Annual Report 2018/19

Tsehay Insurance S.c

The sun shines for all!

BOARD OF DIRECTORS

Ato Mandefro Erkou
Chairman

Ato Tadesse Ayenew
V/Chairman

Ato Belsti Bitew
Board Member

Ato Habtamu Alebachew
Board Member

W/ro Mahider Kiber
Board Member

Ato Aregaw Kefyalew
Board Member

Ato Balew Taddele
Board Member

Ato Mengist Zebenay
Board Member

Ato Tekalegne Alemu
Board Secretary

MANAGEMENT MEMBERS

Ato Kassa Lisanework
Chief Executive Officer

W/ro Heman Megas
Executive Officer, Finance & Admin. Dep't

Ato Berhanu Riber
Executive Officer, Marketing & Business Dev't Dep't

Ato Tolera Temesgen
DCEO/Opration

Ato Nebere Degfne
Chief Auditor

Ato Endalkachew Zelekew
Executive Officer, Underwriting and Re-insurance Dep't

Ato Daniel Girma
Manager, Re-Insurance Division

Ato Esayas Assefa
Manager, Financial Accounting Division

Ato Tomas Tilahun
Manager, Disbursement & Investment Division

Ato Abebe Worku
Manager, Motor Claims Division

Ato Yafet Fikadu
Manager, Non Motor Insurance Division

Ato Chernet Hailu
Manager, Marketing & Promotion Division

Ato Dessalgne Beyene
Manager, Legal Service

Ato Abebe Shay
Manager, HR & Property Admin.

Vision

To be trustworthy insurance company which generation s will be proud of

Core values

- Committed to Prompt and reliable Customer Service
- Serving With utmost respect
- Team work
- Integrity and Fairness
- Promise Keeping
- Confidentiality
- Creativity and Dynamism

Missions

Providing Prompt and reliable insurance services at fair price by motivated, and technologically supported, and efficient professionals to insure sustainable profitability and contribute to the overall national growth.

Contents

THE BOARD CHAIRMAN'S MESSAGE

I am honored to present the annual performance report of the company for the fiscal year ended June 30, 2019 to the 8th Annual General Assembly on behalf of the Board of Directors of Tsehay Insurance S.C and myself. From a humble beginning the company has made remarkable progress. In spite of the various challenges in the insurance sector, the company has managed to assure a steady growth track and an upward journey within a span of 7 full years; that is almost limitless. However, the year gone by can at best be described as a year of formidable challenges that put its own impediment to the overall insurance sector.

Following the political unrest and other situations that emerged in the country continued to affect the general economy which majorly distresses the smooth functioning of daily business operation of the industry.

Nevertheless, the company was determined to execute a focused strategy during the fiscal year in capturing opportunities and resolutely addressing challenges. Thus, the total asset of the company grew to Birr 599 million exceeding the balance of corresponding last year figure of birr 497 million by 102 million as of June 30, 2019. The gross written premium has also grown from Birr 285.7 million to 300.2 (5%) for the year under report. The company also made profit of birr 33.3 million after income tax. The profit increased by Birr 3.8 million (13%) from last year figure of Birr 29.5 million.

Sound professional reinsurance arrangement, effective and efficient use of man power resources and proactive decision made by high level management attributed to the registered profit. In connection with this, the company underscores the priceless significance of the role played by its respected shareholders and esteemed customers that maintained the company's profitability.

It is the Board's strong belief that we will go on to build a strong and solid foundation for the continued success of our company during the coming times that shall present stiff challenges. Though the market share of the company remained the same as last year's (3.5%), we are optimistic of our expansion in the future as the insurance sector gradually recovers from the challenges of recent years.

I take great pleasure, once again, to present the report of the Board of Directors and External Auditor's Report of the account of the company for the year ended June 30, 2019, for your kind consideration, deliberation and approval in accordance with Article 418 and 419 of the commercial code of Ethiopia 1960 and Articles 8 and 9 of the company's Article of Association.

Finally, I would once again like to appreciate Tsehay Insurance's esteemed customers and share holders for their confidence. Furthermore, my appreciation goes to members of Board of Directors for their priceless support and fast decision making. Last but not least, my special recognition goes to all management and staffs for their commitment without which such result could have never been realized.

Thank you all.

Mandefro Erkou,

Chairman, Board of Directors

1. OVERVIEW OF THE GLOBAL AND NATIONAL ECONOMY

1.1 PERFORMANCE OF THE GLOBAL ECONOMY

Following a broad-based upswing in cyclical growth that lasted nearly two years, the global economic expansion decelerated in the second half of 2018. The escalation of US–China trade tensions, macroeconomic stress in Argentina and Turkey, disruptions to the auto sector in Germany, tighter credit policies in China, the euro area economy lost more momentum than expected as consumer and business confidence weakened and financial tightening alongside the normalization of monetary policy in the larger advanced economies have all contributed to a significantly weakened global expansion, especially in the second half of 2018. With this weakness expected to persist into the first half of 2019, the *World Economic Outlook* (WEO) projects a decline in growth in 2019 for 70 percent of the global economy.

In China, necessary domestic regulatory tightening to rein in debt, constrain shadow financial intermediation, and place growth on a sustainable footing contributed to slower domestic investment, particularly in infrastructure. As a result, China's growth declined from 6.8 percent in the first half of 2018 to 6.0 percent in the second half of the year. One exception to the broader pattern was that momentum in the United States remained robust amid a tight labor market and strong consumption growth, but investment appeared to soften in the second half of the year (IMF, *World Economic Outlook*, April 2019). The US government shutdown has added to the uncertainty generated by US trade policy in respect of China and is weighing on US economic activity in the near term.

East Africa led with GDP growth estimated at 5.7 percent in 2018, slightly less than the 5.9 percent in 2017 and the highest among African regions, followed by North Africa at 4.9 percent, West Africa at 3.3 percent, Central Africa at 2.2 percent, and Southern Africa at 1.2 percent. The countries with the highest economic growth are Ethiopia, Rwanda, Tanzania, Kenya, and Djibouti. (*East Africa economic outlook*, April 2019)

1.2 THE NATIONAL ECONOMIC PERFORMANCE

According to Annual Report from National Bank of Ethiopia (2017/18), Ethiopian economy registered 7.7 percent growth in 2017/18, slower than the 10.9 percent expansion recorded in the preceding year. This growth was attributed to 12.2 percent rise in industrial output, 8.8 percent expansion in service sector and 3.5 percent growth in agriculture.

Consequently, the share of industry in GDP rose to 27 percent in 2017/18 from about 26 percent in 2016/17 while that of service increased slightly to 39.2 percent from 37.7 percent in 2016/17. In contrast, the share of agriculture fell to 33.8 percent in 2017/18 from 36.3 percent during the same period.

The general inflation rate using 12 months moving average for the year 2018/19 reaches to 12.6 percent for food and non food items. Food and non- alcoholic beverages inflation accounted for 11.5 percent and 13.8 percent accounted for non food item *(2012 EFY, Government of Ethiopia (GOE) budget summary)*

According to NBE 2018/19 Third quarter report, total merchandise export earnings amounted to USD 678.5 million, showing 7 percent reduction relative to last year same period performance. The diminishing in export performance attributed to downsizing in volume and lower in prices of export products particular to coffee, oilseeds, gold, leather and leather products, meat and meat products, fruits & vegetables, flower and electricity. The value of importable items for the same period is USD 3.6 billion showing an increment of 0.5%, on account of higher import values of semi-finished goods and fuel outweighing lower import values of capital goods; consumer goods and raw materials.

1.3 INSURANCE INDUSTRY

According to National Bank of Ethiopia report, Ethiopian insurance industry has produced a gross written premium (GWP) of Birr 9.1 Billion from both life and non-life classes of businesses within the completed budget year. Out of which, Birr 8.6 billion is from Non-Life business, while the remaining 0.5 Billion is covered by Life business. The produced GWP originate from through joint effort of all insurance companies operating in the country. Currently (1 public and 16 private) insurance companies exist in the country.

The industry has registered 6% growth of non life class of business over that of last year.

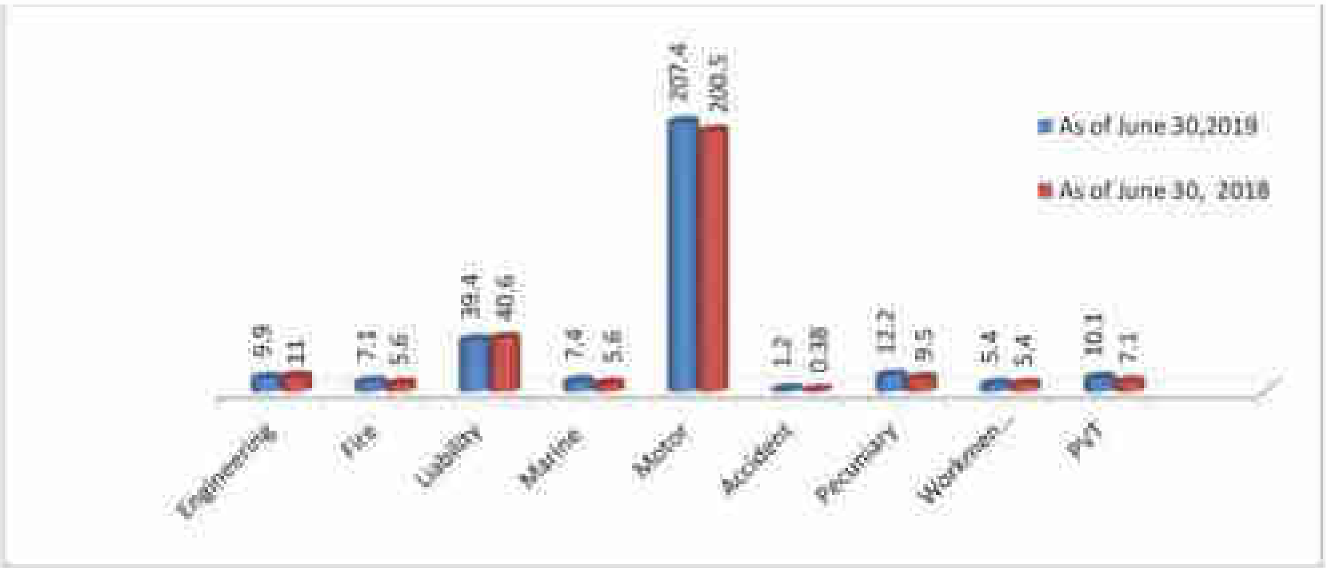
2. COMPANY'S OPERATIONAL PERFORMANCE FOR THE YEAR 2018/19

2.1 GROSS WRITTEN PREMIUM

Tsehay insurance S.C (TIC) has produced a GWP of Birr 300.2 Million from 23 branches during the reporting period, which showed an increase in birr 14.5 million (5.1%) compared with last year's same period performance. The trend of the Company's GWP production is presented below

Figure 1: Trend of GWP Production In millions Birr (2012/13-2018/19)

Figure 2: Comparison of GWP Production for 2017/18 Vs 2018/19 In millions Birr



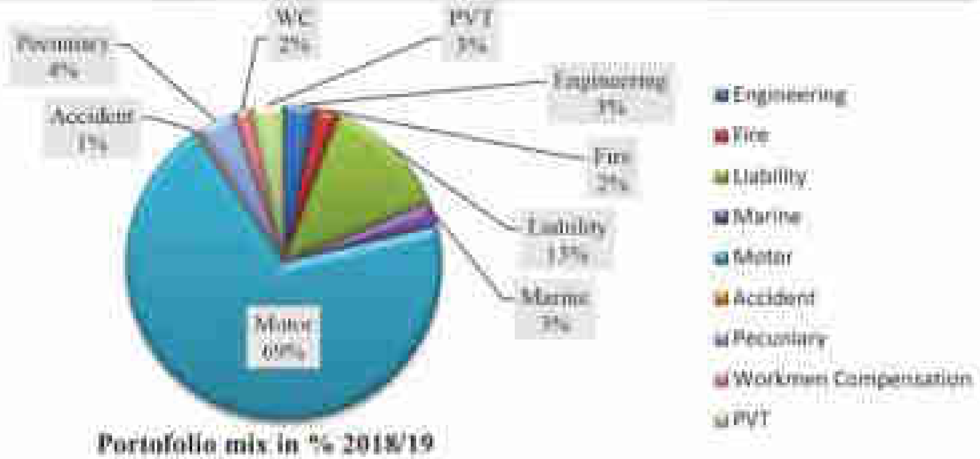
2.2 Portfolio Mix

With regard to portfolio mix, Tsehay Insurance collects 69% of the total Gross Written Premium from Motor class of business. The performance is higher than the target (63%) by 6 percent. Not only Tsehay Insurance but also the national insurance industry the highest premium emanates from motor insurance class of business which accounts for 53% of the total Gross Written Premium collected during the completed budget year.

Liability and pecuniary CoBs follow motor class of business with 13% and 4% contribution respectively.

Considering last year's same period performance, there is slight improvement in Motor, Marine, Fire, General Accident, Pecuniary and Workmen's Compensation and PVT class of businesses but, the performance of Engineering , Liability class of business were less than the preceding year.

Figure 3:- Portfolio Mix by Class of Businesses



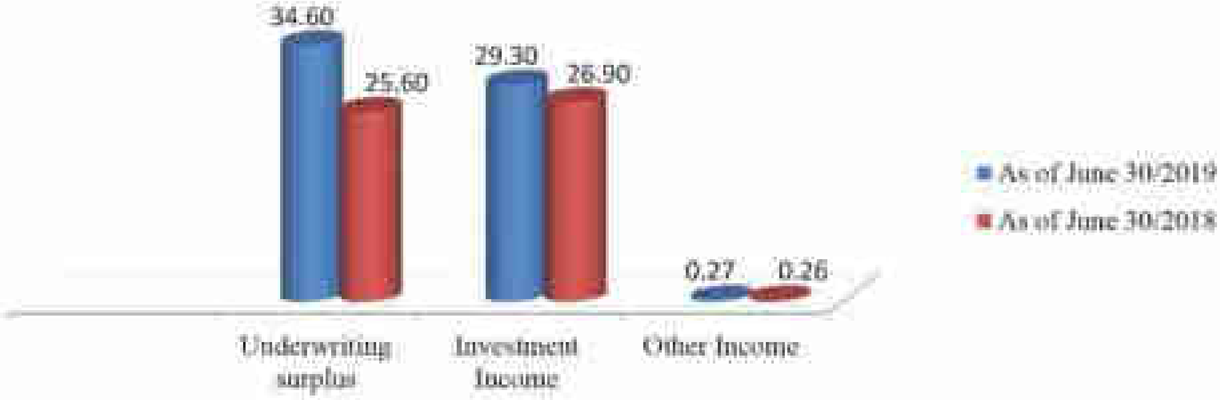
2.3 PAID AND OUTSTANDING CLAIMS

The sum of paid & outstanding claims (gross) for the year under review happened to be Birr 381.1 million. Of this amount, Birr 212.3 (56%) is paid while the remaining Birr 168.8(44%) million is reserved as a provision for outstanding claims. Motor claim contributed about 81.5% (Birr 173 million) to the total claims paid in the period while Liability and Engineering made the next higher contribution (Birr 22.4 million or 11% and Birr 7.5 million or 3.5% respectively). The rest five CoBs have covered the remaining portion, which is 4.4% or Birr 9.4 million. The gross paid and outstanding claims of this period increased by 13% and 16% respectively, compared with the preceding year's performance. This increment is due to rise in GWP, increase in car accidents and escalation of spare part and labor costs.

2.4 UNDERWRITING SURPLUS AND INVESTMENT INCOMES

The company managed to generate a total income of Birr 64.2 million during the completed year, registering a surge of Birr 11.4 million which was 22 % higher than the total income realized in the preceding Year. Out of which Birr 34.6 million (54%) is underwriting surplus. The underwriting surplus has shown a growth of Birr 9 million (35%) as compared to the preceding year. Investment incomes which amounted to Birr 29.3million, have also a growth of Birr 2.4 million (9%) compared to performance of the preceding budget year.

Figure 4: Comparison of Income in Million Birr



2.5 Expenses

The total expense of the company during the completed budget year reached Birr 28.8 million which is higher by Birr 7.1 million (33%) compared to last year same period. The company's operational expenses are dominated by Salary and benefit payments of employees (Birr 15.1 million) .The personnel expense grew mainly following the recruitment of additional employees in line with the branch expansion of the company. Accordingly, an increase in the volume of the company's operational activities and the continued increase in the offices rental as well as increment on salary and benefits for the staff attributed to the rise in operating expenses.

2.6 Profit

Despite unfavorable global and domestic environment, the company registered reasonable profit during the completed year. The company profit after income tax for the period is Birr 33.3 million. The profit showed an increase of Birr 3.8 million which is13% when compared to Birr 29.5 million registered in the preceding year. The profit before income tax performance registered during the operation period is Birr 35.4million, which is higher than by Birr 2.1 million (6.3%) from the planned targeted of Birr 33.3million.

Figure 5: - Profit Growth Trend (2012/13 -2018/19)

2.7 ASSET AND LIABILITIES

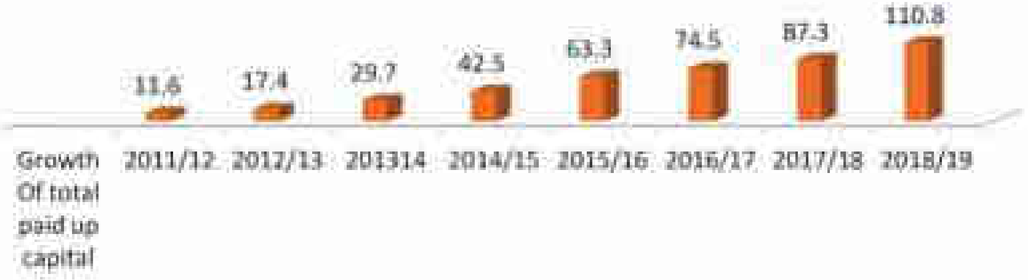
The total asset of the company reached Birr 599.4 million exceeding the balance of corresponding last year figure of Birr 497.1 million by Birr 102.3 million and registering a growth rate of 21%. The total liability of the company has reached Birr 438.1million which is increased by Birr 72.5 million or 19.8% compared with the previous year. This is due to the rise in outstanding claims, increase in premium reserve with an increase of GWP production and land lease liability during the year.

Figure 6:- Trend of Company's Asset and Liabilities In millions Birr (2012/13-2018/19)

2.8 PAID UP CAPITAL

The company's paid up capital has reached Birr 110.8 million as at 30th June, 2019, which shows increment of 27% from last year. The figure below shows the trend of paid up capital over the year 2011/12-2018/19.

Figure 7: Trend of Paid up capital in millions Birr



3. MARKETING AND BUSINESS DEVELOPMENT

3.1 MARKET EXPANSION

During the just ended year, TISC expanded its branch network in strategically important sites located at Addis Ababa and regional town. Accordingly, 3 additional branches were opened. Out of which; 2 were opened in Addis Ababa and 1 in Gondar town. Following this, the total number of branches reaches to 23 as at June 30, 2019.

The company makes use of sales agents to get the business from the potential areas where there is no nearby branch and to support existing branches in the year under review; the company has trained and deployed 14 new sales forces to the market.

Various marketing efforts along with the expansion of the business outlets supports to withstand the stiff challenge of insurance market and helps to achieve it's current market share of 3.5%.

Figure 8: Trend of Company's Market Share (2012/13-2018/19)

3.2 Product Development

The Company working on product development of newly customized and tailored products based on the needs and requirements of customers. Accordingly, in the year under review the company has launching Medical Health Insurance for the Families of Ethiopian Diaspora after getting approval from NBE.

3.3 Companies Image Building

During the fiscal year 2018/19 various activities were planned and implemented by the company to build its image. By the year under review the company highly worked to contribute a lot for its social responsibility. Following from the change of head office location, the new head office addresses advertised on Radio, and printing media. Various sponsorship of events has been held and different giveaway materials distributed to customers to enhance the name and services of the company in the market.

4. Human Resource

At the end of 2018/19 budget Year, the staff of the company reached 216 registering a growth of 13 % from the preceding year. During the same period, 21 employees left the company due to various reasons which is less compared to last year's 24 employees.

Human resource development is one of the primary concerns of the company. To this end, 16 employees are learning from diploma to graduate level in different colleges and universities. Moreover, short term trainings were given with 38 different training titles to employees stressing on the core business areas based on continuous need assessment to provide efficient insurance service to customers.

5. CHALLENGES AND SHORTCOMINGS

All the year to date performances of the company was not attained without challenges. The major problems faced during the period are summarized as follows:

- Political instability in almost all parts of the country.
- Slowdown of business activities in the overall economy of the country.
- Slowdown of government and private construction projects.
- Presence of extremely unreasonable price based competition in the insurance market.
- High price escalation of spare part and labor costs associated with rise in inflation

- Inability to sale salvaged vehicles as much as we can, due to the new procedure being implemented by City government of Addis Ababa Driver Vehicle, Permit Control Authority.

6. THE WAY FORWARD

Following slowdown of business activities in the overall economy of the country and challenges faced during the completed year, special care and attention required to mitigate the challenge and to strengthen the momentum of the growth in the coming year 2019/20. The collaborative effort of shareholders, Board of Directors and management of the company plays prominent role. Therefore, the company has identified the areas that need to get special attention in the year 2019/20. Accordingly, the following are the focus areas to work on.

- Undertaking periodic market assessment and designing new and tailored products that can meet customer requirements.
- Designing and implementing efficient resource utilization mechanisms
- Controlling claims leakage
- Enhancement of customer services provision
- Human Resource development
- Fortifying investment on profitable business ventures.
- Focus on asset building activities to support the core business, like; to build the company's Head Quarter and commercial centers, owning additional land for Recovery Yard, to have IT infrastructure and so on.

7. VOTE OF THANKS

As a concluding remark, the Board of Directors would like to express its heartfelt gratitude to the Shareholders, Customers, Management and Staff of the company, Brokers and Sales Agents for your demonstrable support of the company, affirming our clear mandate to accelerate company's growth. Finally we would also like to thank the National Bank of Ethiopia for its support during all these years.

TSEHAY INSURANCE SHARE COMPANY

Annual IFRS financial statements

For the year ended 30 June 2019

Directors, professional advisers and registered office

Company registration number
No. 017/12

Directors *(as of 30 June, 2019)*

Ato Mandefro Erkou	Chairman
Ato Tadesse Avenew	Vice Chairman
Ato Belati Bilew	Non Executive Director
W/ro Mahender Kiber	Non Executive Director
Ato Arzaw Kefyalew	Non Executive Director
Ato Balew Taddele	Non Executive Director
Ato Mengesl Zellenay	Non Executive Director
Ato Nahu Asteray	Non Executive Director

Executive management *(as of 30 June 2019)*

Ato Kassa Lisanwork	Chief Executive Officer
Ato Tolera Temesgen	Deputy Chief Executive Officer ,Operation
W/ro Hewan Moges	Executive officer , Finance and Administration
Ato Berhanu Kiber	Executive officer , Marketing and Business Development
Ato Nobers Dogsew	Chief Auditor

Independent auditor
Tafesse,Shisema and Ayalew certified Audit Partnership (TMS Plus)
Ethiopia

Corporate office
Tsehay Insurance Share Company
Bole Bridge in front of brass hospital
Addis Ababa.
Ethiopia

Principal bankers
United Bank S.Co
Catedral Branch
Country Tower 1st floor
Addis Ababa.
Ethiopia

Reinsurers
Africa Re-insurers
J.B Boda
PTA Reinsurance
Kenya Reinsurers
East Africa Reinsurers
Apex Reinsurer
Xpentia Reinsurance Company
Ethio Reinsurance Share company

Tafesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership

TSEHAY INSURANCE SHARE COMPANY
Annual IFRS financial statements
For the year ended 30 June 2019
Report of the directors

The directors submit their report together with the financial statements for the year ended 30 June 2019, to the shareholders of Tsehay Insurance S.C. This report discloses the financial performance and state of affairs of the Company .

Incorporation and address

Tsehay Insurance Share Company (S.C) was incorporated in Ethiopia on 28 March, 2012 as a share company, and is domiciled in Ethiopia. The company was established by a diversified group of shareholders and individual citizens

Principal activities

The principal activities of the Company is the underwriting of non-life insurance risk

Results and dividends

The Company's results for the year ended 30 June 2019 are set out on page 9. The profit for the year retained earnings. The summarised results are presented below.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Net earned premiums	241,168	203,652
Profit before income tax	35,381	31,133
Income tax expense	(2,092)	(1,601)
Profit for the year	33,289	29,532
Other comprehensive income net of taxes	(537)	(221)
Total comprehensive income for the year	32,752	29,311

Directors

The directors who held office during the year and to the date of this report are set out on page 3.

Company CEO
Addis Ababa, Ethiopia

Tadesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership

TSEHAY INSURANCE SHARE COMPANY
Annual IFRS financial statements
For the year ended 30 June 2019
Statement of directors' responsibilities

In accordance with the Insurance Business Proclamation No. 746/2012, the National Bank of Ethiopia (NBE) has directed the Company to prepare financial statements in accordance with International Financial Reporting Standards (IFRS).

The Company's board of directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
The Company is required 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 insurance company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The board accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards,Insurance Business Proclamation, Commercial code of 1960 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

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

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 on behalf of the Directors by:

Tekeste, Shiferaw & Aylew TMS Plus Certified Audit Partnership

Ato Mandefro Erkou	Ato Kassa Lisanework
Director	CEO
[Date]	[Date]

TSEHAY INSURANCE SHARE COMPANY

Annual IFRS financial statements
For the year ended 30 June 2019
Report of the consulting actuary

I have conducted an actuarial valuation of the general business of Tsehay Insurance Share Company .

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

In my opinion, the general business of the Company was financially sound and the actuarial value of the liabilities in respect of all the classes of general business did not exceed the amount of outstanding claims liabilities of the general business at 30 June 2019.

Actuary

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TSEHAY INSURANCE SHARE COMPANY

This report replaces the one issued on the date of 26 September 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tsehay Insurance Share Company which comprise the statement of financial position as at 30 June 2019, and the statement of 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 present fairly, in all material respects, or give a true and fair view of) the financial position of the Company as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Management for the Financial Statements

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

In preparing the financial statements, Directors are 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 Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of your directors so far as it related to these financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia of 1960, recommended approval of the above mentioned financial statements.

Tafesse, Shisema and Ayalew certified audit partnership (TMS plus)
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)

Addis Ababa
07 October 2019

TSEHAY INSURANCE SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
ASSETS			
Property plant and equipment	14	25,074	22,915
Right of land use	14.1	59,055	-
Unquoted equity investment	15	54,868	47,491
Government securities held to maturity	15	12,939	11,195
Reinsurers' share of technical provisions and reserves	16	97,152	75,657
Deferred acquisition costs	17	15,811	14,855
	18	61,705	78,061
Receivables arising out of reinsurance arrangements			
Current income tax asset		-	-
Other receivables	19	8,609	18,789
Other assets	19.1	1,015	-
Deposits with financial institutions	20	193,121	194,234
Cash and cash equivalents	20	70,041	33,886
Total assets		**599,392**	**497,083**
LIABILITIES			
Insurance contract liabilities	21	193,542	167,752
Unearned premium reserve	22	151,454	142,735
Deferred commission income	23	5,369	4,328
Creditors arising from reinsurance arrangements	24	19,794	34,928
Current income tax liabilities	13	610	835
Other liabilities	25	22,166	12,490
Land lease liabilities	25	41,999	-
Defined benefit liability	26	1,734	1,264
Deferred income tax		1,452	1,311
Total liabilities		**438,118**	**365,643**
EQUITY			
Share capital	27	110,779	87,280
Share premium	27	764	764
Retained earnings	28	37,915	35,448
Legal reserve	29	10,899	7,570
Other reserve		916	378
Total equity		**161,273**	**131,440**
Total equity and liabilities		**599,392**	**497,083**

Teklesilassie, Shiferaw & Associates
TMS Plus
Certified Audit Partnership

The notes on pages 22to 84 are an integral part of these financial statements.

The financial statements on pages 22to 84 were approved and authorized for issue by the board of directors on 26 September 2019 and were signed on its behalf by:

Ato Mandefro Erkou	Ato Kass Lisanework
Chairman, Board of Directors	Chief Executive Officer

TSEHAY INSURANCE SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPHRENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

Currency: Ethiopian Birr

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
Gross written premiums	5	300,186	285,695
Change in unearned premium reserve	5	(4,132)	(22,687)
Gross earned premiums		296,054	263,008
Less: Premiums ceded to reinsurers	5	(54,885)	(59,356)
Net earned premiums		241,169	203,652
Commission income	6	9,730	8,952
Net Underwriting income		250,898	212,604
Claims and policy holder benefits payable	7	238,075	256,283
Less : claims recoverable from reinsurers	7	(72,399)	(110,088)
Net claims and benefits incurred		165,676	146,195
Commission expense	8	23,291	20,783
Management expense		27,329	19,999
Total Underwriting expense		216,296	186,977
Underwriting profit		**34,602**	**25,627**
Investment income	9	29,297	26,931
Other income	10	267	264
Net income		**64,166**	**52,822**
Other operating and administrative expenses	11	28,278	21,647
Impairment on receivables arising out of reinsurance arrangements	18	-	-
Finance costs	12	(507)	(42)
Total expenses		**28,785**	**21,689**
Profit before income tax		**35,381**	**31,133**
Income tax expense	13a	(2,092)	(1,601)
Profit for the year		**33,289**	**29,532**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	26	(444)	(170)
Deferred tax (liability)/asset on remeasurement gain or loss		(93)	(51)
		(537)	(221)
Total comprehensive income for the year		**32,752**	**29,311**
Earning per share(ETB)	28.1	**34%**	**37%**

The notes on pages 22 to 84 are an integral part of these financial statements.

TSEHAY INSURANCE SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Share capital	Share premium	Retained earnings	Legal reserve	Other reserves	Total
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2017		74,474	667	27,287	4,875	157	107,460
							-
Profit for the year	28			29,532			29,532
Transfer to legal reserve	28			(2,694)	2,694		-
Transfer to capital	28	10,279	97	(10,275)			101
Transaction with owners in their capacity as owners :							-
Contribution of equity net of transaction costs		2,527					2,527
Dividends declared and paid				(8,401)			(8,401)
Other comprehensive income							-
Re-measurement gains on defined benefit plans (net of tax)	26					221	221
Total comprehensive income for the year		12,806	97	8,162	2,694	221	23,980
As at 30 June 2018		**87,280**	**764**	**35,448**	**7,569**	**378**	**131,440**
As at 1 July 2018		87,280	764	35,448	7,569	378	131,440
Profit for the year		-	-	33,289	-	-	33,289
Transfer to legal reserve	28	-	-	(3,329)	3,329		-
Transfer to capital		11,277	-	(11,277)			-
Transaction with owners in their capacity as owners :		-	-	-			-
Contribution of equity net of transaction costs		12,222	-	-			12,222
Dividends declared and paid		-	-	(16,216)			(16,216)
Other comprehensive income		-	-	-			-
Re-measurement gains on defined benefit plans (net of tax)	26	-	-	-		537	537
Total comprehensive income for the year		**23,499**	**-**	**2,467**	**3,329**	**537**	**29,832**
As at 30 June 2019		**110,779**	**764**	**37,915**	**10,898**	**916**	**161,273**

The notes on pages 22 to 84 are an integral part of these financial statements

TSEHAY INSURANCE SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
Cash flows from operating activities			
Cash generated from operations	29	114,314	49,295
Interest income		(22,504)	(22,209)
Dividend income		(6,793)	(4,722)
Income tax paid		(2,083)	(1,532)
Net cash (outflow)/inflow from operating activities		**82,933**	**20,832**
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(66,225)	(8,364)
Purchase of unquoted equity investment	15	(7,377)	(10,022)
Purchase of government securities	15	(1,744)	(560)
Proceeds from sale of property, plant and equipment	14	801	179
Interest received		22,504	22,209
Dividends received		6,793	4,722
Net cash (outflow)/inflow from investing activities		**(45,248)**	**8,164**
Cash flows from financing activities			
Proceeds from issues of shares	27	23,499	12,806
Increase in share premium		-	97
Time deposit		1,113	(30,657)
Transfer to capital		(11,277)	(10,275)
Dividends paid		(14,866)	(8,401)
Net cash (outflow)/inflow from financing activities		**(1,531)**	**(36,430)**
Net increase/(decrease) in cash and cash equivalents		**36,155**	**(7,434)**
Cash and cash equivalents at the beginning of the year	20	33,886	41,320
Foreign exchange (losses)/ gains on cash and cash equivalents		-	
Cash and cash equivalents at the end of the year	20	**70,041**	**33,886**

The notes on pages 22 to 84 are an integral part of these financial statements.

TSEHAY INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1 General information

Tsehay Insurance Share Company ("the Company) is a private commercial Insurance Company domiciled in Ethiopia. The Company was established on 29 March 2012, in accordance with proclamation No. 86/1994 and the Commercial code of Ethiopia of 1960. The Company has been licensed by the National bank of Ethiopia, the licensing body of Banks, Insurance and other Financial Institutions as per the power vested to it through Proclamation No 591/2008, the National Bank of Ethiopia Establishment (as amended) Proclamation. The registered office is at:

Tsehay Insurance Share Company
Bole Bridge in front of hema hospital
Addis Ababa,
Ethiopia

The principal activities of the Company are the underwriting of non-life insurance risk and provision of related financia services to its corporate and individual customers

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 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

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TSEHAY INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

The financial statements have been prepared in accordance with the going concern principle under the historical 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 4.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that the Company would remain in existence after 12 months.

2.2.2 Changes in accounting policies and disclosures

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 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 16 - Leases
This standard was issued in January 2016 (effective 1 January 2019) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

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

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NOTES TO THE FINANCIAL STATEMENTS
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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 (i.e. unearned profit).

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

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

2.3 Foreign Currency Translation
a) Functional and presentation currency

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

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

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b) Transactions and balances

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 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

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

Asset class	**Useful life (ye**	**Residual value**
Motor vehic	10	5%
Computer a	7	1%
Furniture ar	10	1%
Office and	7	1%
Recovery ir	10	1%

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

TSEHAY INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives is presented as a separate line item in the income statement.

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

Assets class	**Useful Life (years)**
Computer software	8

Deferred policy acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an intangible asset (DAC). Deferred acquisition costs represents 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. All other costs are recognized as expenses when incurred.

Subsequent to initial recognition, this DAC asset is amortized over the expected life of the contracts as a constant percentage of expected premiums. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method and are treated as a change in an accounting estimate.

The pattern of expected profit margins is based on historical and anticipated future experience and is updated at the end of each accounting period. DACs are derecognized when the related contracts are either settled or disposed off.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2.6 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.

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

TSEHAY INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2.7 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.

2.7.1 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
- 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 Loans and receivables including insurance receivables, investment securities and other financial assets. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

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

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

'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'.

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

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NOTES TO THE FINANCIAL STATEMENTS
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Reclassification of financial assets

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to income statement over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to income statement.

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 instrument. Interest earned whilst holding AFS financial instruments 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 to held to maturity if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

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

(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 recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

TSEHAY INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as loans and receivables), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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TSEHAY INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
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(i) Financial assets carried at amortized cost (Contd)

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'loan impairment charge'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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

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

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

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

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2.7.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include insurance contract liabilities, insurance payables and other liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

***a)* Financial liabilities at amortized cost**

These are financial liabilities issued by the Company, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

All financial liabilities of the Company are carried at amortized cost.

Derecognition of financial liabilities

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

2.7.3 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 recognized 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.

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TSEHAY INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
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2.8 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money or other benefits. The other assets in the Company's financial statements include: sundry debtors, staff debtors and deposits.

(a) Prepayments

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.

(b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Company's other receivables are staff debtors and sundry debtors.

2.9 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, cash at bank, short term deposit with banks.

2.10 Insurance contracts

2.10.1 Classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

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2.10.2 Recognition and measurement

The Company's insurance contracts are short term insurance contracts. This classification is based on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts.

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

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

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income.

Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognized as revenue (earned premiums) over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to

2.10.3 Liability

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs (DAC) assets. 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).

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2.10.4 Reinsurance contracts

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

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company''s property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortized over the estimated remaining settlement period.

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

2.10.5 Receivables and payables related to insurance contracts and investment contracts

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

2.10.6 Salvage and subrogation reimbursements

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

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

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

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2.11 Revenue recognition

a) Gross premiums

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognized on the date on which the policy is effective. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated using the 1/24th method as prescribed by Licensing and Supervision of Insurance Business Directive No SIB/17/98. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

b) Reinsurance premiums

Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

c) Fees and commission income

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

d) Investment income

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

Investment income also includes dividends when the right to receive payment is established, which is generally when the shareholders approve and declare the dividend.

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c) Dividend income

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

2.12 Gross benefits and claims

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.

2.13 Reinsurance claims

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

2.14 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 retirement benefit schemes for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. In a defined contribution plan, the actuarial risk falls 'in substance' on the employee. They include;

i) pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively;

ii) provident fund contribution, funding under this scheme is 7% and 13% by employees and the Company respectively based on the employees' salary.

The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of this scheme are held in separate trustee administered funds, which are funded by contributions from both the employee and the company. The contributions are recognized as employee benefit expense in the profit or loss in the year they relate. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

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(c) Defined benefit plan

The liability or asset recognized in the balance sheet in respect of defined benefit pension 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 liability recognized in the statement of financial position in respect of defined benefit pension 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 interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognized immediately in income.

Actuarial gains and losses 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.

(d)Terminati on benefits

Termination benefits are payable to employees when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(e) Profit-sharing and bonus plans

the Company's recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. the Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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2.15 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at each year end. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 4.8.1 and Notes 3
- Quantitative disclosures of fair value measurement hierarchy Note 4.8.2

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

2.15 Fair value measurement

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

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

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

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

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2.16 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

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

2.17 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

2.18 Dividends

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 authorized for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Ethiopian legislation identifies the basis of distribution as the current year net profit.

2.19 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 fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

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2.20 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 recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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3 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management Note 4.7
- Financial risk management and policies Note 4.3
- Sensitivity analyses disclosures Note 4.2

3.1 Judgments

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

Operating lease commitments -Company as lessee

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

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3.2 Estimates and assumptions

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

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

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

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

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortized to the consolidated statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs to the consolidated statement of profit or loss. The main assumptions used relate to investment returns, expenses, lapse and surrender rates and discount rates.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provide by a contract requires amortization of unearned premium on a basis other than time apportionment.

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Impairment losses on insurance receivables

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

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

If any of the impairment triggers are identified, the Company specifically assess the premium debt for impairment. Where no impairment trigger is identified, or no objective evidence of impairment exists, the Company assesses its premium debts 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.

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.

Liabilities arising from insurance contracts

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

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Impairment losses on available-for-sale equity financial assets

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

The Company's available-for-sale equity financial assets were assessed for impairment during the year and there was no identified objective evidence of impairment.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.8.2 for further disclosures.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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4 Insurance and financial risk management

4.1 Introduction

The Company's activities expose it to a variety of financial risks, including insurance risk, financial risk, credit risk, and interest rates risk. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximize return within an acceptable level of interest rate 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 Company's strategic planning process.

4.1.1 Risk management structure

The Board of Directors have the ultimate responsibility for establishing and ensuring the effective functioning of the risk management program of the Company.

The Risk committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and risk tolerance limits for the Board's approval. It is also responsible for reviewing and assessing the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively including providing periodic reports on risk management activities.

The Chief Executive Officer (CEO) is responsible for establishing and maintaining a climate of risk awareness and intelligence, as well as, developing governance mechanisms that effectively monitor risks.
The Company's policy is that risk management processes throughout the Company are assessed periodically by the management. This will help to adequately capture risk exposures, aggregate exposure of risk types and incorporate short run as well as long run impact on the Company.

4.1.2 Risk measurement and reporting systems

The Company's risks are measured using methods that reflect 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 regions. In addition, the Company measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

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

Risk control processes are identified and discussed in the quarterly risk report of the Risk Committee meetings. Control processes are also regularly reviewed and changes agreed with the Board.

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4.2 Insurance risk

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

Non- life insurance contracts

The Company principally issues the following types of general insurance contracts: motor, marine and cargo, engineering , workmen compensation and group personal accident.

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

30 June 2019	Gross liabilities Birr'000	Reinsurance liabilities Birr'000	Net liabilities Birr'000
Fire	1,496	1,067	430
Motor	124,730	30,225	94,507
Marine	953	137	816
Workmen's compensation	1,835	515	1,320
Liability	14,679	3,717	10,962
Pecuniary	46,727	37,985	8,742
Engineering	2,545	690	1,856
Accident	111	49	62
Political violence and terrorism (PVT)	500	-	500
Total non-life insurance contract liabilities	193,582	74,414	119,127

30 June 2018	Gross liabilities Birr'000	Reinsurance liabilities Birr'000	Net liabilities Birr'000
Fire	1,446	637	809
Motor	116,313	31,246	85,067
Marine	1,276	101	1,175
Workmen's compensation	1,295	209	1,086
Liability	16,462	2,570	13,892
Pecuniary	20,898	17,358	3,540
Engineering	10,022	5,384	4,638
Accident	40	1	39
Total non-life insurance contract liabilities	167,752	57,506	110,247

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Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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.

It should be noted that movements in these assumptions are non-linear.

	Change in liability	
Change in assumptions	**30 June 2019** Birr'000	**30 June 2018** Birr'000
Average claim cost +10%	24,931	23,275.12
Average number of cl +10%	24,931	23,275.12
Average claim settlem Reduce from 30 months to 24 months		

	Change in liability	
Change in assumptions	**30 June 2019** Birr'000	**30 June 2018** Birr'000
Average claim cost -10%	(24,940)	(23,270.15)
Average number of cl -10%	(24,940)	(23,270.15)
Average claim settlem Reduce from 30 months to 24 months		

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4.3 Financial risk

Financial instruments by category

The Company's financial assets are classified into the following measurement categories: available-for-sale, held to maturity and loans and receivables. The financial liabilities are classified into other liabilities at amortized cost.

The Company's classification of its financial assets is summarized in the table below:

30 June 2019	Notes	Available-For-Sale Birr'000	Held to maturity Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	17	-	-	70,041	70,041
Unquoted equity investment - available for sale		54,868.00			54,868
Government securities held to maturity	15	-	12,939.00		12,939
Trade and other receivables	16	-	-	3,651	3,651
Reinsurance assets	18	-	-	61,705	61,705
Total financial assets		54,868.00	12,939.00	135,397	203,204

30 June 2018	Notes	Available-For-Sale Birr'000	Held to maturity Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	17.00	-	-	33,886	33,886
Unquoted equity investment - available for sale		47,491.00			47,491
Government securities held to maturity	15.00	-	11,195.00	-	11,195
Trade and other receivables	16.00	-	-	16,033	16,033
Reinsurance assets	18.00	-	-	78,061	78,061
Total financial assets		47,491.00	11,195.00	127,980	186,666

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4.4 Credit risk

Credit risk is the risk of financial loss, despite realization of collateral security or property, resulting from the failure of a debtor to honor its obligations to the company. It includes investment activities (where the Company invests in bonds, debentures, or other credit instruments) and reinsurance arrangements of the Company.

For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure. The following policies and procedures are in place to mitigate the Company's exposure to credit risk.

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

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

c) The Company further restricts its credit risk exposure by entering into master netting agreements 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 set by management are subject to regular reviews.

The table below show the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is show gross before the effect of mitigation:

	Notes	30 June 2019	30 June 2018
		Birr'000	Birr'000
Cash and bank balances		70,041	53,830
Unquoted equity investment - available for sale		54,868	47,491
Government securities held to maturity		12,939	11,395
Other receivables		8,689	18,789
Other assets		1,015	-
Reinsurers' share of technical provisions and reserves		97,152	75,657
Deferred acquisition costs		15,811	14,855
Receivables arising out of reinsurance arrangements		61,705	78,061
		322,140	279,934

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4.4.2 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2019 and 30 June 2018 and are held in Ethiopian banks have been classified as unrated as there are no credit rating agencies in Ethiopia.

(b) Credit quality of trade and other receivables

30 June 2019	Neither past due nor impaired		Past due but not impaired	Individually impaired	Total
	Birr'000		Birr'000	Birr'000	Birr'000
Insurance receivables					
Due from Reinsurers	15,393		46,312		61,705
Due from Co-insurers					
Due from agents, brokers and intermediaries					
	15,393	-	46,312	-	61,705
Other loans and receivables					
Other receivables	5,024	-	-	-	5,024
Staff debtors	3,585	-	-	-	3,585
Gross amount	8,609				8,609
Less: Specific impairment allowance (note 15a)					
	8,609				8,609
	24,002	-	46,312	-	70,314

30 June 2018	Neither past due nor impaired		Past due but not impaired	Individually impaired	Total
	Birr'000		Birr'000	Birr'000	Birr'000
Insurance receivables					
Due from Reinsurers	44,071		33,990	-	78,061
Due from Co-insurers				-	-
Due from agents, brokers and intermediaries	-		-	-	-
	44,071		33,990	-	78,061
Other loans and receivables					
Other receivables	14,778		4,011	-	18,789
Staff debtors	1,946		-	-	1,946
Gross amount	16,724		4,011	-	20,735
Less: Specific impairment allowance (note 1	-		-	-	-
			4,011	-	20,735
	44,071		38,001	-	98,796

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(i) *Trade and other receivables - neither past due nor impaired*

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Receivables in this category are past due for less than 30 (thirty) days.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Neither past due nor impaired	24,002	60,795
	24,002	60,795

(ii) *Trade and other receivables - past due not impaired*

	30 June 2019 Birr'000	30 June 2018 Birr'000
Past due up to 30 days	8,838	30,398
Past due up to 30 - 60 days	3,585	18,238
Past due by 60 - 90 days	7,083	12,159
Past due by 90 - 180 days	4,496	
	24,002	60,795
Collective impairment		
	24,002	60,795

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(b) Credit quality of trade and other receivables (Contd)

(iii) Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its receivables from policy holders. 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 groups 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 2019 Birr'000	30 June2018 Birr'000
Insurance receivables		
Total allowance for impairment	-	-

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4.5 Liquidity risk

Liquidity refers to the company's ability to meet its current obligations. Liquidity is a measure of the ability of a debtor to pay his debts as and when they fall due. It is usually expressed as a ratio or a percentage of current liabilities. Liquidity risk is the measure of probability that a company's cash resources will be insufficient to meet current or future cash needs.

4.5.1 Management of liquidity risk

The Finance department is responsible to prepare and produce financial reports together with performance evaluation ratios and comparative statements on the basis of finance manual, standard reporting formats and regulatory body requirements, which include:

a) Notifying regularly the cash position and the expected commitments of the company
b) Proposing appropriate investment opportunities in line with insurance supervision directives
c) Liability settlements shall be undertaken on the basis of cash flow of the company
d) Finance Department will be responsible to report, monitor, evaluate and implement decisions affecting liquidity in line with the finance manual performance standards and reporting formats.

4.5.2 Measurement of liquidity risk

Liquidity risk is primarily measured as the ratio of current liability to liquid assets. It is expected that the ratio should at all times be less than or equal to 1.05 (105%) i.e. the maximum tolerance liquidity ratio the company should keep on hand is one birr for one birr and five cents obligation or liability.

In addition, the Company should maintain than 65% of admitted asset should be maintained at bank deposits and treasury bills. Based on forecasted cash flow statement of the year, the Company may arrange appropriate form of bank loan facility such as bank overdraft to make funds available for those times when cash flow short falls are predicted.

4.5.3 Maturity analysis of financial liabilities

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

30 June 2019	0-1 year Birr'000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
Insurance contract liabilities	193,542				193,542
Creditors arising from reinsurance	14,480	5,114			19,594
Other liabilities	22,166				22,166
Land lease obligation				41,999	41,999
Total financial liabilities	230,188	5,114	-	41,999	277,301

30 June 2018	0-1 year Birr'000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
Insurance contract liabilities	83,676	50,526	13,550		147,752
Creditors arising from reinsurance	17,464	10,478	6,986		34,928
Other liabilities	6,245	3,747	2,498		12,490
Land lease obligation				-	-
Total financial liabilities	107,385	64,751	23,034	-	195,170

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4.6 Market risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as premium rates, interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. The main market risk arises from trading activities and equity investments. The Company is also exposed to interest rate risk in the banking books.

Investment risk is the risk that earnings for the Company arising from its insurance entities may be adversely impacted by changes in the value of investments and that the profile of investments may be inappropriate to match the profile of liabilities.

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

4.6.1 Management of market risk

Market risk is managed by the Business Development Department and Finance & Investment Department subject to inputs from the Board of directors, to identify any adverse movement in the underlying variables.

4.6.2 Measurement of market risk

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

Market risk is measured on the basis of investment capital or fund of the Company. Investment is made on evaluating the investee companies and the type of investment. Investment risk is measured on the basis of security of the investment, liquidity consideration, and interest rate offer, and investment period, rate of return and proposal documents.

Investment is not be made if the investee company does not fulfill the above noted measurement factors. Investment is also made with special guidelines of the Board of Directors of the Company.

4.6.3 Monitoring of market risk

Market risk is monitored by performing regular asset liability matching exercises, monitoring market volatility, comparing actual performance with benchmark performance, and tracking errors and durations of fixed interest assets. Market risk is further monitored by measuring and comparing the actual risk exposure in terms of economic capital to an approved limit, based on a value-at-risk calculation. Hence, the Company has taken the following measures to ensure that market risk is adequately monitored.

a) Equity investments are made often by conducting a thorough study and assessment;
b) Equity investments are acquired from companies where the return is not less 10%;
c) Investment will not exceed in concentration more than 20% in one Company and the total amount will not exceed 10 million Birr
d) To adjust for price fluctuations, a revaluation of on-balance sheet assets will be carried every two years
e) The risk profile of every investment is made after the closing of accounts every year and action is taken based on appropriate recommendations
f) Technological related risks will be evaluated to see if the area of investment is prone to risks
g) Every investment proposal need to be approved by Board of Directors

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(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates.

The Company's exposure to the risk of changes in market interest rates relates primarily to it's financial obligations and financial assets with fixed interest rates. The Company's investment portfolio is comprised of Ethiopian government bonds and cash deposits.

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

30 June 2019	**Fixed Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets			
Cash and bank balances	70,041.00		70,041
Unquoted equity investment - available for sale		54,868	54,868
Government securities held to maturity	12,939.00		12,939
Trade and other receivables		3,651	3,651
Reinsurance assets	61,705.00		61,705
Total	144,685.00	58,519	203,204
Liabilities			
Insurance contract liabilities		193,542	193,542
Creditors arising from reinsurance arrangements		19,794	19,794
Other liabilities		22,166	22,166
Total	-	235,502	235,502

30 June 2018	**Fixed Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets			
Cash and bank balances	33,886.00	-	33,886
Unquoted equity investment - available for sale		47,491	47,491
Government securities held to maturity	11,195.00	-	11,195
Trade and other receivables	-	16,033	16,033
Reinsurance assets	78,061.00	-	78,061
Total	123,142.00	63,524	186,666
Liabilities			
Insurance contract liabilities	-	167,752	167,752
Creditors arising from reinsurance arrangements	-	34,928	34,928
Other liabilities	-	12,490	12,490
Total	-	215,170	215,170

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(iii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency. The Company is therefore not exposed to currency risk.

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.

4.7.1 Margin of Solvency

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

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

		30 June 2019 Birr'000	30 June 2018 Birr'000
(A)	Admissible Assets		
	Property plant and equipment		
	Investment security- available for sale	81,082	29,471
	Statutory deposit held to maturity	54,868	47,491
	Reinsurers' share of technical provisions and reserves	12,939	11,198
	Deferred acquisition costs	97,132	75,057
	Receivables arising out of reinsurance arrangements	15,811	14,855
	Other Assets	61,705	78,061
	Other receivables	8,609	-
	Deposits with financial institutions	193,121	18,789
	Cash and cash equivalents	70,041	184,234
			33,880
	Total assets	**595,328**	**494,639**
(B)	Admissible Liabilities		
	Insurance contract liabilities	193,542	167,752
	Unearned premium reserve	151,454	142,718
	Deferred commission income	5,369	4,328
	Creditors arising from reinsurance arrangements	19,794	34,928
	Current income tax liabilities	610	835
	Other liabilities	64,165	12,490
	Defined benefit liability	1,734	1,264
	Deferred income tax	1,452	1,311
	Total liabilities	**438,120**	**365,643**
(C)	**Excess (admitted capital)=(A-B)**	**157,208**	**128,996**
(D)	**Net premium**	226,539	176,190
(E)	Technical Provision	344,996	310,487
	Solvency margin		
(F)	Limit of net premium i.e. 20% of net premium	45,308	35,238
(G)	Limit of technical provision i.e. 25% of technical provision	86,249	77,622
(H)	Minimum paid-up capital	60,000	60,000
(C-G)	Since C>G -Positive Solvency Margin	70,959	51,374

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4.8 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

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

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 inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

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

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

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques 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 data 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 summarizes the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

	30 June 2019 Carrying amount	Fair value	30 June 2018 Carrying amount	Fair value
	Birr'000	Birr'000	Birr'000	Birr'000
Financial assets				
Cash and bank balances	70,043	70,043	13,886	13,886
Unquoted equity investment - available for s	54,908	54,908	47,491	47,491
Government securities held to maturity	12,939	12,939	11,195	11,195
Other receivables	8,609	8,609	16,789	16,789
Receivables arising out of reinsurance arrang	61,705	61,705	78,061	78,061
Total	208,162	208,162	167,422	167,422
Financial liabilities				
Insurance contract liabilities	193,542	193,542	167,752	167,752
Unearned premium reserve	151,454	151,454	142,735	142,735
Creditors arising from reinsurance arrangem	19,794	19,794	34,928	34,928
Other liabilities	22,166	22,166	12,490	12,490
Total	386,956	386,956	357,905	357,905

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4.8.3 Fair value methods and assumptions

Trade receivables and other receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

4.8.4 Valuation technique using significant unobservable inputs – Level 3

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

4.8.5 Transfers between the fair value hierarchy categories

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

4.9 Offsetting financial assets and financial liabilities

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

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		30 June 2019 Birr'000	30 June 2018 Birr'000
5	**Premium income**		
a	**Gross written premium**		
	Engineering	9,872	10,971
	Fire	7,136	5,639
	Liability	39,436	47,747
	Marine	7,450	5,613
	Motor	207,366	200,467
	Accident	1,175	376
	Pecuniary	12,178	9,999
	Workmen Compensation	5,450	5,383
	Political violence and terrorism (PVT)	10,113	-
	Total gross premiums	300,186	285,695
b	**Change in unearned premium reserve**		
	Engineering	665	(1,071)
	Fire	(300)	(448)
	Liability	1,067	(3,172)
	Marine	(2,618)	251
	Motor	(1,656)	(16,677)
	Accident	(1,512)	285
	Pecuniary	851	(1,560)
	Workmen Compensation	(785)	(295)
	Political violence and terrorism (PVT)	158	-
	Total change in unearned premium reserve	(4,132)	(22,687)
c	**Premiums ceded to reinsurers**		
	Engineering	(2,981)	(3,195)
	Fire	(4,379)	(3,626)
	Liability	(2,166)	(8,009)
	Marine	(2,806)	(2,186)
	Motor	(26,405)	(35,443)
	Accident	(760)	(1,029)
	Pecuniary	(7,247)	(4,802)
	Workmen Compensation	(273)	(266)
	Political violence and terrorism (PVT)	(7,860)	-
	Total premiums ceded to reinsurers	(54,883)	(59,356)
	Net earned premiums	**241,168**	**203,652**

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		30 June 2019 Birr'000	30 June 2018 Birr'000
6	**Commission income**		
	Reinsurance commission income	9,730	8,952
	Total commission income	9,730	8,952

		30 June 2019 Birr'000	30 June 2018 Birr'000
7	**Claims expenses**		
	Claims and policy holder benefits payable		
	Gross benefits and claims paid	212,285	187,223
	Change in insurance contract outstanding claims provision	23,371	65,323
	Change in other technical provision (IBNR)	1,907	2,389
	Change in technical provision (Unallocated loss adjustment expense)	512	1,348
		238,075	256,283
	Recoverable from reinsurance:		
	Claims paid recoverable	(55,491)	(71,846)
	Change in provision for outstanding claims recoverable	(15,809)	(39,161)
	Change in other technical provision (IBNR) recoverable	(1,099)	919
		(72,399)	(110,088)
	Net claims and loss adjustment expense	165,676	146,195

		30 June 2019 Birr'000	30 June 2018 Birr'000
8	**Commission expense**		
	Commission expense	23,291	20,783
	Other acquisition cost		
		23,291	20,783

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This relates to commissions earned by intermediaries for insurance business placed by them and to other insurance companies for facultative inward insurance business.

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		30 June 2019 Birr'000	30 June 2018 Birr'000
9	**Investment income**		
	Dividend income on equity investments	6,793	4,722
	Interest income on investment securities	711	31
	Interest income on cash and short-term deposits	21,793	22,178
	Total investment income	29,297	26,931

		30 June 2019 Birr'000	30 June 2018 Birr'000
10	**Other income**		
	Profit from sale of property, plant & equipment	(4.00)	44
	Interest income on staff loans	-	-
	Sundry income	271	220
		267	264

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			30 June 2019 Birr'000	30 June 2018 Birr'000
11	**Other operating and administrative expenses**			
	Employee benefits expense	Note 11.1	15,137	11,818
	Rental expenses		781	387
	Repair and maintenance		1,440	1,297
	Consultation expense		543	371
	Advertising and publication		1,676	1,438
	Communication		349	228
	Printing and stationeries		258	200
	Entertainment		375	578
	Travelling and transportation expenses		2,272	2,045
	Insurance		701	595
	Office cleaning and supplies		124	41
	Legal and professional fees		133	28
	Director fees		415	1,250
	Audit fees		66	51
	Subscription and membership fees		190	289
	Amortization of intangible assets		315	-
	Depreciation on property and equipment		1,087	155
	Bank charges		-	-
	Sundry expenses		2,416	922
			28,278	21,647

		30 June 2019 Birr'000	30 June 2018 Birr'000
11.1	**Employee benefits expense**		
	Salaries and wages	6,806	4,408
	Staff allowances	-	-
	Pension costs - Defined contribution plan	2,502	1,685
	Pension costs - Defined benefit plans	792	668
	Other staff expenses	2,781	2,657
	Bonus expenses	2,256	2,400
		15,137	11,818

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		30 June 2019 Birr'000	30 June 2018 Birr'000
12	**Finance income and (costs)**		
	Finance income	-	-
	Finance costs	(507)	(42)
	Gain or (Loss) on foreign exchange	-	-
		(507)	(42)

		30 June 2019 Birr'000	30 June 2018 Birr'000
13	**Company income and deferred tax**		
13a	**Current income tax**		
	Company income tax as per GAAP	1,859	399
	Prior year (over)/ under provision	-	993
	Deferred income tax (credit) to profit or loss	233	209
	Total charge to profit or loss	2,092	1,601
	Tax (credit) on other comprehensive income		
	Total tax in statement of comprehensive income	2,092	1,601

13b 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:

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	30 June 2019 Birr'000	30 June 2018 Birr'000
Profit before tax	35,342	31,133
Add : Disallowed expenses		
Entertainment expense	375	378
Fines & penalties	5	12
Donation & Contribution	25	25
Severance Expense	779	604
Adjustment of depreciation expense	3,300	2,570
Total disallowable expenses	4,484	3,589
Less : Allowable expense		
Declining depreciation per FIRA	4,333	2,375
Dividend income taxed at source	6,793	4,722
Interest income taxed at source-Local Deposit	22,504	22,983
Total allowable expenses	33,630	30,080
Taxable profit	6,196	4,642
Current tax at 30%	1,859	1,392

13c Current income tax assets / (liability)

	30 June 2019 Birr'000	30 June 2018 Birr'000
Balance at the beginning of the year	(835)	(974)
Current year provision	(1,859)	(1,392)
WHT Notes utilized	1,248	1,191
Payment during the year	835	341
Balance at the end of the year	(610)	(835)

13d Deferred income tax

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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	30 June 2019 Birr'000	30 June 2018 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	1,452	1,311
To be recovered within 12 months		-
	1,452	1,311

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L), in equity and

Deferred income tax assets/(liabilities):	At 1 July 2018 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity June/2019 Birr'000	Credit/ (charge) to equity up to june/2018 Birr'000	30-Jun-19 Birr'000
Property, plant and equipment	1,778	374	-		2,152
Provisions	-	-	-		-
Unrealized exchange gain	-	-	-		-
Tax losses charged to profit or loss	-	-	-		-
Post employment benefit obligation	(379)	(141)	(93)	(87)	(700)
Total deferred tax assets/(liabilities)	1,399	233	(93)	(87)	1,452

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	Motor vehicles Birr'000	Furniture and fittings Birr'000	Computer and accessories Birr'000	Office equipment	Recovery Improvements Birr'000	Total Birr'000
14 Property, plant and equipment						
Cost						
As at 1 July 2017	17,349	2,789	1,801	470	432	22,850
Additions	6,881	721	633	129	-	8,364
Disposals	(304)	-				(304)
As at 30 June 2018	23,926	3,510	2,434	608	432	30,910
As at 1 July 2018	23,926	3,510	2,434	608	432	30,910
Additions	4,412	987	473	354	-	6,226
Disposals	(1,827)	-	-	-	-	(1,827)
Reclassification						-
As at 30 June 2019	26,511	4,497	2,907	962	432	35,309
Accumulated depreciation						
As at 1 July 2017	3,657	759	702	170	138	5,426
Charge for the year	2,015	307	298	76	43	2,739
Disposals	(169)	-	-		-	(169)
As at 30 June 2018	5,503	1,066	1,000	245	181	7,995
As at 1 July 2018	5,503	1,066	1,000	245	181	7,995
Charge for the year	2,530	382	369	110	43	3,434
Disposals	(1,196)	-	-	-	-	(1,196)
As at 30 June 2019	6,837	1,450	1,369	355	224	10,233
Net book value						
As at 30 June 2018	18,423	2,444	1,434	363	251	22,915
As at 30 June 2019	19,674	3,047	1,538	608	208	25,074

14.1 Right of land use

	As at 1 July 2018 Birr'000	Additions Birr'000	Impairment Birr'000	As at 30 June 2019 Birr'000
Cost	-	60,000	-	60,000
Accumulated amortization	-	(945)	-	(945)
Net book value	-	59,055	-	59,055

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	30 June 2019 Birr'000	30 June 2018 Birr'000
15 Investment		
Available for sale:		
Unquoted equity investment	54,868	47,491
	54,868	47,491

The Company holds equity investments in the following entities;

	30 June 2019 Equity Investments	30 June 2018 Equity Investments
Bank of Abyssinia	7,150	7,150
United Bank S.C	7,129	5,953
Tsehay Industry	12,009	9,728
Dynamic micro finance	9,313	7,163
Berhan international bank s.c.	6,946	6,337
Ethiopian Reinsurance S.C	8,717	7,800
Abay Industry development	3,075	3,030
Addis Africa Ex. Center	530	530
TOTAL	**54,868**	**47,491**

These investments are unquoted equity securities measured at cost.

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Loans and receivables:		
Government securities held to maturity	12,939	11,195
Gross amount	12,939	11,195
Less individual allowance for impairment		
	12,939	11,195

The company acquires government bond bearing interest income of 6% per annum.
The interest bearing government bonds forms the mandatory statutory deposit in line with article 20 of insurance business proclamation 746/2012
The statutory deposit is calculated at 15% of the company's paid up capital

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	30 June 2019 Birr'000	30 June 2018 Birr'000
16 Reinsurers' share of technical provisions and		
- Claims incurred but not reported	4,775	3,676
- Notified claims outstanding	69,639	53,830
- Unearned premiums	22,738	18,151
At end of year	**97,152**	**75,657**

	30 June 2019 Birr'000	30 June 2018 Birr'000
17 Deferred acquisition costs		
At the start of the year	14,855	14,855
At end of year	**15,811**	**14,855**

	30 June 2019 Birr'000	30 June 2018 Birr'000
18 Receivables arising out of reinsurance arrangements		
Gross reinsurance receivables	61,705	78,061
Impairment provision	-	-
	61,705	**78,061**

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	30 June 2019 Birr'000	30 June 2018 Birr'000
19 Other receivables		
Sundry debtors	3,651	16,033
Trade debtors	845	785
Prepayments	4,113	1,971
	8,609	18,789

Gross amount	**8,609**	**18,789**

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	8,609	18,789
Non- current	-	-
	8,609	18,789

	30 June 2019 Birr'000	30 June 2018 Birr'000
19.1 Other receivables		
Wrecks of paid claim	483	-
Supplies (inventories)	532	-
	1,015	-

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	30 June 2019 Birr'000	30 June 2018 Birr'000
20 Cash and cash equivalents		
Cash on hand	5,874	240
Cash at bank	64,167	33,646
	70,041	33,886

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	70,041	33,886
Non- current	-	-
	70,041	33,886

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, cash at bank.

21 Insurance contract liabilities

Gross insurance contracts :	30 June 2019 Birr'000	30 June 2018 Birr'000
Claims reported and loss adjustment expense	168,817	145,446
Claims incurred but not reported IBNR	20,930	19,023
Unallocated loss adjustment expense	3,795	3,283
Total insurance liabilities, gross	193,542	167,752
Recoverable from reinsurers		
Notified claims outstanding (Note 16)	(69,639)	(53,830)
Claims incurred but not reported (Note 16)	(4,775)	(3,676)
- Unallocated loss adjustment expense	-	-
Total reinsurers' share of insurance liabilities	(74,414)	(57,506)
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	99,178	91,616
Claims incurred but not reported IBNR	16,155	15,347
Unallocated loss adjustment expense	3,795	3,283
Total insurance contract liabilities, net	119,128	110,246

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Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	119,128	110,246
Non- current		
	119,128	110,246

21.1 Claims reported and loss adjustment expenses

	30 June 2019 Birr'000	30 June 2018 Birr'000
Fire	990	1,006
Motor	108,511	101,770
Marine	441	689
Workman's compensation	1,518	829
Liability	10,863	12,002
Pecuniary	44,933	19,538
Engineering	1,703	9,004
Accident	59	8
Political violence and terrorism (PVT)	-	-
	168,817	145,446

21.2 Claims incurred but not reported IBNR

	30 June 2019 Birr'000	30 June 2018 Birr'000
Fire	477	411
Marine	493	562
Motor	13,779	12,269
Engineering	793	822
Pecuniary	878	951
Accident	50	12
Workman's compensation	481	440
Liability	3,400	3,536
Political violence and terrorism (PVT)	490	
	20,940	19,023

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21.3 Unallocated loss adjustment expense

	30 June 2019 Birr'000	30 June 2018 Birr'000
Fire	29	28
Marine	19	25
Motor	2,446	2274
Engineering	50	197
Pecuniary	916	410
Accident	2	1
Workmen's compensation	36	25
Liability	287	323
Political violence and terrorism (PVT)	10	-
	3,795	3,283

22 Unearned premium reserve

	30 June 2019 Birr'000	30 June 2018 Birr'000
Gross - Unearned premium reserve	151,454	142,735
Recoverable from reinsurers (Note 16)	(22,738)	(18,151)
Unearned premium reserve, net	128,716	124,584

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

22.1 Unearned premium

	30 June 2019 Birr'000	30 June 2018 Birr'000
Fire	3,651	2,613
Motor	100,610	98,735
Marine	5,576	2,000
Workmen's compensation	3,413	2,627
Liability	17,489	22,834
Pecuniary	7,155	6,091
Engineering	5,078	6,203
Accident	1,580	232
Political violence and terrorism (PVT)	6,903	-
	151,454	142,735

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	30 June 2019 Birr'000	30 June 2018 Birr'000
23 Deferred commission income		
At the start of the year	4,328	4,210
Net increase / (decrease)	1,041	118
At end of year	**5,369**	**4,328**

	30 June 2019 Birr'000	30 June 2018 Birr'000
24 Creditors arising from reinsurance arrangements		
Creditors arising from reinsurance arrangements	19,794	34,928
	19,794	34,928

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
25 Other payables		
Other financial liabilities		
Payables to BOD	1,350	1,456
Dividend payable	-	-
Third party insurance payables	607	576
Commission payable	6,191	4,105
Bank overdraft - united bank	5,401	-
	13,549	6,137

The carrying amounts of deposits received from reinsurers and outstanding purchase of investment securities disclosed above approximate fair value at the reporting date. All amounts of deposits received from reinsurers and outstanding purchase of investment securities are payable within one year.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Other non financial liabilities		
Income tax payable	806	-
Pension fund payable	380	245
Withholding tax payable	168	241
Value added tax	1,329	742
Sundry creditors	899	807
Accrued expense	5,036	4,317
Lease fund obligation	41,999	-
	50,616	6,352
Gross amount	**64,165**	**12,490**

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Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	64,165	12,490
Non- current		
	64,165	12,490

		30 June 2019 Birr'000	30 June 2018 Birr'000
26 Defined benefit liability			
Defined benefits liabilities:			
Severance pay	Note 26(a)	1,734	1,264
Liability in the statement of financial position		**1,734**	**1,264**
Income statement charge included in personnel expenses:			
Severance costs	Note 26(a)	779	574
Total defined benefit expenses		**779**	**574**
Remeasurements for:			
Remeasurement (gains)/losses	Note 26(a)	(444)	(170)
Deferred tax (liability)/asset on remeasurement		(93)	(51)
gain or loss		**(537)**	**(221)**

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

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Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current		
Non-Current	1,734	1,264
	1,734	1,264

26a Severance pay

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

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
A Liability recognized in the financial position	1,734	1,264

B Amount recognized in the profit or loss	30 June 2019 Birr'000	30 June 2018 Birr'000
Current service cost	581	436
Interest cost	198	138
	779	574
C Amount recognized in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in	(309)	(170)
	(309)	(170)

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

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	30 June 2019 Birr'000	30 June 2018 Birr'000
At the beginning of the year	1,264	860
Current service cost	591	436
Interest cost	198	138
Remeasurement (gains)/ losses	(309)	(170)
Benefits paid		
At the end of the year	1,734	1,264

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2019 Birr'000	30 June 2018 Birr'000
Discount rate (p.a)	13.50%	12.75%
Long term salary Increase rate (p.a)	17.00%	18.00%

ii) Mortality in Service

The rate of mortality assumed for employees are those according to the British A49-52 ultimate table published by the Institute of Actuaries of England. These rates combined are approximately summarized as follows:

Age	Mortality rate Male	Female
20-24	0.11%	0.11%
25-29	0.11%	0.11%
30-34	0.12%	0.11%
35-39	0.13%	0.12%
40-44	0.19%	0.15%
45-49	0.33%	0.23%
50-54	0.60%	0.42%
55-59	1.04%	0.75%
60-64	1.72%	1.27%

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iii) Withdrawal from Service

The withdrawal rates are as summarized below

Age	Resignation rates per annum
Less than 20	0.00%
21-25	15.00%
26-30	12.00%
31-35	6.00%
36-40	2.50%
41-45	1.80%
Above 41	0.00%

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

	30 June 2019				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Discount rate decreased by 1%
Discount rate	13.50%	14.50%	13.50%	12.50%	-12.88%
Salary rate	17.00%	17.00%	18.00%	17.00%	
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	**1,264**	**1,264**	**1,264**	**1,264**	**1,264**
Total net expense recognized in income	779	779	779	779	779
Net increase recognized in other comprehensive	(309)	(461)	(137)	(130)	(459)
Net liability at end of period	**1,734**	**1,582**	**1,906**	**1,913**	**1,584**

	30 June 2018				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Discount rate decreased by 1%
Discount rate	12.75%	12.88%		-12.88%	
Salary rate	18.00%		18.18%		-18.18%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	**860**	**860**	**860**	**860**	**860**
Total net expense recognized in income	574	648	678	500	470
Net increase recognized in other comprehensive	(170)	(192)	(201)	(148)	(139)
Net liability at end of period	**1,264**	**1,316**	**1,337**	**1,212**	**1,191**

The current arrangements are unfunded with no pre-determined contributions. The Company however meets benefit payments on a pay-as-you-go basis.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

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		30 June 2019	30 June 2018
		Birr'000	Birr'000
27	**Ordinary share capital**		
	Authorized:		
	120,000 2019 (2018: 120,000) ordinary shares of Birr 1,000 each	120,000	120,000
	Issued and fully paid:		
	Ordinary shares of Birr 1,000 each	110,779	87,280
	Share premium	764	764

Total subscribed shares at 30 June 2018 & 2019 was Birr 120,000,000 out of which Birr 110,778,758 in June 30 2019 (30 June 2018 : 87,280,832) was paid.

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

		30 June 2019	30 June 2018
		Birr'000	Birr'000
28	**Retained earnings**		
	At the beginning of the year	35,448	27,287
	Profit/ (loss) for the year	33,289	29,532
	Transfer to legal reserve	(3,329)	(2,694)
	Transfer to board of directors	(1,350)	(700)
	Dividend provided for	(14,866)	(7,702)
	Transfer to capital	(11,277)	(10,275)
	At the end of the year	37,915	35,448

		30 June 2019	30 June 2018
		Birr'000	Birr'000
28.1	**Earning Per share**		
	Profit after tax	33,289	29,532
	Average number of shares during the year	99,030	80,877
	Earnings per share	34%	37%

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29 Legal reserve

	30 June 2019 Birr'000	30 June 2018 Birr'000
At the beginning of the year	7,570	4,875
Transfer (from) / to retained earnings	3,329	2,694
At the end of the year	10,899	7,570

30 Cash generated from operating activities

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
Profit before tax		35,381	31,133
Adjustments for non- cash items:			
Depreciation of property, plant and equipment		3,183	2,579
Post employment benefit expense		792	668
Finance costs - net		507	42
Gain/(Loss) on disposal of property, plant and equipment		(4)	44
Actuarial gain or loss		(309)	-
Change in operational assets:			
-Decrease/ (Increase) in other receivables		9,165	(14,778)
-Decrease/ (increase) in deferred acquisition cost		(950)	(2,590)
-Decrease/ (increase) in receivables arising out of reinsurance arrangements		16,330	(44,071)
-Decrease/ (Increase) in reinsurers' share of technical provisions and reserves		(21,495)	(43,510)
Change in operational liabilities:			
-Increase/ (decrease) in other liabilities		51,675	2,652
-Increase/(decrease) in creditors arising from reinsurance arrangements		(15,134)	29,011
-Increase/(decrease) in insurance contract liabilities		25,790	69,060
-Increase/(decrease) in unearned premium reserve		8,719	25,954
-Increase/(decrease) in deferred commission income		1,041	118
-Increase/(decrease) in deferred tax liability		141	-
-Increase/(decrease) in other comprehensive income		(537)	-
		114,315	49,295

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Proceeds on disposal	801	179
Net book value of property, plant and equipment disposed (Note 14)	805	135
Gain/(loss) on sale of property, plant and equipment	-4	44

31 Related party transactions

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

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Transactions with related parties

31a *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2019.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Salaries and other short-term employee benefits	1,313	611
Post-employment benefits		
Representation allowance	8	7
Other expenses		
	1,321	618

32 **Directors and employees**

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

	30 June 2019 Number	30 June 2018 Number
Professionals and High Level Supervisors	115	97
Semi-professional, Administrative and Clerical	63	55
Technicians and Skilled	38	34
	216	186

ii) The table below shows the number of employees (excluding directors), emoluments in the year and were within the bands stated.

Birr	30 June 2019 Birr'000	30 June 2018 Birr'000
Less 10,000	156	143
10,000 - 30,000	53	42
30,001 - 50,000	6	1
50,001 - 100,000	1	-
Above 100,000		-
	216	186

33 **Contingent liabilities**
The Company has no contingent liabilities as at the date of this report. (30 June 2018: nil).

34 **Commitments**
The company has no commitments, not provided for in these financial statement as at the date of this report.
(30 June 2018: nil).

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35 lease commitments - Company as lessee

The Company own a land from government under non-cancellable leases agreement.
The lease terms are 60 (Sixty) years the total amount is ETB Birr 60M out of these the company paid 1st installement of 30% which is 17M the remaining 41M will be paid through over 30 years, and of these lease agreements are renewed at the end of the lease period at market rate.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:
Starting from July 2021

	30 June 2019 Birr'000	30 June 2018 Birr'000
No later than 1 year		
Later than 1 year and no later than 2 years		6,775
Later than 2 years but not later than 5 years		
Later than 5 years (July 2021 to Sep 2049)	1,340	
Total	1,340	6,775

36 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 30 June 2019 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

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Partial view of the 7th AGM

Press release of New Product (Medical Insurance for Diaspora Families)

TISC Management and branch Managers after performance review Meeting

Training on Claim Management and Handling Procedure

Social Contribution for "*Yewodekum Ansu*" Humanitarian Org.

Educational Material aid For Africa Union no 1 Primary School

Staff participating in the national Green Legacy Campaign

Staff Celebration of X-Mas