a spectacular 65.6% doubling itself in just over a period of two years.

The growth in net earned premiums in Non-Life was 49%. The underwriting surplus for the fiscal year (FY) in general insurance kept on growing against the backdrop of many challenges in operations and the market place. The bottom-line, the net profit after tax, too showed robust growth of 52.5%. The return on paid-up capital, that grew by 47.5% and reached over Birr 1.4 billion during the year, was 36%. This is a satisfactory achievement given the very tough economic and competitive industry environment under which we were operating throughout the year. This result was achieved in an operating environment where the Net Claims Incurred in Non-Life escalated by nearly 45.7%.

Our Company's market share in Non-Life showed significant improvement and reached nearly 9.7% at the turn of the FY 2022/23. Our unbeatable market leadership in general insurance from among the 17 private companies was consolidated by yet another astounding success in Life business as well which assumed nearly 22.3% of the total market as at June 30, 2023. In Life business, our Company is a dominant market player in the entire industry.

Lastly, I would like to seize this unique opportunity to thank my colleagues on Board for their undivided support throughout the year and for their commitment to the fulfillment of the corporate objectives. The efforts we have relentlessly made, the audacious projects we commissioned and the strategic leadership we provided bore fruit at last. Our Company has maintained its leading market position once again in the year under review.

Also, I would like to express my heartfelt gratitude to the Policyholders of our Company for their continued trust and confidence in us.

Finally, I hereby present the Report of the Board of Directors and the Audited Financial Statements for the financial year ended 30 June 2023 for your consideration and approval.

Thank you.

Tadesse Gemeda
Chairman, Board of Directors

REPORT OF THE BOARD OF DIRECTORS

I. INTRODUCTION

The Board of Directors of Awash Insurance S.C. is honored to present the Company's Annual Report (AR) and Audited Financial Statements for the fiscal year ended June 30, 2023 to its esteemed Shareholders.

This report, brief as always, would give highlight on key performance milestones of our Company for the financial year under review.

II. BUSINESS ENVIRONMENT

2.1 THE GLOBAL ECONOMY

The world economy, according to IMF's World Economic Outlook (WEO) report of April 2023, is once again experiencing uncertainty amid financial sector turmoil, inflation that has reached multidecade highs, ongoing effects of Russia Ukraine war and the three years effects of COVID. The forecast is, therefore, for growth to fall from 3.4 percent in 2022 to 2.8 percent in 2023.

2.2 ADVANCED ECONOMIES

Similarly, the growth of advanced economies is expected to see a more pronounced slowdown from 2.7 percent in 2022 to 1.3% in 2023.

2.3 THE AFRICAN ECONOMY

The African economies have been dealing with multiple shocks, including the effects of COVID 19 pandemic, disruptions of global supply chains due to prolonged Russia Ukraine war and a tightening of global financial conditions. These shocks, according to African Development Bank (ADB) Group's African Economic Outlooks' (AEO) 2023 report, have reduced the continent's real GDP growth from 4.8 percent in 2021 to 3.8 percent in 2022.

The continent's economy, despite the confluence of multiple shocks, is projected to stabilize at an average growth rate of 4.1 percent in 2023/24, the second fastest rate in the world for years 2023-24, exhibiting its resilience.

2.3 THE ETHIOPIAN ECONOMY

Real GDP growth, according to ADB's Ethiopian Economic Outlook (2023), declined to 5.3% in 2022.In 2021 it was 5.6%, excelling, however, the East African average of 4.7% in 2021 and 4.4% in 2022. The Ethiopian economy was one of the fastest growing economies on the continent over the last decade. It is, however, facing considerable challenges and downside risks among which inflation is at the top, unlike elsewhere in its magnitude. Inflation rose to 34% in 2022 from 26.6% in 2021, according to ADB Group's latest report. The growth of the economy was adversely impacted by internal conflict, desert locust invasion, the drought induced mainly by extreme weather events, debt vulnerabilities and the effects of Russia-Ukraine war on commodity prices.

The impact of this war, like no other, is severely costing the economies of poor nations like ours adding injury to the wound. Food grains and fuel prices have increased hitting record levels over the past one and a half year exacerbating the inflationary situation in the economy.

On the optimistic side, the Ethiopian economy is hoped to exhibit resilience and rebound guided by the new 10-year development plan designed based on its 2019 Home-Grown Economic Reform Agenda which aims to foster efficiency through improving business climate and facilitating the shift towards a more private-sector-driven economy.

Board Directors with the CEO

III. THE INSURANCE INDUSTRY

3.1 NON-LIFE BUSINESS

The performance of the Ethiopian Insurance industry, during the Fiscal Year (FY) under review, was robust. In general insurance, the industry managed to amass a Gross Written Premium (GWP) of Birr 21.46 billion as at June 30, 2023 registering growth rate of over 40 percent weighed against the FY 2021/22. Compared to the growth of only 19 percent registered in the previous year, the growth achieved during the FY 2022/23, though attributable to the Sum Insured revision and rate adjustment in response to the inflationary situation in Motor class, a necessity-driven action, was record high in the industry's history over couple of decades in the recent past.

The growth registered was buoyant given the unprecedented challenges both in the industry and the broader economic and business environment under which it was attained.

3.2 THE LIFE ASSURANCE BUSINESS

The industry, on the other hand, showed weak growth of 7.88 percent in Long-term (Life) business during the fiscal year under consideration. A year before, its growth was quite strong at around 28 percent.

Industry life written premiums was close to 1.46 billion Birr as at June 30, 2023. Given the untapped potential of the economy, the industry is posed with the option to move preemptively and act aggressively to capture the immense potentials out there. The market will open-up soon; and the global actors are forming mergers and joint ventures to come up with a strategy that will create significant value to buyers through digital innovation.

Combined (Life and Non-Life) industry written premiums reached Birr 22.9 billion showing a very strong rebound of 37.5% over the FY 2021/22. In 2021/22 its combined growth was only 20%.

3.3 TAKAFUL BUSINESS

Takaful is an alternative model to conventional insurance. It is the management of risks within the boundaries of Sharia and its cardinal principles. It is a cooperative form of insurance, unlike the conventional one, whereby interested parties agree to share risks.

The industry total written premiums (contributions) was close to Birr 132.9 million as at June 30, 2023. Motor Takaful constituted around 76 percent of the total contributions collected. The players were only four during the year.

IV. THE COMPANY'S PERFORMANCE

A) OPERATIONAL

4.1 UNDERWRITING PERFORMANCE

a) NON-LIFE BUSINESS

Non-Life gross written premiums grew by 65.6% and reached Birr 2.072 billion, another milestone achievement. Our GWP in Non-life doubled in just less than two years.

The main driver of the growth in Non-Life was primarily as the result of the hardening of the market in commercial motor lines with insurers raising premium rates to offset inflation-induced business running ever-rising costs.

The growth registered, the main driving factor being the Strategic Plan Vision 2030, was a record and unprecedented over the past two decades. Compared to the industry's Non-Life premium growth of 40%, our Company could comfortably be said to have met its plan to perform above industry average and, in fact, it excelled by far its own very ambitious plan targets in Non-Life. This remarkable growth was achieved amidst multiple challenges encountered in the year under review.

b) LIFE BUSINESS

At the close of the financial year that ended 30 June 2023, the Company's long-term (Life assurance) business has registered a buoyant growth of 42.7% reaching a GWP of Birr 275.1 million from Birr 192.8 million in the year preceding. Our Long-term's total written premiums, including COVID19 cover for overseas Travelers, was Birr 325.6 million as at June 30, 2023.

The Life business, even though small relative to the Non-Life business, has continued to earn the Company a good sum of profit from time to time which is a clear sign of its augmentation to the solid but natural growth of the Company.

Much of the record growth attained in both lines (Non-life & Life) can be attributed mainly to the growth and expansion strategy, a strategic choice to break away, the Company has daringly chosen to follow beginning July 2021.

c) TAKAFUL BUSINESS

As reported in our previous Annual Report, our Company has put in place multiple strategies to strengthen the performance of Takaful, the untapped product line of great potential. In accordance with that and the dictates in the Strategic Plan and also under strict guidance and supervision of the Sharia Advisory Council, twenty one dedicated Takaful windows were transacting the business in the FY 2022/23.

The strategies unleashed in the period yielded satisfactory results at the end of the budget year producing over forty million Birr Gross Contributions. The growth registered was very encouraging and indicative of the huge potentials available in the economy provided it is promoted sufficiently. Our Company still pursues the Wakala model of interest-free insurance operation.

Many participants (or insureds), from across the entire country, were joining the pool with the intention of helping each other at time of calamities. As at 30th June 2023, only four operators (including Awash Insurance), were doing the Takaful, an interest free insurance business. The industry generated Birr 132.9 million as at the end of the FY.

Performance Review Meeting

4.2 PORTFOLIO MIX AND RETENTION

Motor insurance generates, as obvious, the largest premium volume in our country. It continued to assume the lion's share in the premium portfolio of our Company during the FY 2022/23 as well. It accounted for 58 percent of the Company's total premium portfolio as at 30 June 2023 higher than the previous year's by five percentage points. The Motor class grew by over 80 percent but at the expense of other favorable classes like Marine and Fire, dubbed as "less-risky", whose shares in the mix dropped slightly during FY 2022/23.

Small premium miscellaneous classes classified under the group name "Others" Class of Business (COB) became a very far second COB with 10 percent share followed by Political Violence and Terrorism (PVT) and Fire classes both accounting for 9 percentage points each in the portfolio.

As regards the portfolio of our Long-term business, there wasn't much difference in the mix better in any way than the previous years. The Group medical (Group Health) Expenses COB continued to dominate the mix with its obvious risk side if not bridled. The

Group Health amassed 67 percent of the total life underwriting exhibiting 41% growth over FY 2021/22.

As at the close of the budget year, our Company's retention ratio for Non-Life was 71%. It was on the high side compared to the 69% retention for FY 2021/22.The industry's Non-Life business retention ratio for the year under review was 68%.

B) FINANCIAL RESULTS

The fiscal year that ended on 30thJune 2023 marked yet another season of wonderful results in both the underwriting and bottom-line results in the major lines, Non-Life and Life business, during the FY.

Corporate underwriting surplus had exhibited a sizeable growth of 16.5% reaching Birr 314.5 million as at end of FY 2022/23 from Birr 270 million of FY 2021/22. This positive operational result was earned by putting stringent underwriting policy instruments in place. Similarly, the combined profit before tax for the reporting year grew by a remarkable percentage of over 55.4%, surpassing a half billion Birr for the first time.

Even if the bottom-line results were satisfactory, we have to make it crystal clear at this juncture that the claim incurred in absolute figures was huge enough during the year. Our Company had to pay big claims like what we encountered unusually in Fire CoB whose incurred claim amount for a single Fire accident was over Birr 105 million. Political Violence and Terrorism (PVT) and Motor were other classes where we faced major claims during the year. The net claims ratio showed, therefore, only a slight decline of one percentage point in Non-Life. The loss ratio stood at 60% for Non-Life business during the year under review. In FY 2021/22 it was 61.4%. Though the decline in percentage point was marginal, it has, however, started showing first signs of the fruits of tightening underwriting policy measures.

We ably settled these unusually big claims efficiently demonstrating, in effect, our Company's financial strength and reliability.

After provisions for profit tax the combined after tax net profit for the period stood at Birr 509.12 million. Its growth over the previous year was over 52.5%.

The rise in our paid-up capital was very high. It rose by 47.5% to Birr 1,411,094,000 in the reporting year from Birr 956,561,950 in fiscal year 2021/22. It was, therefore, against this sharp jump in the equity capital that we succeeded, once again, to achieve earnings per share /EPS/ of Birr 180 or 36% return on investment.

The Directors recommend that the net profit for the year after deductions of legal reserve and Directors' incentive pay which stood at birr 456.8 million be declared as dividend. Shareholders may, however, plough back to settle their outstanding subscriptions, if any, or collect it in cash at their option.

In this connection, we would like to report to you the latest development on dividend tax. It is clear that dividends used for payment of subscribed shares are not subject to dividend tax (at the rate of 10%) in accordance with tax laws. However, the Tax Authority has changed its position and served a Notice on dividend tax assessment to the Company on July 17, 2023 requesting the payment of dividend tax, interest and penalty on capitalized dividend. Following the receipt of the dividend tax assessment from the Tax Authority, the Company has filed an appeal for the review of the tax decision to the Tax Appeal Commission. At present, the case is pending at the Tax Appeal Commission.

V) PERFORMANCE (NON-FINANCIALS) HIGHLIGHTS

5.1 CHANNELS

Branches are among our major channels for distributing our services to customers. Our branch channel has reached 60 including Life and Health branch as at 30 June 2023.The number of contact offices was six. The Head Office Takaful branch was a special window in operation for the second year, of course.

5.2 THE HUMAN RESOURCE DEVELOPMENT

The Company's permanent staff strength has grown from 608 the previous year to 717 as at 30 June 2023. In addition, our Company has created job opportunity for casual workers throughout the year. Out of the total 717 permanent employees, 48% were women, and the balance went to men. The proportion of female employees and even those in different management positions among the total work force was the result of affirmative policy action of the Company.

Branch Managers and staff with Executive MGT.

Continuing placing the highest level of importance on nurturing its best asset, the human capital, the Company has invested close to Birr 9.5 million on the training and capacity building efforts of its staff during the year under review. Accordingly, large number of staff members received trainings of various categories, both overseas training through correspondences and those conducted here locally, during the year. Cognizant of the importance of investing on the human resources development, the Company will further enhance its management development programs and offering training opportunities to build a very reliable pool of experts and skilled professionals to maintain its policy of housing the best talent in the industry.

5.3 INVESTMENT

In an effort to diversify our portfolio and maximize the shareholders' wealth and benefits, an additional capital investment of Birr 240.17 million was made in bank shares and other ventures found to be worthy and bankable.

In further attempts to diversify and consolidate gains, our Company purchased an office space of 288.03 sqm, here in Addis Ababa at Megenagna, for Birr 27.89 million and another one G+ Mezzanine building a large floor area of 157.77 m2 in Laga Tafo area was procured at Birr 31.95 million during the budget year.

The Board also allowed the purchase of additional DBE bonds for birr 50.1 million during the budget year to finance various development projects of the Government and, of course, of the country. Our Company's time deposit in various banks significantly increased during the year by a huge amount of Birr 490.7 million, all of which are clear testimonies of our Company's tangible contributions to the national economy as a source of finance.

The Directors will continue examining, as they did in 2022/23, the viability of other investment proposals during the new year to ascertain gains and benefits to our shareholders.

On top of all these, we would like to report to you on the significant progress made regarding our new Headquarters building project. The design development to realize the construction of Headquarters building reached nearly its final phase of completion during the budget year. Its architectural design (final one), however, had already been approved by the regulatory body. The Board, after meticulously and rigorously working on the preliminary work made milestone decision to award the beginning of the shoring construction and excavation work to the winning Company.

The progress in the construction of Burayou Warehouse project too reached nearly half-way in its journey as at June 30, 2023.

New HQs Shoring Work

Burayou Warehouse Project (Design)

VI) CORPORATE SOCIAL RESPONSIBILITY (CSR)

In an effort to relinquish our corporate responsibility, our Company's Board s approved and donated pledges in the amount of more than 14.58 million Birr during the budget year to support various humanitarian and development causes of the Federal and regional Governments. We would like to report, with some sense of satisfaction for giving back, that a significant part of the donation went to reach the most needy who were victims of drought and displacements.

The whole aim of our CSR engagement is to improve and impact the wellbeing of our society that has allowed us, as a corporate citizen, to thrive, operate and grow. We will continue investing on our communities to consolidate our social capital base.

VII) CORPORATE GOVERNANCE

The Board was fully engaged in the reporting period thoroughly assessing the performance of the Company. It deliberated on and resolved on matters of key strategic importance. The major activities performed by the Board during the Fiscal Year 2022/23 to enhance corporate governance practices were:

1) Following the election of new Board Directors, the directors received induction training focusing on their duties and responsibilities. The Board conducted twelve regular and nine special meetings; most Board Directors attended all meetings while some of them attended above the minimum requirement of 75% of the meetings. In these meetings, the Board considered Management reports on performance and made decisions on strategic matters. The Board also monitored the proper implementation of its resolutions;

2) The Board approved various policies and annual business plan and budget as per the requirements of Insurance Corporate Governance Directives;

3) The Board Committees for Audit, Risk Management and Compliance, Business Development and Strategy, Human Resource Affairs as well as Investment and Projects Follow Up provided strategic support on matters falling under their mandates. All Board committees held monthly meetings and submitted quarterly reports to the main Board. Upon considering the reports of Board committees, the Board gave strategic guidance to the Management;

4) The Board monitored monthly performance of the Company based on qualitative and quantitative reports and attended semi-annual and annual performance review meetings. The Board also gave work direction and encouraged the management and staff to achieve set Company goals and objectives and to further enhance the competitiveness of the Company;

Annual Review Meeting

5) The Board reviewed and monitored the progress on the implementation of Vision 2030 Strategy and of the rebranding as per the Brand Guideline. In this connection, the Board endorsed the revised trade name and the Company logo, the new brand identity, and reviewed the proper execution and usage of same;

6) The Board made decisions on strategic investment proposals upon conducting thorough deliberations on investment proposals. Regarding the new Headquarters building project, the Board approved the recommendation to undertake the shoring works and gave guidance on the mode of selecting a contractor for the planned building construction. The Board also reviewed the status of projects in which the Company invested based on progress reports submitted and gave appropriate guidance;

7) The Board also reviewed the performance of the Takaful business, a Sharia'h compliant product line, which was launched in the fiscal year. The Company expanded the Takaful Window operation in the year under review to cater to the public in an accessible way through as many as twenty one of its outlets;

8) The Board considered proposals for Branch opening and endorsed them upon examining details on the studies accompanying the proposals;

9) The Board reviewed the quarterly off-site surveillance reports received from the National Bank of Ethiopia. Subsequent to such considerations, the Board monitored the actions taken by the Management to rectify as per the findings;

10) The Board monitored the performance of internal audit function in light of its audit program. Also, the Board reviewed the implementation status of audit rectifications and provided guidance on the development of the Enterprise Risk Management framework;

11) The Board considered and approved the revised Salary Scale and amendment of benefits package based on the report submitted to it by the Management. Furthermore, the Board allowed bonus and salary increments in tune with the performance of the Management and staff;

12) The Board closely monitored the preparation and conduct of the 28thAnnual Ordinary General Meeting and 11th Extraordinary General Meeting of Shareholders. The Board also followed up the timely registration and authentication of the minutes of the General Meetings. Moreover, the implementation of the resolutions of general meeting of shareholders was closely monitored. Guidance was also given to the Management for the necessary preparation to conduct the 29th Annual ordinary General Meeting of Shareholders;

13) In order to facilitate the implementation of the resolutions of 11th Extraordinary General Meeting of Shareholders in relation to share allocation, the Board issued a circular which guides the allocation of newly issued shares to major customers of the Company. Accordingly, the Board monitored the progress of share subscriptions and payments; and

14) The Board held annual assessment in the FY2022/23 focusing on the effectiveness of the Board as a whole, Board committees and individual Board Directors. From the assessment, lessons were drawn to improve the Board's effectiveness.

VIII) THE FUTURE AND PROSPECTS

The Federal Government, based on its 2019 Home-Grown Economic Reform Agenda, launched a Ten-year Strategic Plan that aims at sustaining the high growth achieved under GTPs of the previous decade. Under the new development plan, GDP is projected to grow by 5.8% in 2023 and 6.2% in 2024.

The Plan, while facilitating the shift towards a more private sector-driven economy, aims to foster efficiency and competition in the key growth-enabling sectors, improve the business climate and address macroeconomic imbalances.

The Ethiopian economy, according to various reliable sources, will continue to be, despite many challenges, one of the fastest growing economies in the region. The Government's commitment to further enhance liberalization through privatizing some more key public enterprises, a rebound in the flow of foreign direct investment (FDI) following the return to normalcy in the security situation, determination to take measures to deepen Ethiopia's digital finance ecosystem, and fostering a more dynamic private sector will be among the major opportunities for our industry in the year(s) ahead.

IX) WAY FORWARD

Looking inward, our Company, led by its transformative strategy, and given its implementation at full inertia hereafter, will yield the intended results once again during the new FY. Our Company envisages growth by leaps and bounds at a rate far beyond the industry average. The actualization at full force of the strategic initiatives, around which the entire workforce has been rallied, will propel Awash Insurance S.C. to yet another height in the industry and even beyond. The Company will mobilize all the resources required, develop and implement the most suitable strategies, expand its channels including investing further in the digital and mobile technology channels to reach in an affordable and most efficient ways the underserved population, in so doing addressing protection gaps, broaden its product range and offerings that are designed based on thorough and purposeful customer-needs assessments, and will continue to scale up customer service delivery to the highest standards unmatchable in the industry. The soon to begin of our Headquarters building project, the prospects in the realization of capital market, the attraction that further liberalization will create for enhanced FDI and others investment opportunities will strengthen hopes for better economic performance.

On the downside and risks side, many of the industry's challenges like the fierce competition for better market shares, the scramble for skilled manpower, the ever- rising spare-part and labor costs, the awareness limitations and other malpractices are expected to persist in the years to come. The ever hardening of the reinsurance market not only in its pricing but also in its stringent policy wordings and conditions will seriously impact operational results hereafter. Of the same impact will be the implementation of the dictates of IFRS 9 and 17 beginning as early as July 1, 2023 on the bottom-line as we are required to make more reserves that actually involve actuarial valuations.

To sum up, the year ahead seems unpredictable given the volatility in the political and economic situation of the country. The inflationary situation in the economy continues to be among the major concern areas in the macro-economy space. We will, however, remain adamant in our optimistic views about the performance and resilience of the Ethiopian economy.

X) VOTE OF GRATITUDE

The Board of Directors wishes to express its deepest gratitude to all esteemed customers of Awash Insurance S.C. for their support and patronage. It would also like to record its appreciation for the opportunity, including as a source of business, its shareholders have given it plus in rallying undividedly behind their Company in so doing reassuring beyond doubt the success of Awash Insurance S.C.

Our gratitude also goes to the reinsurers, the intermediaries (both local and international) and all other business partners for their support. The Board would like to accord its sincere appreciation to the NBE, and the Management and entire staff of the sister Company, Awash Bank, for their cooperation and backing based on solid principles and mutual benefits.

A special gratitude is due to the Management and whole staff of our Company, Awash Insurance, who have played and continue to play a pivotal role to assure the Company's commendable success and fast growth as per the plan. We thank you all once again; without your determinations and valuable contributions through unmatched team spirit the grand results achieved would not have been possible.

Thank you.

Tadesse Gemeda

Chairman, Board of Directors

Awash Staff on a Go-Green Campaign

AWASH INSURANCE S.C

Annual IFRS Financial Statements

30 June 2023

Directors, Professional Advisors and Registered Office

Directors *(as of 30 June, 2023)*		**Date of appointment**
Tadesse Gemeda	Chairman	*October 28th 2022*
Aseffa Seyoum (PhD)	Vice Chairman	*October 28th 2022*
Wubishet Geremew (Captain)	Non-Executive Director	*October 28th 2022*
Gifty Yoseph	Non-Executive Director	*October 28th 2022*
Kebede Asres (Captain)	Non-Executive Director	*October 28th 2022*
Getachew Assefa (Eng.)	Non-Executive Director	*October 28th 2022*
Tsegaye Sori (Eng.)	Non-Executive Director	*October 28th 2022*
Solomon Nekatibeb	Non-Executive Director	*October 28th 2022*
Dandi Waka Toko PLC	Non-Executive Director	*October 28th 2022*

Executive Management

Gudissa Legesse	Chief Executive Officer
Jibat Alemneh	Chief Operating 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
Abel Tadesse	Head, Branch Channel
Mulatu Temesgen	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

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

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

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

Estate surveyor and valuer:

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

Statement of Directors' Responsibilities

In accordance with the Financial Reporting Proclamation No. 847/2014 and Insurance Business Proclamation No.746/2012, 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 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 preparatation of the financial statements as well as adequate systems of internal control.

The Board of Directors (the Board) submits to the Auditors the annual financial statements which have been prepared by the Management using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Insurance Business Proclamation, Commercial Code of 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 Gemeda
Chairman, Board of Directors
September 29, 2023

Gudissa Legesse
Chief Executive Officer
September 29, 2023

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. do 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, 2023 have been conducted in conformity with the Sharia'h requirements.

Signed on behalf of the Sharia'h Advisory Council

Adil Abdullahi
September 29, 2023

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

Opinion

We have audited the financial statements of Awash Insurance Company S.C, which comprise the statement of the financial position as at 30 June, 2023, 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, the accompanying financial statements give true and fair view of the financial position of the Company as at 30 June 2023 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 Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accounts (IESBA Code) together with the ethical requirmets that are relevant to our audit of the financil statmetns 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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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Tel. (011) 442 1336, 442 0062, (011) 470 7092, (011) 470 7094 - Mob. (093) 001 4106, (091) 151 5038/39
Fax (011) 442 1338 - e-mail: 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 form 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 reasonable 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, We have not any observed reportable matters to make on the reports of the Board of Directors and the proposed distributable dividends so far as it relates to the financial statements and pursuant to Article 349 of the Commercial Code of Ethiopia 2021 proclamation 1243 and we recommend approval of the financial statements.

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

TAY Authorized
Accountant and Auditors

Addis Ababa
29 September 2023

Awash Insurance S.C.

Annual IFRS Financial Statements
For the year ended 30 June 2023
Statement of Profit or Loss and Other Comprehensive Income

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Gross premium income	6	2,398,156	1,761,768
General takaful contribution	6	39,221	8,862
Premiums ceded to reinsurers	6	(709,793)	(640,227)
General retakaful	6	(7,596)	(1,913)
Wakala Fee	6	(13,728)	(3,102)
Net premiums		1,706,260	1,125,388
Change in unearned income	27	(367,966)	(128,460)
Net Earned premiums	6-b	1,338,294	996,928
Fee and commission income	7	164,992	135,564
Net underwriting income		1,503,286	1,132,492
Claims expenses	10	(863,070)	(668,210)
Claims recovered from reinsurers	10	152,999	147,704
Gross change in contract liabilities	10	(209,772)	(140,210)
Change in contract liabilities ceded to reinsurers	10	83,528	48,369
Net benefits and claims		(836,315)	(612,347)
Underwriting expenses	11	(102,671)	(61,449)
Increase in participants' fund	31	2,822	1,279
Increase in life fund	27	(18,237)	(54,710)
Underwriting profit		548,885	405,265
Investment income	8	484,083	294,967
Wakala fee income	9	13,728	3,102
Other operating income	9	44,923	37,424
Net income		1,091,619	740,758
Finance costs	12	(429)	(154)
Other operating and administrative expenses	13	(274,033)	(168,474)
Employee benefits	14	(267,175)	(218,276)
Profit before income tax		549,982	353,854
Income tax expense	15	(40,858)	(19,951)
Profit for the year		509,124	333,903
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Fair Value adjustement of revalued properties	13	(16,328)	(16,196)
Remeasurement (gain)/loss on defined benefits obligations		(2,576)	606
		(18,131)	(15,590)
deferred tax expense(30%)	15-d	4,898	4,859
Fair Value adjustement of revalued properties net of tax		(11,430)	(11,337)
Remeasurement gain/loss on defined benefits obligations net of tax	32	(1,803)	424
		(13,233)	(10,913)
Total comprehensive income for the year		**495,892**	**322,990**
Basic & diluted earnings per share (Birr)	35	0.36	0.35

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

Tadesse Gemeda
Chairman, Board of Directors
September 29, 2023

Gudissa Legesse
Chief Executive Officer
September 29, 2023

Awash Insurance S.C.
Annual IFRS Financial Statements
For the year ended 30 June 2023
Statement of Financial Position

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
ASSETS			
Cash and bank balances	16	2,330,958	1,603,886
Investment securities:			
– Available for sale	17	860,406	620,236
– Loans and receivables	17	60,087	10,005
Insurance receivables	18	2,514	21,204
Reinsurance assets	19	586,670	377,592
Retakaful assets	19	4,868	1,139
Other assets	20	227,573	148,242
Deferred acquisition cost	21 a	51,924	27,957
Salvage property held for sale	21b	29,945	31,493
Right of use asset	22 a	78,496	64,225
Property, plant and equipment	23	891,933	801,866
Investment properties	24	366,220	322,463
Intangible assets	25	10,653	12,618
Statutory deposits	26	209,496	143,956
Total assets		**5,711,743**	**4,186,882**
LIABILITIES			
Insurance contract liabilities	27	2,358,055	1,681,055
Provisions for claims under litigations	28	8,291	4,421
Insurance payables	29	308,054	180,712
Other liabilities	30	186,735	163,835
Defined benefit obligations	32	15,996	12,199
Deferred tax liability	15 d	189,860	194,758
Current income tax liabilities	15 c	40,858	19,951
Lease liability	30	20,912	23,354
Takaful liabilities	27	24,148	5,787
Retakaful liabilities	29	5,544	1,069
Payable to takaful participants	30	19	8
Participants' takaful fund	31	(4,101)	(1,279)
Qard	33	9,000	3,000
Total liabilities		3,163,370	2,288,870
EQUITY			
Share capital	34	1,411,094	956,562
Share premium	34	4,699	4,699
Retained earnings	36	917,138	772,222
Legal reserve	37	215,441	164,528
Total equity		2,548,372	1,898,012
Total equity and liabilities		**5,711,743**	**4,186,882**

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 262nd Special Meeting held on September 29, 2023 and were signed by:

Tadesse Gemeda
Chairman, Board of Directors
September 29, 2023

Gudissa Legesse
Chief Executive Officer
September 29, 2023

Awash Insurance S.C.

Annual IFRS Financial Statements
For the year ended 30 June 2023
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 2021		754,883	1,835	726,146	131,138	1,614,002
Additional shares issued	32	201,679	2,864	-	-	204,543
Dividends paid during the year	34	-	-	(241,724)	-	(241,724)
Directors' compensation	34			(1,800)		(1,800)
Profit for the year	34	-	-	333,903	-	333,903
Other comprehensive income						-
FairValue adjustement in OCI net of tax				(11,337)		(11,337)
Remeasurement (gain)/loss on defined benefits obligations (net of tax)		-	-	424	-	424
Total comprehensive income for the year		**-**	**-**	**322,990**	**-**	**322,990**
Transfer to legal reserve	**34**			(33,390)	33,390	
As at 30 June 2022		**956,562**	**4,699**	**772,222**	**164,528**	**1,898,012**
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 adjustement in OCI net of tax				(18,131)		(18,131)
Remeasurement (gain)/loss on defined benefits obligations (net of tax)		-	-	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**

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

Tadesse Gemeda
Chairman, Board of Directors
September 29, 2023

Gudissa Legesse
Chief Executive Officer
September 29, 2023

Awash Insurance S.C.

Annual IFRS Financial Statements
For the year ended 30 June 2023
Statement of Cash Flows

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash flows from operating activities			
Cash generated from operations	38	620,152	416,888
Remeasurment of Employee Benefit	32	(1,803)	424
Income tax paid		(19,951)	(20,304)
Net cash (outflow)/ inflow from operating activities		598,398	397,008
Cash flows from investing activities			
Purchase of investment securities- equity investments	17	(240,170)	(141,746)
Additional investment in fixed deposit	16	(490,699)	(322,211)
Purchase of investment property	24	(50,455)	(33,546)
Purchase of intangible assets	20	-	(5,346)
Purchase of property, plant and equipment	21	(124,227)	(78,652)
Proceeds from sale of property, plant and equipment	38	6,188	7,518
Dividend earned	8	239,420	133,284
Interest received	8	176,540	152,458
Net cash outflow from investing activities		(483,403)	(288,242)
Cash flows from financing activities			
Dividend paid		(298,713)	(241,724)
Repayment of lease liability	22 a	(34,441)	(21,217)
Proceeds from issues of shares	34	454,532	204,543
Net cash inflow(outflow) from financing activities		121,378	(58,398)
Changes in cash and cash equivalents		236,373	50,369
Cash and cash equivalents at the beginning of the year	16	221,674	171,305
Net increase/ (decrease) in cash and cash equivalents		236,373	50,369
Cash and cash equivalents at the end of the year	16	**458,047**	**221,674**

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

Tadesse Gemeda
Chairman, Board of Directors
September 29, 2023

Gudissa Legesse
Chief Executive Officer
September 29, 2023

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 sebsequently 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 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by 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:

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 2023. Early adoption of the standard is permitted. The Company is yet to assess IFRS 9’s full impact.

IFRS 17 - Insurance contracts

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

This standard requires a company that issues insurance contracts to report insurance obligations and risks on the balance sheet as the total of:
(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. The Company is yet to assess the expected impact on this standard.

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.

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.

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.

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.

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.

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.

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.

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 Direcetives:
• 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.

(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 form 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

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.

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 Underwrting expenses

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

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

2.30 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.

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.

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 of 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.

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 easured 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.

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.

(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.

4 Insurance and financial risk management

4.1 Introduction

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

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

4.1.1 Risk management structure

The Board monitors the overall risk encountered by the Company. The Board is responsible to develop comprehensives risk management program and policies of the Company. The Board has an oversight role on the proper implementation of the Company's risk management program or policies. The Board monitors proper implementation 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 assessesing and monitoring the level of risk assumed by the Company. Besides, the Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company's overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board's Risk and Compliance Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management to ensure that procedures are compliant with the overall framework. The unit is functionally responsible to the Board. The risk Management unit has also closer 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.

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 2023	**Gross**	**Reinsurance**	**Net**
	Birr'000	**Birr'000**	**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**

30 June 2022	**Gross**	**Reinsurance**	**Net**
	Birr'000	**Birr'000**	**Birr'000**
Individual life	224	-	224
Group life	2,434	(525)	1,909
Group medical	8,672	(416)	8,256
Total life insurance	**11,330**	**(941)**	**10,389**

Key assumptions

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

► Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

► Policyholder decision (lapses and surrender)

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

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

► Discount rate

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

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

Sensitivities

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

		Change in liability	
	Change in assumptions	30 June 2023 Birr'000	30 June 2022 Birr'000
Mortality/morbidity rate	+10%	195,234	205,998
Investment return	+1%	193,069	200,644
Expenses	+10%	197,022	211,875
Lapse and surrenders rate	+20%	194,549	202,732

		Change in liability	
	Change in assumptions	30 June 2023 Birr'000	30 June 2022 Birr'000
Mortality/morbidity rate	-10%	195,176	205,863
Investment return	-1%	197,759	211,910
Expenses	-10%	193,413	200,003
Lapse and surrenders rate	+20%	195,945	209,143

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.

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 2023

	Claims reported			Claims incurred but not reported		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	Birr'000	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**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	(43,911.00)	6,481	14,427	(12,589)	1,838
Total non- life insurance	693,678	(190,342)	503,336	229,031	(52,570)	176,461

30 June 2022

	Claims reported			Claims incurred but not reported		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	Birr'000	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Fire	9,554	(6,204)	3,350	8,791	(477)	8,314
Burglary	81	-	81	556	-	556
Motor	401,896	(39,361)	362,535	126,192	(13,233)	112,959
Marine	18,181	(2,346)	15,835	4,732	(1,654)	3,078
Goods in transits	1,046	(532)	514	1,769	(483)	1,286
Workmens' compensation	3,352	(165)	3,187	4,406	(151)	4,255
Group Personal Accident	7,490	(2,401)	5,089	3,775	(883)	2,892
Engineering	34,594	(23,898)	10,696	5,293	(1,100)	4,193
Public liability	14,122	(4,037)	10,085	7,778	(1,121)	6,657
Pecuniary	20,405	(16,663)	3,742	4,892	(2,540)	2,352
Floriculture	3,779	(3,470)	309	146	(124)	22
Political Violence & Terrorism	36,736	(32,003)	4,733	7,503	(6,564)	939
Total non- life insurance	551,236	(131,080)	420,156	175,833	(28,330)	147,503

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.

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 coverd 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 2023 Claims reported			30 June 2022 Claims reported		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	-	-	-	-	-	-
Burglary	-	-	-	-	-	-
Motor	539	(26)	513	232	(11)	221
Marine	-	-	-	-	-	-
Goods in transits	-	-	-	-	-	-
Workmens' compensation	-	-	-	-	-	-
Group Personal Accident	-	-	-	-	-	-
Engineering	-	-	-	-	-	-
Public liability	-	-	-	-	-	-
Pecuniary	-	-	-	-	-	-
Floriculture	-	-	-	-	-	-
Political Violence & Terrorism	-	-	-	-	-	-
Total non- life insurance	539	(26)	513	232	(11)	221

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 2023 Birr'000	Change in liability 30 June 2022 Birr'000
Average number of claims	+10%	21,976	18,783

	Change in assumptions	Change in liability 30 June 2023 Birr'000	Change in liability 30 June 2022 Birr'000
Average number of claims	-10%	(23,662)	(18,740)

Claims Development Table

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

Gross non–life insurance contract outstanding claims provision for 2022:

Accident year	2017 Birr'000	2018 Birr'000	2019 Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000	2023 Birr'000	Total 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 cummulative 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
cummlative 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

Gross non–life insurance contract outstanding claims provision for 2021:

Accident year	2016 Birr'000	2017 Birr'000	2018 Birr'000	2019 Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000	Total Birr'000
2016	151,761	179,085	177,292	178,921	207,403	269,478	519,854	
2017	85,133	95,596	92,837	107,771	136,018	164,561		
2018	6,721	16,125	15,861	21,329	45,380			
2019	6,879	3,426	4,762	5,940				
2020	3,570	2,295	2,900					
2021	1,053	1,402						
2022	836							
Current estimate of cummlative claims	255,118	297,930	293,653	313,962	388,801	434,039	519,854	2,503,357
IBNR	340	951	997	3,700	7,491	33,027	129,327	175,833
Cummulative payments to date	(89,451)	(270,648)	(278,006)	(283,699)	(288,186)	(318,062)	(424,067)	(1,952,118)
Liabilities recognised in the balance sheet (note 27)	166,007	28,232	16,644	33,963	108,107	149,004	225,115	727,072

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:

30 June 2023	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
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

30 June 2022	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and cash equivalents		-	1,603,886	1,603,886
Investment securities:	16			
– Available for sale	17	620,236	-	620,236
– Loans and receivables	17	-	10,005	10,005
Reinsurance assets	19	-	377,592	377,592
Other assets	20	-	140,522	140,522
Total financial assets		620,236	2,132,005	2,752,241

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:

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

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

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

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

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash and cash equivalents	2,330,958	1,603,886
Investment securities:		
– Available for sale	860,406	620,236
– Loans and receivables	60,087	10,005
Reinsurance assets	586,670	377,592
Other assets	217,393	140,522
	4,055,514	2,752,241

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 2023, and are non-rated as they are held in Ethiopian banks. There are no credit rating agencies in Ethiopia. The Company has no cash and cash equivalents that are held in foreign banks.

(b) Investment securities

The Company's investment portfolio is exposed to credit risk through its fixed income and money market instruments. The Company further manages its exposure to credit risk through counterparty risk via established limits as approved by the Directive issued by NBE. All fixed income investments are measured for performance on a quarterly basis and monitored by Management. The credit risk exposure associated with money market investments is low.

(c) Credit quality of reinsurers assets

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

(d) Credit quality of other financial assets

30 June 2023	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	impaired Birr'000	Total Birr'000
Insurance recivables:				
Due from contract holders	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				
Qard recivable from takaful	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
	215,371	-	34,329	240,700
Gross				
Less: Impairment allowance (note 19a)			(22,127)	(22,127)
Net	215,371	-	12,202	218,573

30 June 2022	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	impaired Birr'000	Total Birr'000
Insurance recivables:				
Due from contract holders	21,204	-	22,453	43,657
Due from agents	-	-	-	-
Less: Impairment allowance (note 19a)			(22,453)	(22,453)
Net	21,204	-	-	21,204
Other assets				
Rent receivables	3,000			
Other account receivables	9,819	-	13,991	23,810
Subrogation reimbursements	28,335	-	2,437	30,772
Staff debtors	70,522	-	12,418	82,940
Prepaid staff expense	1,481		-	1,481
Withholding tax receivable	17,634			17,634
Value added tax receivable	5,249	-	-	5,249
	136,040	-	28,846	161,886
Gross				
Less: Impairment allowance (note 19a)			(16,644)	(16,644)
Net	136,040	-	12,202	145,242

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 2023 Birr'000	30 June 2022 Birr'000
Due from contract holders	32,449	22,453
Other loans and receivables	22,127	16,644
Total allowance for impairment	54,576	39,097

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.

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.

30 June 2023	Less than 90 days Birr'000	90 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
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

30 June 2022	Less than 90 days Birr'000	90 days- 1 year Birr'000	Over 1 year Birr'000	Total Birr'000
Insurance contract liabilities	1,681,055			1,681,055
Insurance payables	180,712			180,712
Other liabilities	148,338	15,497		163,835
Lease liabilities			23354	23,354
Total financial liabilities	2,010,105	15,497	23,354	2,048,956

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.

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

30 June 2023	Fixed Birr'000	Non-interest bearing Birr'000	Total 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

30 June 2022	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and cash equivalents	1,603,886	-	1,603,886
Investment securities:			-
– Available for sale	-	620,236	620,236
– Loans and receivables	10,005	-	10,005
Insurance receivables		-	-
Reinsurance assets	377,592	-	377,592
Other assets	140,522	-	140,522
Total	2,132,005	620,236	2,752,241
Liabilities			
Insurance contract liabilities	1,681,055	-	1,681,055
Insurance payables	180,712	-	180,712
Other liabilities	163,835	-	163,835
Lease liabilities	23,354	-	23,354
Total	2,048,956	-	2,048,956

(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.

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

		30 June 2023 Birr'000	30 June 2022 Birr'000
Admissable assets	A		
Cash and bank balances		2,330,958	1,603,886
Investment securities:			
– Available for sale		860,406	620,236
– Loans and receivables		60,087	10,005
Property, plant and equipment		891,933	801,866
Investment property		366,220	322,463
Other assets net of prepayments		195,266	123,878
Statutory deposit		209,496	143,956
		4,914,366	3,626,290
Admissable liabilities	B		
Insurance contract liabilities		2,358,055	1,681,055
Insurance payables		308,054	180,712
Other liabilities		186,735	163,835
Deferred tax liability		189,860	194,758
Current income tax liabilities		40,858	19,951
		3,083,561	2,240,311
Excess (admitted capital)- (A-B)	C	1,830,805	1,385,979
Net premium (Preceding year)	D	1,125,388	806,990
Solvency margin			
Limit of net premium i.e 20% of net premium		225,078	161,398
Required Minimum of paid up capital		589,514	420,264
Since C>D - Positive Solvency Margin	(C-D)	705,417	578,989
Solvency ratio		1.20	1.38

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 2023		30 June 2022	
	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000
Financial assets				
Cash and cash equivalents	2,330,958	2,330,958	1,603,886	1,603,886
Investment securities:				
– Available for sale	860,406	860,406	620,236	620,236
– Loans and receivables	60,087	60,087	10,005	10,005
Reinsurance assets	586,670	586,670	377,592	377,592
Other assets	217,393	217,393	140,522	140,522
Total	4,055,514	4,055,514	2,752,241	2,752,241
Financial liabilities				
Insurance contract liabilities	2,358,055	2,358,055	1,681,055	1,681,055
Other liabilities	308,054	308,054	180,712	180,712
Lease liabilities	186,735	186,735	163,835	163,835
Total	2,852,844	2,852,844	2,025,602	2,025,602

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.

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 thier 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 paricipants fund.

The segment information provided by the Management Operations Committee for the reporting segments for the year ended 30 June 2023 is as follows:

a Assets and liabilities for each segment at 30 June 2023

	Non- life		Life		Takaful		Total	
	30 June 2023 Birr'000	30 June 2022 Birr'000	30 June 2023 Birr'000	30 June 2022 Birr'000	30 June 2023 Birr'000	30 June 2022 Birr'000	30 June 2023 Birr'000	30 June 2022 Birr'000
ASSETS								
Cash and bank balances	1,848,931	1,233,541	441,774	362,137	40,253	8,208	2,330,958	1,603,886
Investment securities:			-	-	-	-	-	-
– Available for sale	748,743	547,598	111,663	72,638	-	-	860,406	620,236
– Loans and receivables	56,086	6,001	4,001	4,004	-	-	60,087	10,005
Insurance receivables	-	-	2,514	21,204	-	-	2,514	21,204
Reinsurance assets	584,885	375,807	1,785	1,785	-	-	586,670	377,592
Retakaful assets	-	-	-	-	4,868	1,139	4,868	1,139
Other assets	218,530	139,179	8,965	9,030	78	33	227,573	148,242
Deferred acquisition cost	51,924	27,957	-	-	-	-	51,924	27,957
Salvage property held for sale	29,945	31,493	-	-	-	-	29,945	31,493
Prepayments for leasehold land	78,496	64,225	-	-	-	-	78,496	64,225
Property, plant and equipment	891,525	801,292	408	574	-	-	891,933	801,866
Investment properties	338,323	322,463	27,897	-	-	-	366,220	322,463
Intangible assets	7,283	8,574	3,370	4,044	-	-	10,653	12,618
Statutory deposits	191,496	141,706	18,000	2,250	-	-	209,496	143,956
Account with Non-Life/Life/Takaful	(51,845)	(12,500)	62,435	13,295	(10,590)	(795)	-	-
Total assets	**4,994,323**	**3,687,336**	**682,812**	**490,961**	**34,609**	**8,585**	**5,711,743**	**4,186,882**
LIABILITIES								
Insurance contract liabilities	2,041,488	1,389,761	316,567	291,294	-	-	2,358,055	1,681,055
litigations	8,291	4,421	-	-	-	-	8,291	4,421
Insurance payables	203,602	131,414	104,452	49,298	-	-	308,054	180,712
Takaful liabilities	-	-			24,148	5,787	24,148	5,787
Retakaful Payables	-	-	-	-	5,544	1,069	5,544	1,069
Other liabilities	185,131	160,769	1,604	3,066	-	-	186,735	163,835
Payable to takaful participants	-	-			19	8	19	8
Defined benefit obligations	15,996	12,199	-	-	-	-	15,996	12,199
Deferred tax liability	189,858	194,755	2	3	-	-	189,860	194,758
Lease liability	20,912	23,354	-	-	-	-	20,912	23,354
Current income tax liabilities	36,904	8,866	3,954	11,085	-	-	40,858	19,951
Total liabilities	2,702,182	1,925,539	426,579	354,746	29,710	6,864	3,158,471	2,287,149
Equity and Participants' Fund								
Share capital	1,291,094	941,562	120,000	15,000	-	-	1,411,094	956,562
Share premium	4,699	4,699	-	-	-	-	4,699	4,699
Retained earnings	818,442	679,940	98,696	92,282	-	-	917,138	772,222
Legal reserve	177,904	135,596	37,537	28,932	-	-	215,441	164,528
Qard	-	-			9,000	3,000	9,000	3,000
Participants' takaful fund	-	-			(4,101)	(1,279)	(4,101)	(1,279)
Total equity	**2,292,139**	**1,761,797**	**256,233**	**136,215**	**4,899**	**1,721**	**2,553,271**	**1,899,733**
Total equity and liabilities	**4,994,323**	**3,687,336**	**682,812**	**490,961**	**34,609**	**8,585**	**5,711,743**	**4,186,882**

b Profit or loss for each category for the year ended 30 June 2023

	Non- life		Life		Takaful	Takaful	Total	
	30 June 2023 Birr'000	30 June 2022 Birr'000	30 June 2023 Birr'000	30 June 2022 Birr'000	30 June 2023 Birr'000	30 June 2022 Birr'000	30 June 2023 Birr'000	30 June 2022 Birr'000
Revenue								
Gross premiums (note i)	2,072,581	1,251,882	325,575	509,886	-	-	2,398,156	1,761,768
Gross contribution (note i)	-	-	-	-	39,221	8,862	39,221	8,862
Wakala fee	-	-	-	-	(13,728)	(3,102)	(13,728)	(3,102)
Retakaful	-	-	-	-	(7,596)	(1,913)	(7,596)	(1,913)
Premiums ceded to reinsurers (note i)	(610,205)	(382,632)	(99,588)	(257,595)	-	-	(709,793)	(640,227)
	1,462,376	**869,250**	**225,987**	**252,291**	**17,897**	**3,847**	**1,706,260**	**1,125,388**
Change in unearned income (note 27)	(351,904)	(124,034)	-	-	(16,062)	(4,427)	(367,966)	(128,461)
	1,110,472	**745,216**	**225,987**	**252,291**	**1,835**	**(580)**	**1,338,294**	**996,927**
Fee and commission income	152,141	116,711	10,853	18,230	1,998	623	164,992	135,564
Investment income	407,264	241,918	76,819	53,049	-	-	484,083	294,967
Wakala fee income	13,728	3,102	-	-	-	-	13,728	3,102
Other operating income	44,923	37,424	-	-	-	-	44,923	37,424
	1,728,528	**1,144,371**	**313,659**	**323,570**	**3,833**	**43**	**2,046,020**	**1,467,984**
Expenses								
Claims incurred	(666,800)	(457,751)	(164,858)	(153,896)	(4,657)	(700)	(836,315)	(612,347)
Underwriting expenses	(82,696)	(49,726)	(19,460)	(11,597)	(515)	(126)	(102,671)	(61,449)
Other operating & admin. expenses	(519,050)	(373,043)	(21,104)	(13,365)	(1,483)	(496)	(541,637)	(386,904)
Increase in life /Takaful fund	-	-	(18,237)	(54,712)	2,822	1,279	(15,415)	(53,433)
Profit before income tax	459,982	263,851	90,000	90,000	-	-	549,982	353,851
Income tax expense	(36,904)	(8,866)	(3,954)	(11,085)	-	-	(40,858)	(19,951)
Profit after income tax	**423,078**	**254,985**	**86,046**	**78,915**	-	-	**509,124**	**333,900**

i) Insurance premiums

	30 June 2023			30 June 2022		
General insurance	Gross written premium Birr'000	Reinsurers premium Birr'000	Net written premium Birr'000	Gross written premium Birr'000	Reinsurers premium Birr'000	Net written premium Birr'000
Fire	194,098	(103,119)	90,979	137,474	(64,656)	72,819
Burglary	22,386	(4,831)	17,554	8,283	(3,747)	4,536
Motor	1,203,751	(86,190)	1,117,561	666,120	(49,746)	616,374
Marine	50,836	(17,933)	32,904	52,422	(21,433)	30,989
Goods in transits	30,383	(4,260)	26,123	25,515	(5,065)	20,450
Workmens' compensation	19,961	(1,089)	18,872	18,560	(920)	17,639
Group Personal Accident	57,980	(29,491)	28,488	37,992	(16,706)	21,286
Engineering	103,158	(69,418)	33,740	96,063	(78,012)	18,051
Public liability	85,941	(54,173)	31,769	32,219	(11,395)	20,824
Pecuniary	108,360	(65,199)	43,161	63,964	(37,190)	26,774
Floriculture	816	(909)	(93)	1,689	(1,492)	198
Political Violence & Terrorism	186,643	(170,058)	16,585	107,334	(90,303)	17,031
Travel	7,747	(4,028)	3,718	4,019	(1,968)	2,051
Others	520	-	520	227	-	227
	2,072,581	**(610,699)**	**1,461,883**	**1,251,882**	**(382,632)**	**869,250**

Life insurance	30 June 2023 Gross written premium Birr'000	30 June 2023 Reinsurers premium Birr'000	30 June 2023 Net written premium Birr'000	30 June 2022 Gross written premium Birr'000	30 June 2022 Reinsurers premium Birr'000	30 June 2022 Net written premium Birr'000
Individual life	11,767	-	11,767	9,766	-	9,766
Group life	78,684	(27,125)	51,559	52,066	(25,562)	26,504
Group medical	184,716	(9,027)	175,690	130,936	(6,222)	124,714
Travel Covid-19 Insurance	50,408	(63,436)	(13,028)	317,118	(225,811)	91,307
	325,575	**(99,588)**	**225,987**	**509,886**	**(257,595)**	**252,291**

General takaful contribution

	30 June 2023 written Birr'000	30 June 2023 Wakala fee Birr'000	30 June 2023 Retakaful Birr'000	30 June 2023 premium Birr'000	30 June 2022 written Birr'000	30 June 2022 Wakala fee Birr'000	30 June 2022 Retakaful Birr'000	30 June 2022 premium Birr'000
Fire	6,290.30	2,911.32	2,911.32	468	1,768.69	619.04	937.80	212
Burglary	-	-	-	-	-	-	-	-
Motor	31,058.57	3,468.11	3,468.11	24,122	6,248.74	2,187.06	494.99	3,567
Marine	1,055.12	599.82	599.82	(145)	705.59	246.96	465.26	(7)
Goods in transits	-	-	-	-	-	-	-	-
Workmens' compensation	109.72	29.60	29.60	51	17.15	6.00	0.91	10
Group Personal Accident	17.82	1.63	1.63	15	5.22	1.83	0.16	3
Engineering	92.20	8.21	8.21	76	24.32	8.51	1.22	15
Public liability	564.01	248.48	248.48	67	16.25	5.69	8.78	2
Pecuniary	-	-	-	-	-	-	-	-
Floriculture	-	-	-	-	-	-	-	-
Political Violence & Terrorism	32.50	26.40	26.40	(20)	75.66	26.48	3.78	45
Travel				-				-
Others				-				-
	39,220	**7,294**	**7,294**	**24,633**	**8,862**	**3,102**	**1,913**	**3,847**

	2023 Birr'000	2022 Birr'000
6 Net premiums		
a Gross premium on insurance contracts		
Gross written premium (note 5b (i))		
Life insurance	325,575	509,886
Non-life insurance	2,054,883	1,225,414
Coinsurance premium income	17,698	26,468
Total gross written premium	**2,398,156**	**1,761,768**
General takaful contribution	39,221	8,862
Change in unearned premiums provision (note 27)	(470,020)	(173,046)
Gross premium income	1,967,357	1,597,584
b Premiums ceded to reinsurers on insurance contracts, retakaful and wakala fee(note 5b (i))		
-Life insurance	(99,588)	(257,595)
-Non-life insurance	(583,152)	(372,976)
-Coinsurance premium expenses	(27,053)	(9,656)
	(709,793)	(640,227)
-General retakaful	(7,596)	(1,913)
-Wakala fee	(13,728)	(3,102)
Change in unearned premiums provision (note 27)	102,054	44,585
Total premiums ceded to reinsurers	(629,063)	(600,657)
Total net premiums	1,338,294	996,927

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

	2023 Birr'000	2022 Birr'000
7 Fee and commission income		
Policy administration	27,403	33,014
Reinsurance commission income	135,592	101,928
Policy administration-retakaful	423	148
General retakaful commission income	1,574	474
Total fees and commission income	164,992	135,564

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

	2023 Birr'000	2022 Birr'000
8 Investment income		
Rental income from investment properties (note 22)	18,041	9,228
Available for sale:		
- Dividend income	239,420	133,284
- Interest income	222,860	150,176
Cash and short-term deposits:		
- Interest income savings	3,762	2,279
Total investment income	484,083	294,967

	2023 Birr'000	2022 Birr'000
9 Other operating income		
Gain on disposal of property, plant and equipment	5,388	4,976
Wakala fee income	13,728	3,102
Sundry income	39,535	32,448
Total other operating income	58,651	40,526

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.

	2023 Birr'000	2022 Birr'000
10 Net benefits and claims		
a Claims expenses		
Life insurance contracts (note 27b)	143,083	232,816
Non-life insurance contracts (note 27a)	730,882	424,067
Takaful claims (note 27a)	5,771	515
Change in recoveries salvage properties	1,548	408
Change in subrogation reimbursements	(18,214)	10,404
Total claims expenses	863,070	668,210
b Claims recovered from reinsurers		
Life insurance contracts (note 27b)	14,740	(79,978)
Non-life insurance contracts (note 27a)	(166,532)	(67,690)
Takaful contracts (note 27a)	(1,207)	(36)
Total Claims expenses recoverable	(152,999)	(147,704)
c Gross change in contract liabilities		
Change in life insurance contract liabilities (note 27b)	7,035	1,058
Change in takaful outstanding claims provision (note 27a)	119	232
Change in takaful IBNR provision provision (note 27a)	-	-
Change in non-life insurance contract outstanding claims provision (note 27a)	142,442	100,807
Change in non-life insurance contract IBNR provision (note 27a)	53,198	40,924
Change in unallocated loss adjustment expense	3,108	(3,344)
Change in claims under litigations (note 28)	3,870	533
Total gross change in contract liabilities	209,772	140,210
d Change in contract liabilities ceded to reinsurers		
Change in non-life insurance contract IBNR provision	(24,240)	(8,654)
Change in non-life insurance contract outstanding claims provision	(59,262)	(39,704)
Change in takaful contractoutstanding claims provision	(26)	(11)
	(83,528)	(48,369)
Net benefits and claims	836,315	612,347

	2023 Birr'000	2022 Birr'000
.1 Underwriting expense		
Commission paid	112,138	69,446
Changes in deferred acquisition cost (note 21a)	(9,467)	(7,997)
	102,671	61,449

	2022 Birr'000	2022 Birr'000
2 Finance costs		
Interest expense on bank overdraft	429	154
	429	154

	2023 Birr'000	2022 Birr'000
3 Other operating and administrative expenses		
Rental expenses	82	12
Stationery and office supplies	13,268	19,350
Auditor's remuneration	230	201
Legal and other consultancy fees	29,037	12,061
Communication	3,847	3,585
Amortisation of right of use asset land lease(note 22)	1,685	1,457
Amortization of right of use asset land lease for investments(note 22)	124	62
Amortization of right of use asset buildings(note 22)	18,361	16,391
Recovery of Impairment loss on receivables	9,996	-
Other expenses	45,775	29,037
Donations	14,582	2,576
Gift and sponsorship	3,813	4,256
Fees and commission expenses	102	5
Fuel and lubricants	10,567	2,790
Bank charges	15,140	11,023
Depreciation on property and equipment (note 23)	36,467	29,800
Depreciation on investment property (note 24	6,698	5,732
Fair Value adjustment (OCI)	(16,328)	(16,196)
Advertisement	27,564	14,713
Subscription	1,204	1,415
Amortization of intangible assets (note 25)	1,290	1,395
Directors emoluments	1,258	1,118
Shariah advisory board Fee	399	432
Takaful management expense	1,483	496
Repairs and maintenance	32,660	19,670
Travel expenses	6,538	3,322
Insurance cost	8,191	3,771
	274,033	168,474

		2023 Birr'000	2022 Birr'000
14	**Employee benefits expense**		
	Salaries and wages	212,669	174,813
	Medical expenses	1,382	4,212
	Life insurance expense	6,810	6,630
	Staff training	4,901	3,686
	Defined contribution costs- employers' contribution	25,630	21,682
	Defined benefit costs- severance pay (note 31)	2,110	3,315
	Other staff cost and allowances	13,673	3,938
		267,175	218,276

		2023 Birr'000	2022 Birr'000
15	**Company income and deferred tax**		
a	**Current income tax**		
	Company income tax	40,858	19,951
	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	40,858	19,951
	Tax (credit) on other comprehensive income	-	-
	Total tax in statement of comprehensive income	40,858	19,951

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:

	2023 Birr'000	2022 Birr'000
Profit before tax	549,982	353,854
Income taxed at source		
- Interest income from deposits	(226,622)	(152,455)
- Income from dividend	(239,420)	(133,284)
-Adjustment of taxable depreciation	(17,597)	(11,041)
-Non-deductible expenses	69,850	9,429
Total taxable Income	136,193	66,503
Tax calculated at statutory tax rate of 30 %	40,858	19,951

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%

c **Current income tax liability**	**2023 Birr'000**	**2022 Birr'000**
Balance at the beginning of the year	19,951	20,304
Charge for the year:		
Company Income tax expense	40,858	19,951
Payment during the year	(19,951)	(20,304)
Balance at the end of the year	40,858	19,951

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.

	2023 Birr'000	**2022 Birr'000**
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	194,758	189,899
To be recovered within 12 months	(4,898)	4,859
	189,860	194,758

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 2021 Birr'000**	**(charge) to profit or loss Birr'000**	**Credit/ (charge) to equity Birr'000**	**30 June 2022 Birr'000**
Property, plant and equipment	194,758		194,758	199,617
Provisions			(4,898)	(4,898)
Tax losses charged to profit or loss	-			-
Post employment benefit obligation				
Total deferred tax assets/ (liabilities)	194,758	-	189,860	194,758

	2023 Birr'000	2022 Birr'000
16 Cash and bank balances		
Cash in hand	1,765	2,404
Cash at bank	341,226	201,599
Short term deposits with banks	115,056	17,671
Fixed time deposits with local banks	1,872,911	1,382,212
	2,330,958	1,603,886

Cash and bank balances are all current.

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

Cash and cash equivalents	2022 Birr'000	2022 Birr'000
Cash in hand	1,765	2,404
Cash at bank	341,226	201,599
Short term deposits with banks	115,056	17,671
	458,047	221,674

	2023 Birr'000	2022 Birr'000
17 Investment securities		
Available for sale		
Equity investments	860,406	620,236
Loans and receivables		
Ethiopian Government saving bonds	60,087	10,005

	2023 Birr'000	2022 Birr'000
Current	860,406	620,236
Non- current	60,087	10,005
	920,493	630,241

The Company holds equity investments in the following entities;

	30 June 2023		30 June 2022	
	Amount of shares '000	% holdings	Amount of shares '000	% holdings
Awash International Bank S.C	745,026	4.88%	523,073	5%
Ethiopian Reinsurance Company	78,992	5%	68,750	5%
BIS Vegetables and Agro industry	800	1%	800	1%
Sheger Investment Hotel and Tourism S.C	400	10%	400	10%
Addis- Africa International CEC	10,000	0.86%	10,000	0.9%
Oda Share Company S.C.	24,138	4.13%	16,914	4.1%
Capital Market Excellence Center S.C.	750			
Sheger Smart City Real Estate (under formation)	300		300	
	860,406		620,236	

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

	2023 Birr'000	2022 Birr'000
18 Insurance receivables		
Due from contract holders	34,963	43,657
Insurance agents	-	-
	34,963	43,657
Impairment loss on due from contract holders	(32,449)	(22,453)
Net amount	2,514	21,204

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

	2023 Birr'000	2022 Birr'000
At 1 July	43,656	154,969
Charge for the year (note 13)	(8,693)	(111,313)
Recoveries		
As at 30 June	34,963	43,656

	2023 Birr'000	2022 Birr'000
19 Reinsurance assets		
Recoverable from reinsurers	52,745	28,247
Recievable from local insurance	-	
Short-term insurance contracts:		
– Claims reported and loss adjustment expenses (note27)	190,342	131,080
– Claims incurred but not reported (IBNR) (note27)	52,570	28,330
Long-term insurance contracts:		
– Outstanding claims provision (note27)	2,156	941
Prepaid reinsurance (note27)	288,857	188,994
Impairment provision	-	-
	586,670	377,592
Retakaful assets		
Prepaid retakaful (note27)	3,319	1,128
Retakaful Asset	1,523	
Claims reported (note27)	26	11
Claims incurred but not reported (IBNR)	-	-
	4,868	1,139

	2023 Birr'000	2022 Birr'000
Current	591,538	378,731
Non- current	-	-
	591,538	378,731

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.

	2023 Birr'000	2022 Birr'000
20 Other assets		
Other loans and receivables:		
Qard recivable from takaful	9,000	3,000
Other account receivables	46,927	23,810
Subrogation reimbursements	48,986	30,772
Staff debtors	112,480	82,940
	217,393	140,522
Other non financial assets		
Prepaid staff expense	1,481	1,481
Withholding tax receivable	26,914	17,634
Value added tax receivable	3,912	5,249
Prepayments	-	-
	32,307	24,364
Less impairment loss and amortization on other receivables:		
Amortization of receivables	(19,474)	(13,991)
Impairment loss on other accounts receivables	(2,437)	(2,437)
Impairment loss on staff debtors	(216)	(216)
	(22,127)	(16,644)
	227,573	148,242

	2023 Birr'000	2022 Birr'000
Current	195,819	116,488
Non- current	31,754	31,754
	227,573	148,242

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

	2023 Birr'000	2022 Birr'000
At 1 July	16,644	14,855
Charge for the year	5,483	1,789
Recoveries	-	-
As at 30 June	22,127	16,644

	30 June 2023 Birr'000	30 June 2022 Birr'000
21 a Deferred acquisition cost		
This represents commission on unearned premium relating to the unexpired tenure of risk.		
Fire	6,704	4,600
Burglary	301	1,663
Motor	29,538	10,094
Marine	1,571	1,483
Goods in transits	1,119	1,046
Workmens' compensation	803	681
Group Personal Accident	2,748	1,960
Engineering	2,119	2,175
Public liability	1,744	1,624
Pecuniary	4,233	1,883
Floriculture	77	6
Political Violence and Terrorism	969	743
	51,924	27,957

The movement in deferred acquisition costs is as follows:	2023 Birr'000	2022 Birr'000
As at 1 July	27,957	19,960
Additions during the year (note 9)	23,967	7,997
Amortisation during the year		
As at 30 June	51,924	27,957

21 b Salvage property held for sale

	2023 Birr'000	2022 Birr'000
Salvage property held for sale	29,945	31,493

The movement in salvage properties held for sale is as follows:	2023 Birr'000	2022 Birr'000
As at 1 July	31,493	31,902
Additions(deduction) during the year	(1,548)	(409)
As at 30 June	29,945	31,493

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.

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	14,653	47,235	2,337	64,225
Additions – new lease contracts	32,530	2,500	-	35,030
Termination/adjustment/ of the lease contract	2,679	(3,268)	-	(589)
Depreciation	(18,361)	(1,685)	(124)	(20,170)
As at 30 June	31,501	44,782	2,213	78,496

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Interest expense on lease liabilities	-	-
Depreciation	20,170	17,910
	20,170	17,910

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 2022	18,179	11,510	733,244	37,623	152,459	18,374	10,921	982,310
Additions	3,609	1,497	-	-	85,349	3,778	29,994	124,227
Disposals/Adjustment	485	(334)			(2,815)	2,263		(401)
Reclassification	-	-			-			-
At 30 June 2023	22,273	12,673	733,244	37,623	234,993	24,415	40,915	1,106,136
Accumulated depreciation								
At 1 July 2022	(9,813)	(6,969)	(78,754)	(14,983)	(58,922)	(11,003)	-	(180,444)
Charge for the year	(1,547)	(1,138)	(13,806)	(2,445)	(13,447)	(403)	-	(32,786)
Disposals/Adjustments					2,034	(3,007)		(973)
Reclassification			-					-
At 30 June 2023	(11,360)	(8,107)	(92,560)	(17,428)	(70,335)	(14,413)	-	(214,203)
Net book value								
At 30 June 2022	8,366	4,541	654,490	22,640	93,537	7,371	10,921	801,866
At 30 June 2023	10,913	4,566	640,684	20,195	164,658	10,002	40,915	891,933

The Buildings and construction in progress of the Company was revalued on April 14,2021 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 1,539,790,860. Similarly, Motor vehicles of the Company were valued by internal valuers of the Company on April 14, 2021. Accordingly the market value of motor vehicles of the Company were valued Birr 137,430,000.

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.

24 Investment property

	Building Birr'000	Construction in progress Birr'000	Total Birr'000
Cost:			
At 1 July 2022	331,208	21,899	353,107
Additions	3,498	46,957	50,455
Reclassification	-		-
Transfer out of investment properties under construction	-		-
Revaluation surplus/ (deficit)			
At 30 June 2023	334,706	68,856	403,562
-			
Accumulated depreciation:			
At 1 July 2022	30,644	-	30,644
Charge for the year	6,698	-	6,698
Reclassification	-		-
At 30 June 2023	37,342	-	37,342
Net book value			
At 30 June 2022	300,564	21,899	322,463
At 30 June 2023	297,364	68,856	366,220

a Amounts recognised in profit or loss for investment property

	2023 Birr'000	2022 Birr'000
Rental income (note 10)	18,041	9,227
Direct operating expenses from property that generated rental income		
	18,041	9,227

b Fair value measurement of the Company's investment properties

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

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

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

c Fair value hierarchy

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Carrying amount		
Level 2	366,220	322,463

25 Intangible Assets

	Software development cost Birr'000	Software cost Birr'000	Total Birr'000
Cost			
As at 30 June 2022	-	22,956	22,956
Additions	-		
Reclassification			
Transfers		-	-
As at 30 June 2023	-	22,956	22,956
Amortisation			
As at 30 June 2022	-	(10,338)	(10,338)
Adjustment		(675)	(675)
Additions		(1,290)	(1,290)
As at 30 June 2023	-	**(12,303)**	**(12,303)**
Net book value			
As at 30 June 2022		**12,618**	**12,618**
As at 30 June 2023	-	**10,653**	**10,653**

26 Statutory deposits

This ralates to the amount deposited with National Bank of Ethiopia in line with Article 20 of the Insurance Business Proclamation No. 746/2012 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 (2023: Birr 65,540,000) out of it Birr 207,175,000 is transferred to Ethiopian Government Saving Bond for Great Renaissance Dam. The Bond bears interest income of 8% per annum.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Statutory deposits	209,496	143,956

The movement during the year is as follows:	30 June 2023 Birr'000	30 June 2022 Birr'000
As at 1 July	143,956	111,390
Additions	67,705	34,731
Interest received on statutory deposit invested in Government Bond	(6,433)	(6,433)
Interest receiveable on statutory deposit invested in Government Bond	4,268	4,268
As at 30 June	209,496	143,956

Although the minimum balance required to be set aside is Birr 211,664,089 (2023: Birr 68,179,800), accrued interest receiveable on the statutory deposit transferred to Ethiopian Government Savings Bond of Birr 6,859,006 have been included in the disclosure .

		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	693,678	551,237
	– Claims incurred but not reported IBNR	229,032	175,835
	Outstanding claims provision	922,710	727,072
	– Unearned premiums	1,102,226	650,459
	– Unallocated loss adjustment expense	14,397	11,289
		2,039,333	1,388,820
	Long-term insurance contracts:		
	– Life insurance fund	299,142	280,905
	– Outstanding claims provision	19,580	11,330
		318,722	292,235
	Total insurance liabilities, gross	2,358,055	1,681,055
	Short-term insurance contracts:General takaful		
	Claims reported and loss adjustment expenses-Takaful	340	232
	– Claims incurred but not reported IBNR- takaful	-	-
	Outstanding claims provision	340	232
	– Unearned premiums- takaful	23,808	5,555
		24,148	5,787
	Reinsurers assets		
	Short-term insurance contracts: Non life		
	– Claims reported and loss adjustment expenses	190,342	131,080
	– Claims incurred but not reported (IBNR)	52,570	28,330
	Outstanding claims provision	242,912	159,410
	– Unearned premiums (note ii)	288,857	188,994
		531,769	348,404
	Short-term insurance contracts: General takaful		
	– Claims reported and loss adjustment expenses	26	11
	– Claims incurred but not reported (IBNR)	-	-
	Outstanding claims provision	26	11
	– Unearned premiums (note iii)	3,319	1,128
		3,345	1,139
	Long-term insurance contracts:		
	– Outstanding claims provision	2,156	941
	Total reinsurers' share of insurance liabilities	537,270	350,484
	Net		
	Short-term insurance contracts: Non life		
	– Claims reported and loss adjustment expenses	503,336	420,157
	– Claims incurred but not reported (IBNR)	176,462	147,505
	Outstanding claims provision	679,798	567,662
	– Unearned premiums (note ii)	813,369	461,465
	– Unallocated loss adjustment expense	14,397	11,289
		1,507,564	1,040,416
	Short-term insurance contracts: General takaful		
	– Claims reported and loss adjustment expenses	314	221
	– Claims incurred but not reported (IBNR)	-	-
	Outstanding claims provision	314	221
	– Unearned premiums (note iii)	20,489	4,427
		20,803	4,648
	Long-term insurance contracts:		
	– Life insurance fund	299,142	280,905
	– Outstanding claims provision	17,424	10,389
		316,566	291,294
	Total insurance contract liabilities, net	**1,844,933**	**1,336,358**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	1,524,988	1,050,805
Non- current	299,142	280,905
	1,824,130	**1,331,710**

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 2023			30 June 2022		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
(i) Outstanding						
At 1 July	727,072	(159,410)	567,662	585,340	(111,052)	474,288
Notified claims	142,441	(59,262)	83,179	100,807	(39,704)	61,103
IBNR	53,197	(24,240)	28,957	40,925	(8,654)	32,271
As at 30 June	922,710	(242,912)	679,798	727,072	(159,410)	567,662
At 1 July	727,072	(159,410)	567,662	585,340	(111,052)	474,288
Cash paid for claims settled in year (note 10)	(730,882)	166,532	(564,350)	(424,067)	67,690	(356,377)
Increase in liabilities:						
– Arising from current-year claims	505,627	(172,989)	332,638	252,817	(43,084)	209,733
– Arising from prior-year claims	420,893	(77,045)	343,848	312,982	(72,964)	240,018
As at 30 June	922,710	(242,912)	679,798	727,072	(159,410)	567,662

	30 June 2023			30 June 2022		
Takaful	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Outstanding claims provision						
At 1 July	232	11	221	-	-	-
Notified claims	108	(15)	93	232	(11)	221
IBNR	-	-	-	-	-	-
As at 30 June	340	(4)	314	232	(11)	221
At 1 July	232	(11)	221	-	-	-
Cash paid for claims settled in year (note 10)	(5,771)	1,207	(4,564)	(515)	36	(479)
Increase in liabilities:						
– Arising from current-year claims	5,647	(1,189)	4,436	747	(47)	700
– Arising from prior-year claims	232	(11)	221	-	-	-
As at 30 June	340	(4)	314	232	(11)	221

(ii) Provisions for unearned premiums (Non life)

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	90,157	(78,124)	12,033
Travel	4,019	(2,090)	1,929
	1,102,225	**(288,857)**	**813,368**

30 June 2022

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	69,723	(30,323)	39,400
Burglary	4,637	(2,103)	2,534
Motor	337,237	(17,802)	319,435
Marine	26,603	(9,834)	16,769
Goods in transits	13,671	(2,714)	10,957
Workmens' compensation	9,995	(496)	9,499
Group's personal accident	23,294	(10,230)	13,064
Enginnering	49,014	(37,364)	11,650
Liability	17,122	(6,056)	11,066
Pecuniary	40,202	(23,307)	16,895
Floriculture	395	(325)	70
Political Violence & Terrorism	56180	(47,272)	8908
Travel	2386	(1,168)	1218
	650,459	**(188,994)**	**461,465**

(iii) Provisions for unearned premiums (General takaful

30 June 2023

	30 June 2023			30 June 2022		
	Gross Birr'000	e Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Fire	3,412	(1,579)	1,833	1,246	(661)	585
Burglary	-	-	-	-	-	-
Motor	18,991	(1,068)	17,923	3,859	(201)	3,658
Marine	703	(399)	304	390	(257)	133
Goods in transits	-	-	-	-	-	-
Workmens' compensation	59	(22)	37	6	-	6
Group's personal accident	6	(1)	5	3	-	3
Enginnering	66	(6)	60	3	-	3
Liability	526	(232)	294	13	(7)	6
Pecuniary	-	-	-	-	-	-
Floriculture	-	-	-	-	-	-
Political Violence & Terrorism	15	(12)	3	34	(2)	32
Travel	-	-	-	-	-	-
	23,778	**(3,319)**	**20,459**	**5,554**	**(1,128)**	**4,426**

Change in unearned income

	30 June 2023			30 June 2022		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Non Life	451,767	(99,863)	351,904	167,491	(43,457)	124,034
General takaful	18,253	(2,191)	16,062	5,555	(1,128)	4,427
As at June 30, 2022	470,020	(102,054)	367,966	**173,046**	**(44,585)**	**128,461**

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 2023 Birr'000	30 June 2022 Birr'000
At 1 July	280,905	226,195
Increase in individual life funds		
Adjustment of opening balance		
Net premiums received (note 6)	225,987	252,291
Investment income	76,819	53,049
Other income	-	-
Claims paid (note 10)	(143,083)	(232,816)
Claims recovered from reinsurers (note 10)	(14,740)	79,978
Management expenses	(21,104)	(13,365)
Net commission paid/ (received)	(8,607)	6,632
Changes in outstanding claim (note ii)	(7,035)	(1,059)
Distribution to shareholders	(90,000)	(90,000)
	18,237	54,710
As at 30 June	299,142	280,905

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:

	2023 Birr'000	2022 Birr'000
Actuarial liabilities	195,204	205,929
Actuarial surplus	193,938	164,976
Distribution to shareholders	(90,000)	(90,000)
Life fund	299,142	280,905

ii) **Outstanding claims provision**	2022 Birr'000	2022 Birr'000
At 1 July	10,571	9,512
Changes in outstanding claim (note 8)	7,035	1,059
As at 30 June	17,606	10,571

28 **Provisions for claims under litigations**	30 June 2023 Birr'000	30 June 2022 Birr'000
At 1 July	4,421	3,888
Provisions made during the year	3,870	533
As at 30 June	8,291	4,421

	2023 Birr'000	2022 Birr'000
29 Insurance payables		
Due to reinsurers	220,652	168,844
Payable to local insurance	2,548	5,973
Due to contract holders	77,901	4,812
Due to agents	6,953	1,083
	308,054	180,712
Retakaful liabilities	5,544	1,069
	5,544	1,069

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

	2023 Birr'000	2022 Birr'000
30 Other liabilities		
Financial Liability		
Lease liability	20,912	23,354
Other financial liabilities		
Dividend payable	10,662	18,709
Directors' Compensation	1,350	1,800
Other account payables	21,184	15,497
	33,196	36,006
Other non financial liabilities		
Deferred income	64,235	49,735
Withholdings Tax Payable	4,136	2,503
Provident/Pension Fund Payable	1,063	2,141
Unearned rental income	1,746	3,230
Leave pay	18,767	14,902
Accruals	50,918	44,846
Value Added Tax (VAT)	3,553	3,813
Dividend tax payable	-	-
Payroll tax payable	5,866	3,650
Advance premium deposit	3,255	3,009
	153,539	127,829
Gross amount	186,735	163,835

	2023 Birr'000	2022 Birr'000
Payable to takaful participants	19	8

	30 June 2022 Birr'000	30 June 2022 Birr'000
Current	186,735	163,835
Non- current	20,912	23,354
	207,647	187,189

31 Participants' Takaful Fund

	2023 Birr'000	2022 Birr'000
At 1 July	(1,279)	-
Current reserves /deficits/	(2,822)	(1,279)
As at 30 June	(4,101)	(1,279)

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 2023 Birr'000	30 June 2022 Birr'000
A Liability recognised in the financial position		
Defined benefit obligations	15,996	12,199

	2022 Birr'000	2022 Birr'000
B Amount recognised in the profit or loss		
Current service cost	3,797	2,538
Interest cost	301	290
	4,098	2,828

C Amount recognised in other comprehensive income:	**2023 Birr'000**	**2022 Birr'000**
Remeasurement (gains)/losses arising from changes in the financial assumptions	102	526
Defined benefit obligations	1,803	(424)
Tax credit /(charge)		
	1,905	102

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

	2023 Birr'000	**2022 Birr'000**
At 1 July	12,199	9,661
Current service cost	2,619	3,661
Interest cost	301	290
Remeasurement (gains)/ losses	1,803	(424)
Benefits paid	(926)	(989)
As at 30 June	15,996	12,199

D Assumptions
The significant actuarial assumptions were as follows:

i) Financial assumption: long term average

	2023 Birr'000	**2022 Birr'000**
Discount Rate (p.a)	14.30%	14.25%
Rate of Pension Increase (p.a)	15%	15%

ii) Mortality in Service

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

Age	**Mortality rate**	
	Male	**Female**
	%	**%**
20	11.1%	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%

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					30 June 2022	
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Impact of an increase	Impact of a decrease
	Base	Discount Rate Increased by 1%	Salary Rate Decreased by 1%	Discount Rate Increased by 10%	Salary Rate Decreased by 10%	Birr'000	Birr'000
Discount rate	14.30%	13.30%	14.30%	14.30%	14.30%	13%	15%
Salary increase rate	16.05%	15.05%	14.05%	15.05%	15.05%	15%	15%
Net liability at start of period	12,200	12,200	12,200	12,200	12,200	9,661	9,661
Expense recognised in PL	8,713	8,713	8,713	8,713	8,713	8,330	8,330
Expense recognised in OCI	1,905	3,086	3,140	862	2,356	1,022	422
Employer contributions	(6,821)	(6,821)	(6,821)	(6,821)	(6,821)	(5,894)	(5,894)
Net liability at end of period	15,997	17,177	17,231	14,953	16,447	13,119	12,520

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

	2023 Birr'000	2022 Birr'000
Qard	9,000	3,000

	30 June 2023 Birr'000	30 June 2022 Birr'000
34 Share capital		
Subscribed:		
7,585,280 ordinary shares of Birr 500 each	3,792,640	1,200,000
Issued and fully paid:		
Ordinary shares of Birr 500 each	1,411,094	956,562
Share premium	4,699	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 3,792,640,000 out of which (2023: Birr 1,411,094,000) was paid.

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

	2023 Birr'000	2022 Birr'000
	1,291,094	941,562
Non- life	120,000	15,000
Life		
	1,411,094	956,562

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.

	2023 Birr'000	2022 Birr'000
Profit attributable to shareholders	509,124	333,903
Weighted average ordinary shares in issue with a value of:	1,411,094	956,562
Basic & diluted earnings per share (Birr)	0.36	0.35

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 2023: nil) hence the basic and diluted loss per share have the same value.

	30 June 2023			30 June 2022		
	Undistributable retained earning	distributable Retained earnings	Total Birr'000	Undistributable retained earning	distributable Retained earnings	Total Birr'000
36 Retained earnings						
At 1 July	446,025	326,198	772,222	456,938	269,208	726,146
Prior year under classification of distributable retained earnings						
Retained earnings net of deferred tax	446,025	326,198	772,222	456,938	269,208	726,146
Dividend declared		(298,713)	(298,713)		(241,724)	(241,724)
Profit for the year		509,124	509,124		333,903	333,903
Other comprehensive income	(13,233)		(13,233)	(10,913)		(10,913)
Transfer to legal reserve		(50,912)	(50,912)		(33,390)	(33,390)
Transfer to directors' incentive		(1,350)	(1,350)		(1,800)	(1,800)
As at 30 June	432,792	484,346	917,138	446,025	326,198	772,222

	30 June 2023 Birr'000	30 June 2022 Birr'000
37 Legal reserve		
At 1 July	164,528	131,138
Transfer from retained earnings	50,912	33,390
As at 30 June	215,441	164,528

	30 June 2023 Birr'000	30 June 2022 Birr'000
38 Cash generated from operating activities		
Profit before income tax	549,982	353,854
Adjustments for non cash items:		
Depreciation on property and equipment (note 18)	36,467	29,800
Depreciation on investment property (note 18)	6,698	5,732
Depreciation on right of use asset (note 22a)	18,361	16,391
Fair value adjustment on deemed cost (note 13)	(16,328)	(16,196)
Amortisation of intangible assets (note 18)	1,290	1,395
Amortisation of leasehold land (note 18)	1,809	1,519
Gain on disposal of property, plant and equipment	(5,387)	(4,685)
Adjustments on right of use asset/fixed asset	(110)	2,006
Provision for claims under litigations (note 28)	3,870	533
Defined benefit obligations (note 31)	3,797	2,538
Dividend earned (note 8)	(239,420)	(133,284)
Interest income (note 8)	(226,622)	(152,455)
Changes in working capital:		
-Increase in insurance receivables	18,690	111,309
-Increase/(decrease) in reinsurance assets	(209,078)	(93,976)
-Increase/(decrease) in other assets	(79,331)	(10,184)
-Increase/(decrease) in deferred acquisition cost	(23,967)	(7,997)
-Increase/(decrease) in Salvage property held for sale	1,548	409
-Increase/(decrease) in statutory deposits	(65,540)	(32,566)
-Increase in insurance contract liabilities	677,000	353,410
-Increase in takaful and retakaful liabilities	16,181	5,795
-Increase/(decrease)in insurance payables	127,342	(71,638)
-Increase/(decrease) in other payables	22,900	55,178
	620,152	416,888

In the statement of cash flows, gain/loss on sale of property, plant and equipment comprise:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Proceeds on disposal	6,188	7,518
Net book value of property, plant and equipment disposed (Note 24)	(801)	(2,833)
Gain/(loss) on sale of property, plant and equipment	5,387	4,685

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 2023 Birr'000	30 June 2022 Birr'000
a *Transactions with related parties*			
Loans to related parties			
- Loans to key management personnel	Senior Executive Officers	10,152	13,039

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 2023.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Salaries and other short-term employee benefits	17,900	16,785
Post-employment benefits	10,082	8,254
Leave Pay	3,335	3,613
Sitting allowance		
Other expenses		
	27,982	25,039

c Employees details

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

	30 June 2023 Number	30 June 2022 Number
Chief,Senior Executive Officer and Directors	15	15
Management	80	80
Non- management	622	556
	717	651

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
10,000 - 30,000	582	578
30,001 - 50,000	38	1
50,001 - 100,000	14	46
100,000 -700,000	83	11
	717	636

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 has notified the company an additional dividend tax of Birr 29,269,149.23 before interest and penalty on the dividend capitalised by the shareholders for the years from 2009 to 2013 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 2023 Birr'000	30 June 2022 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	59,367	61,742
Total	68,866	71,241

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 2023 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 2023. The book value of the life funds as at that date was Birr 299,142,371 0 over its net actuarial liabilities. The valuation of the Company's life business funds as at 30 June 2023 was carried out by Zamara (consultants and actuaries).

The valuation was done on the following principles:

Individual life assurances and annuities

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

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

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

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

Group life

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

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

* The Incurred But Not Reported (IBNR) claims reserve calculated assuming a 3 months annual premiums. The IBNR provision shall be the higher of 10% of the Net Earned Premium

* Additional additional Unexpired Risk Reserve (AURR) that assesses adequecy of UPR held. Since the combined ratio in respect of the group medical business is greater than 100%(103.16%), the AURR is computed as 4% of the annual premium written for group medical business.

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

iii. Contingency reserve of Birr 9,000,000 is included as part of liability in respect of possible mortality costs and to allow normal flactuations in calims 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 17.75%.

The commission assumptions for Individual life policies were as follows;

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

Actuary's Solvency Certificate

I, James Israel Omanyala Olubayi of Zamara Actuaries, Administrators and Consultants Limited, Zamara Place, Ground Floor, Chiromo Road/Waiyaki Way, Nairobi 00200, Kenya, being a fully qualified Actuary and having conducted an actuarial valuation of the Life Fund as at 30 June 2023 using generally acceptable actuarial principles do hereby certify as under: -

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

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

c) that the actuarial valuation revealed an actuarial surplus of E Birr 193,937,976.

....

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

Nairobi, Kenya

September 2023

NEW BRAND LAUNCHING CEREMONY

NEW BRAND LAUNCHING CEREMONY
IN THE PRESENCE OF VICE GOVERNOR OF NBE

NEW BRAND LAUNCHING CEREMONY

NEW BRAND LAUNCHING CEREMONY

Branch Managers Recognition

Sales Agents Recognition

Sales Agents Recognition

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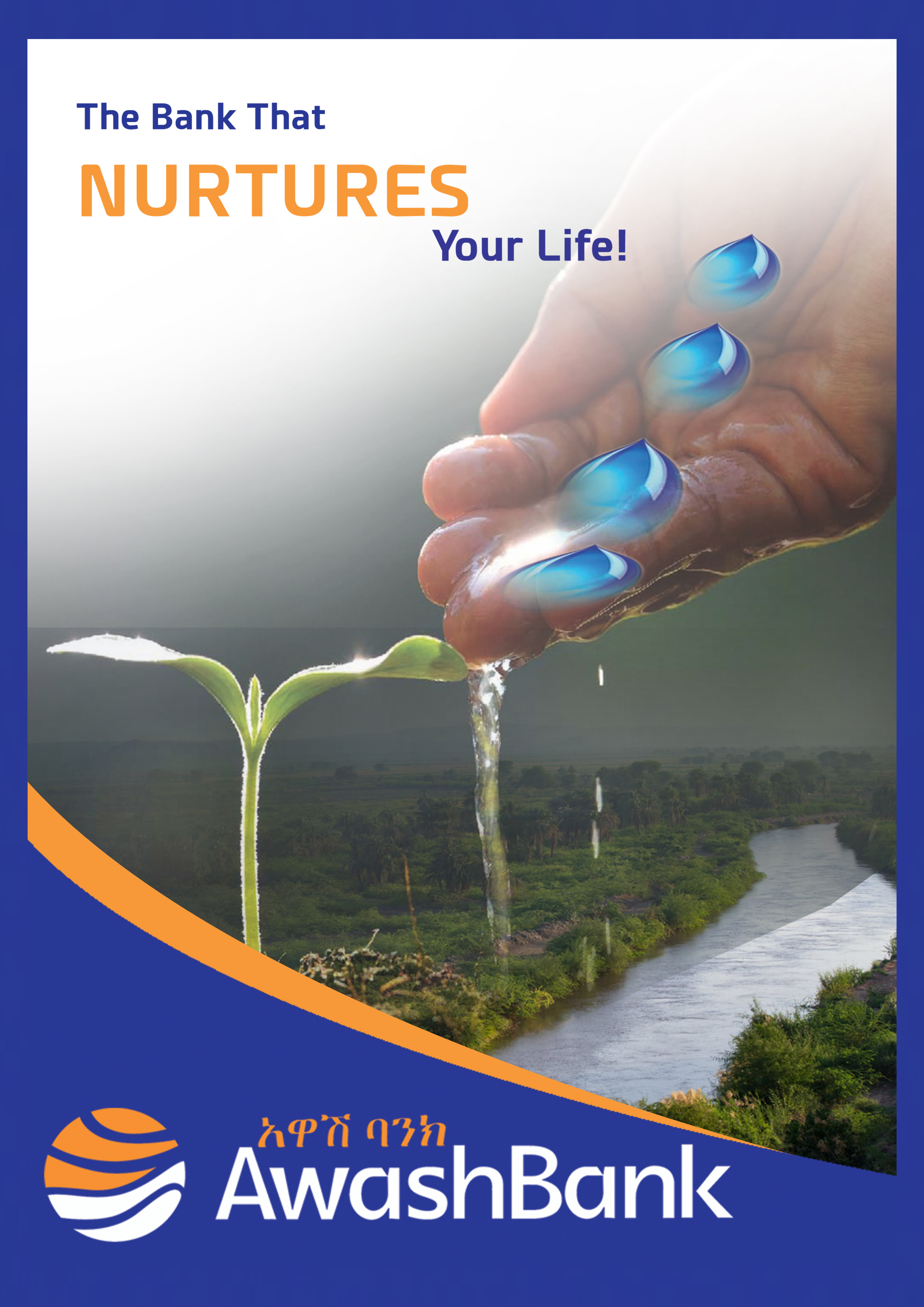
Awash
INSURANCE | We Flow with You

We Flow with You

Architectural Design

New Headquarters Building


The Bank That
NURTURES
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