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TSEHAY INSURANCE S. C.

2019/20 ANNUAL REPORT

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

Managment Members

Ato Kassa Lisanework
Chief Executive Officer

Ato Tolera Temesgen
Executive Officer, Claim Dep`t

Ato Berhanu Kiber
Executive Officer, Marketing & Business Dev`t Dep`t

W/ro Hewan Moges
Executive Officer, Finance & Admin. Dep`t

Ato Nebere Degsew
Chief Auditor

Ato Endalkachew Zelekew
Executive Officer, Underwriting and Reinsurance Dep`t

Ato Tomas Tilahun
Manager, Financial Accounting Division

Ato Abebe Worku
Manager,
Motor Claims Division

Ato Abebe Sisay
Manager, HR & Property Admin. Divison

Ato Daniel Girma
Manager, Re-Insurance Division

Ato Yafet Fikadu
Manager,
Non Motor Claims Divison

Ato Desalegn Beyene
Manager, Legal Divison

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.

TISc

Core values

- Committed to prompt and reliable customer service
- Serving with utmost respect
- Teamwork
- Integrity & Fairness
- Promise-keeping
- Confidentiality
- Creativity & Dynamism.

Vision

To be trustworthy insurance company which generations will be proud of.

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THE BOARD CHAIRMAN'S MESSAGE

On behalf of the board of directors and myself, I am honored and privileged to welcome you, the shareholders of Tsehay Insurance S.C to the 9th Annual general assembly, to present the company's Annual Report for the year ended 30th June 2020.

The year under review was clearly a period of economic recession and social disruption that engulfed the world due to the effect of COVID-19. Besides that, Ethiopia faced more problems due to the slowdown of foreign direct investment (FDI), acute shortage of foreign currency, decline in construction activities, and political unrest affected growth momentum, which had continued for more than a decade.

Furthermore, the Ethiopian Insurance Industry suffered from internal problems like declining premium rate, growing customers bargaining power, increased claims loss ratio, escalating costs and expenses and declining demand.

However, despite these challenges, Tsehay Insurance S.C managed to achieve encouraging financial performance in the fiscal year under review. This was possible due to the General Assembly's intelligent guidance and unconditional encouragement.

The financial year under review indeed can be said a year of success relative to many challenges faced the industry at large. The past eight consecutive years of encouraging performance therefore has distinctive impact on the company's growth in terms of increased capital base, underwriting surplus, liquidity position, asset build up and sustainable profit margin.

To mention some of the high lights, the total asset of the company grew from Birr 599.4 million to Birr 688 million as of June 30th; 2020. The gross written premium has also grown from Birr 301.2 million to Birr 323.2 million for the year under report. However, profit of the company has declined from last year's level of Birr 35 million to Birr 30 million, after tax lowered by about 15%. The company has managed to register a market share of 3.4% and now remained to be ranked 10th among the country's insurers make us a respectable middle size insurance company.

Additionally, sound and professional reinsurance arrangement, more efficient use of resources in manpower helped to generate a reasonable amount of profit. Furthermore, all standard yardsticks for risk management set by the regulatory authorities, NBE, are showing steady improvements from time to time.

This results could not have been achieved without the relentless efforts exerted by the Board of Directors, Management, employees of the Company and the support of our respected shareholders, and of course, our esteemed customers who put their trust and goodwill in us.

I would like to reaffirm that it is the Board's strong belief that our company continues to build a strong and solid foundation though there exist several challenges such as stiff market competition and escalating claims cost.

I take great pleasure; once again, to present the Board of Directors and the External Auditors' reports for the year ended June 30, 2020, for your kind consideration, deliberation, and approval in accordance with Articles 418 and 419 of the commercial code of Ethiopia 1960 and Articles 8 and 9 of the Company's Article of Association.

Let me seize this opportunity to express my sincere appreciation to Tsehay Insurance's esteemed customers and shareholders, who have since the inception of the company 9 years ago, stood by us as we laid a solid foundation for the success achieved so far and will continue well into the future.

I further extend my thanks to the National Bank of Ethiopia (NBE) for its good understanding and support during all these years.

Finally, I thank the Board of Directors for their unreserved support and wise leadership as well as the management and staff, who deserve my special recognition for all their relentless effort without whom such results could have hardly been achieved.

Thank you all.

Mandefro Erkou

Chairman, Board of Directors

1. Introduction

The Board of Directors of Tsehay Insurance S.C is pleased to present its 8th full year annual report together with the audited financial accounts for the year ended on June 30, 2020. Review of the business environment, as well as summaries of the company's operational and financial performance are given here in below for the annual general assembly's deliberation and consideration.

1.1 THE GLOBAL ECONOMY

COVID-19 has triggered the deepest global recession in decades. While the ultimate outcome is still uncertain, the pandemic will result in contractions across the vast majority of emerging market and developing economies. It will also do lasting damage to labor productivity and potential output.

Various mitigation measures—such as lockdowns of non-essential businesses, and travel restrictions—have been imposed by most countries to limit the spread of COVID-19 and ease the strain on health care systems. The pandemic and associated mitigation measures have sharply curbed consumption and investment, as well as restricted labor supply and production. The cross-border spillovers have disrupted financial and commodity markets, global trade, supply chains, travel, and tourism.

The baseline forecast envisions a 5.2 percent contraction in global GDP while advanced economies are projected to shrink by 7 percent in 2020; Per capita incomes in the vast majority of EMDEs (Emerging Market and Developing Economies) are expected to shrink this year. (Global Economic Out Look, 2020)

Real GDP in Africa is projected to contract by 1.7 percent in 2020, dropping by 5.6 percentage points from January 2020 pre-COVID–19 projection, assuming the virus has a substantial impact until, now. There would be a deeper GDP contraction in 2020 of 3.4 percent, down by 7.3 percentage points from the growth projected before the outbreak of COVID–19. (Africa's Economic Performance and Outlook, 2020, Amid COVID–19).

Regionally, East Africa is projected to have the most resilient performance amid the pandemic, entering the crisis with strong growth of 5.2 percent in 2019. The region is better shielded by its wider diversification and its lower reliance on primary commodities. According to the African Development Bank's East Africa Regional Economic Outlook 2020, prior to the COVID-19 pandemic, the region's economic growth was projected at more than 5 percent. However, COVID-19-induced shocks and a locust invasion have contributed to job losses, increased humanitarian needs and will aggravate poverty and income inequality.

1.2 THE NATIONAL ECONOMY

According to national account statistics obtained from Planning and Development Commission, the economic growth (GDP at constant basic prices) for 2012 (EFY) is estimated to be 6.1%. As per the estimates, the annual growth rates of the major sectors, i.e. agriculture, industry and service were 4.3%, 9.6% and 5.3% respectively. In 2012 EFY the shares of the major sectors, agriculture, industry and services out of the total GDP were about 32%, 29% and 39%, respectively.

The registered economic growth (6.1%) was obviously based on the contribution of a wide range of economic activities. The contribution of these activities by major industrial classification shows that agriculture; industry and service sectors have contributed 1.4%, 2.6% and 2.1% respectively.

The contribution to the growth of that of agricultural sector has slightly increased while those of industry and services have declined when compared to 2011 EFY performance. The reduction in the contribution of the services sector to the growth from the previous year has been very sharp, reflecting the highest effect of the COVID-19 pandemic on activities mainly related to the services sector.

The COVID-19 pandemic has affected the growth levels of both the industry and services sectors. The fall in the growth rates of the industry and services sectors from 2011 EFY levels of 12.6% and 11.2%, respectively. However, the agricultural sector has shown an improvement in growth levels to reach 4.3% in 2012 when compared to the 2011 EFY growth rate of 3.8%, generally less susceptibility of the agricultural sector to the COVID-19 pandemic.

1.3 INSURANCE INDUSTRY

The impact of changes on macroeconomic environment coupled with COVID-19 pandemic inflicting high and rising human costs worldwide is expected to affect any economic sectors and industries including insurance. Therefore, the performance of the insurance industry directly related with the performance of the economy. As a result, the staggering weak economic performance greatly put pressure on insurance business.

Generally, Ethiopian insurance market can at best be described by low level of Life Insurance performance, stiff price based competition and low level of market entrants. In addition to this, rate based competition highly affects the performance of premium production. Consumers are also not in a position to consider other contents of the service than price.

Unlike the inflationary pressure phenomena created as a result of rise in the price of all goods and services in the country, insurance premium rate was in the state of continued reduction.

As a result, setting of risk commensurate rate is becoming a very challenging task, which can be taken as one of the factors affecting performance of the industry as a whole and underwriting result of individual companies in particular. In addition, Ethiopian insurance industry is characterized by low level of public awareness and very low penetration rate (GWP to GDP ratio) less than a percent and density (GWP to Population ratio) compared with potential of the economy.

During the period under review, Ethiopian insurance industry has produced a gross written premium (GWP) of Birr 10.6 Billion from general insurance business. Of the aggregated industry level premium production registered in 2019/20, 4.8 Billion (45 % of industry production) is produced by the state owned insurance company (EIC) while the remaining Birr 5.8 Billion of industry production (55%) is produced by all private insurance companies.

The overall growth of the industry from last year same period performance is 23.1%, private companies' production showed a slight improvement of Birr 0.5 Billion (9.4%) from the preceding year. Even though the industry growth is significant, the share of private companies was minimal. Political instability, Negative effect of COVID-19 on Import and Export and the decline in national economic performance at all attributed to the minimal growth registered by the private companies.

2. Company Performance

2.1 GROSS WRITTEN PREMIUM

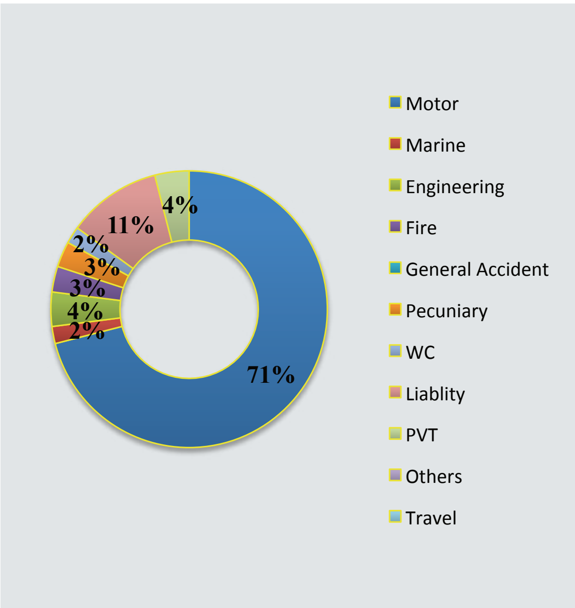
During the budget year, Tsehay Insurance S.c has produced a GWP of Birr 323.1 Million which showed an increase of Birr 23 Million (8%) compared with last year's same period performance of Birr 301 Million. The performance is 90% of the target set for the budget year. With regard to portfolio mix, the highest premium emanates from motor insurance. Hence, Motor dominates TIC's performance, which accounts for 71% of the total GWP during the Completed budget year.

Diagram 2.1 GWP (In Million Birr

The performance of Liability, Engineering, and PVT CoBs follow motor class of business with 11%, 4%, and 4% contribution respectively. Performance in most non-motor CoBs is less than the target during the reporting period. The shortfall in these CoBs is principally attributed to factors like; Political Unrest, shortage of foreign currency, decline in construction activities and stiffer competition (lower rate), and the recent COVID-19. As a result, non-motor class of businesses in general contributed only 29% to the budget year's premium production.

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

Diagram 2.2 PROTFOLIO MIX



2.2 PAID AND OUTSTANDING CLAIMS

The Sum of paid & outstanding claims (gross) for the year under review happened to be Birr 425.8 million. Of this amount, Birr 232.9 (54.6%) is paid while the remaining Birr 192.9 (45.4%) million is reserved as a provision for outstanding claims. Out of the above amounts motor represents 79% of the paid claims while liability and pecuniary made the next amount of paid claim and the rest class of businesses have covered the remaining portion. The gross paid and outstanding claims of this period increased by 10% and 14% respectively, compared with the preceding year's performance. The major contributing factors for such increment were due to the continuous rise in motor accidents coupled with a continuous escalation of spare parts and labor costs.

2.3 Underwriting Result

During the year under review, the company registered an underwriting result of Birr 28.3 million, which shows 18% decline from last year's performance of Birr 34.6 million. Regarding underwriting results by a class of business, all classes of business have shown a positive underwriting result. Motor, Engineering, and Accident Businesses registered a decrease in the net underwriting result compared with the previous year's performance.

2.4 Expenses

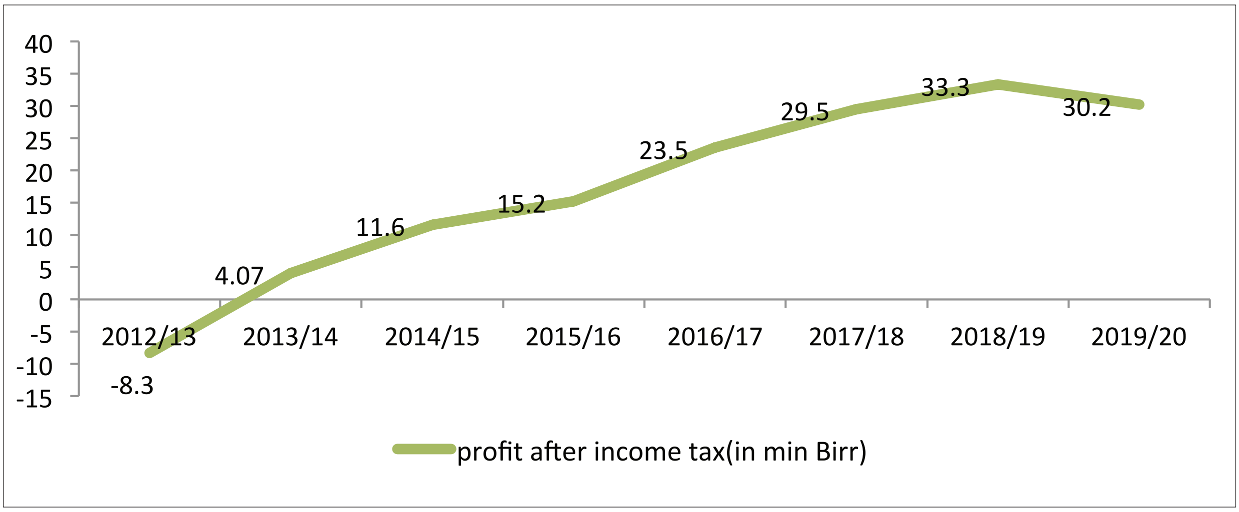
The total expenses of the company during the completed budget year reached Birr 33.3 million exceeding last year's expense by Birr 4.5 million or 16%. The major reason for the rise in general and administrative expenses in the

2019/20 fiscal year as compared to the previous year was; increased expenditure on employees salary and benefits , rent expense and inflation.

2.5 Profit

Despite the various challenges in the country and industry by the fiscal year, the company managed to register a gross profit after income tax of Birr 30.2 million. The profit has shown a decline of Birr 3.1 million compared with the amount registered last year.

Diagram 2.3 Profit After Income Tax (in million Birr)



2.6 Asset

The total asset of the company, which is composed of a fixed and current asset, has reached Birr 688 million. Of this amount, Birr 598.9 million (87%) is current while the remaining 89.2 million (13%) is fixed. Therefore, the asset of the company has shown a 15% growth compared with the preceding year.

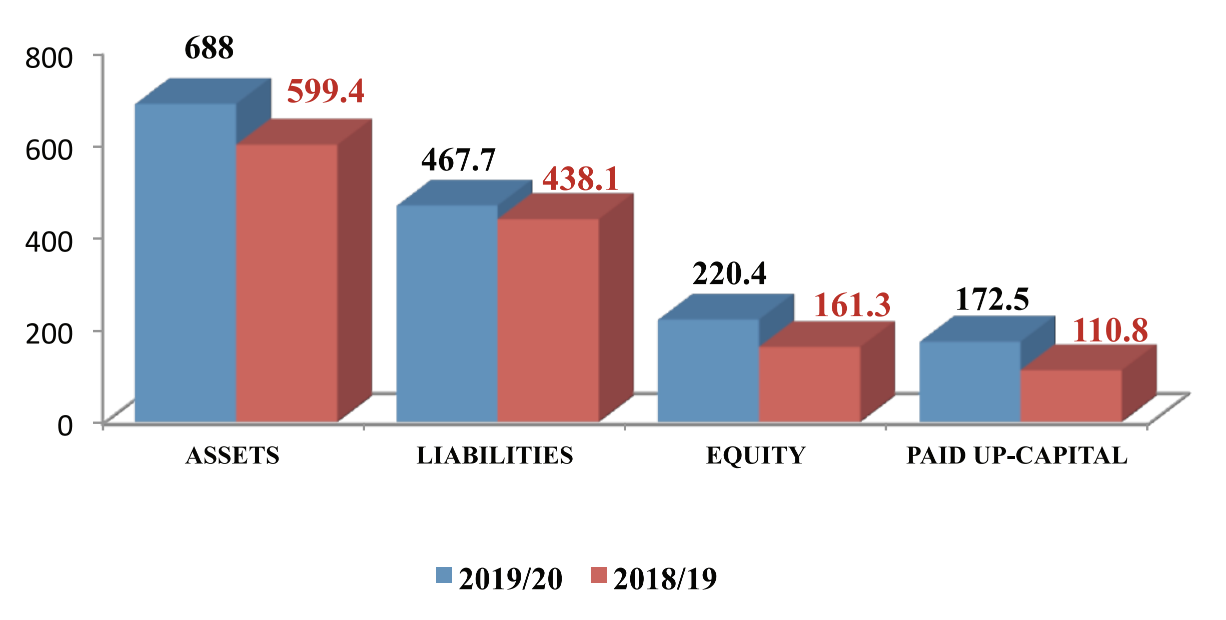
2.7 Liability

The total liabilities of the company stood at Birr 467.7 million as at June 30, 2020, indicating a 6.7% or Birr 29.5 million increment compared with last year.

2.8 Capital and Investment

The company's paid-up capital has increased from Birr 110.8 million to Birr 172.5 million, which indicates a 56% growth. Investment incomes which amounted to Birr 34.8 million, have also a growth of Birr 5.5 million (19%) compared to the performance of the preceding budget year. As of June 30, 2020, Tsehay Insurance S.C has had a total equity investment portfolio of Birr 68 million in different Banks and Organizations in the form of shares. In the year under review, the company has made a good progress to begin construction of head quarter building in a plot of land located around Giyorgis area, Besides, efforts are continued to get land for the recovery yard.

Diagram 2.4 Growth of Total Assets, Liability and Capital



3. Marketing and Business Development

3.1 Market Expansion and Product Development

The effort of the company towards developing tailored or customized products based on the needs and requirements of customers were very encouraging. In doing so, the company developed and started to sale two new customized products (i.e. travel health and daily Cash allowance insurances).As Branch expansion plays a major role in increasing accessibility, resource mobilization, and expand service outreaches, TISc expands its branch networks and opened four more branches in different market areas.

3.2 Companies Image Building

During the fiscal year, 2019/20 various activities were planned and implemented by the company to build its image. The company highly worked to contribute a lot for its social responsibility and participates in various events. Consistent to this, the company donated Birr 500,000 to support efforts in fighting COVID-19 pandemic. In addition, different give away materials were prepared and distributed to customers to enhance the name and services of the company in the market.

4. Human Resource

At the end of the year, the total number of employees reached 246 (127 male & 119 female). Staff of the company increased by 14% (by 30 employees) compared to last year's figure. This attributed to branch and other work units expansion. Of the total employees, 156 (63%) are working for branches (117 for AA branches & 39 for up-country) while the remaining 90 (37%) belongs to head office. When we see company's staff by educational status, more than half of them (53% or 133) are first degree holders followed by diploma holders; which accounts for (24% or 58) of the total employee.

5. CHALLENGES AND SHORTCOMINGS

The emergence of COVID-19, political tense and instability, shortage of foreign currency, decline of Foreign Direct Investment (FDI), extremely unreasonable price-based competition, mismatch between premium rate Vs claim costs, and unfair policy measures taken by some private Banks in favor of their sister insurance companies are all the tough frontiers in challenges facing the industry at large. Though the insurance industry has been jeopardized by such challenges, Our Company has managed to register better performance of the business during the just-ended fiscal year.

6. THE WAY FORWARD

Given the challenges in the sector and performance of other players, the company's achievement during the completed budget year can be said satisfactory. However, to strengthen the momentum of the growth and further enhance the role of the company in the industry, the support of shareholders, the Board of Directors, and management of the company plays a prominent role. The immediate issue is what needs to be done looking ahead. Following the completion of the 1st three years of the company's strategic plan, the second 5 years strategic plan preparation is underway by a consulting firm and it will be implemented starting from the second half-year 2013 EFY. The company should also diversify its portfolio and give more emphasis to non- motor class of business and make an entry to new businesses and enlarge its accessibility in different parts of the country.

7. VOTE OF THANKS

On behalf of you, all shareholders, and the Board of Directors, I would like to express my deepest gratitude to all esteemed customers of the Company for their continued support and patronage.

The shareholders of the Company also deserve special recognition for their investment, persistent backing, and understanding. I loudly offer you all the big thanks.

I seize this opportunity to thank the National Bank of Ethiopia (NBE) for its guidance and continued operation.

The re-insurers, brokers and agents have been loyal partners without whose support our business mission would not have been achieved. Special credit is also due to the company's management, all frontline officers and staff members who have played pivotal roles in our success and growth. The commendable result achieved would not have been possible without your demonstrated commitments and very strong team spirit.

Thank you all.

Mandefro Erkou

Chairman, Board of Directors

TSEHAY INSURANCE S. C.

Annual IFRS Financial Statements

30 June 2020

Tsehay Insurance SC
Annual financial statements
For the year ended 30 June 2020
Directors, professional advisers and registered office

Company registration number
No. 017/12

Directors *(as of 30 June, 2020)*

Ato Mandefro Erkou	Chairman
Ato Tadesse Avenew	Vice Chairman
Ato Belsti Bitew	Non Executive Director
W/ro Mahender Kiber	Non Executive Director
Ato Araaw Kefyalew	Non Executive Director
Ato Balew Taddele	Non Executive Director
Ato Mengest Zebenay	Non Executive Director
Ato Nahu Asteray	Non Executive Director

Executive management *(as of 30 June 2019)*

Ato Kassa Lisanework	Chief Executive Officer
Ato Tolera Temesgan	Deputy Chief Executive Officer ,Operation
W/ro Hewan Moges	Executive officer , Finance and Adminstration
Ato Berhanu Kiber	Executive officer , Marketing and Business Development
Ato Nebere Degsew	Chief Auditor

Independent auditor
TMS Plus Chartered Certified Accountants (UK) & Authorised Auditors (Ethiopia)
Addis Ababa
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
Xperitus Reinsurance Company
Ethio Reinsurance Share company

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Tsehay Insurance SC
Annual financial statements
For the year ended 30 June 2020
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 2020 Birr'000	30 June 2019 Birr'000
Net earned premiums	258,868	241,168
Profit before income tax	30,050	35,381
Income tax expense	158	(2,092)
Profit for the year	30,208	33,289
Other comprehensive income net of taxes	3,035	(537)
Total comprehensive income for the year	33,243	32,752

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

Tsehay Insurance SC
Annual financial statements
For the year ended 30 June 2020
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 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:

Ato Mandefro Erkou
Director

Ato Kassa Lisanework
CEO

Tafesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership

Tsehay Insurance SC
Annual financial statements
For the year ended 30 June 2020
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 2020.

Actuary

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tsehay Insurance Share Company (S.C), which comprise the statement of financial position as of 30 June 2020, 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 2020, and its financial performance and its cash flows for the year 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 (TMS plus) Certified Audit Partnership
Certified Accountants (UK) — Addis Ababa
Authorized Auditors (ETH) — 22 September 2020

TSEHAY INSURANCE SHARE COMPANY
STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
ASSETS			
Property plant and equipment	14	31,044	25,074
Land lease	14.1	58,110	59,055
Unquoted equity investment – available for sale	15	68,021	54,868
Government securities held to maturity	15	19,185	12,939
Reinsurers' share of technical provisions and reserves	16	111,285	97,152
Deferred acquisition costs	17	16,506	15,811
Receivables arising out of reinsurance arrangements	18	87,165	62,550
Current income tax asset		-	-
Other receivables	19	11,902	7,764
Other Asset	19.1	1,713	1,015
Deposits with financial institutions	20	226,755	193,121
Cash and cash equivalents	20	56,334	70,041
Total assets		**688,020**	**599,392**
LIABILITIES			
Insurance contract liabilities	21	217,847	193,542
Unearned premium reserve	22	160,544	151,454
Deferred commission income	23	5,197	5,369
Creditors arising from reinsurance arrangements	24	19,802	19,794
Current income tax liabilities	13c	(1,558)	610
Other liabilities	25	18,115	22,166
Land Lease Payable	25	41,999	41,999
Defined benefit liability	26	3,726	1,734
Deferred income tax		1,994	1,452
Total liabilities		**467,666**	**438,119**
EQUITY			
Share capital	27	172,520	110,779
Share premium	27	764	764
Retained earnings	28	35,143	37,915
	29		
Legal reserve		13,920	10,899
Other reserve		(1,993)	916
Total equity		220,353	161,273
Total equity and liabilities		**688,020**	**599,392**

The notes on pages 7 to 50 are an integral part of these financial statements.

The financial statements on pages 7 to 50 were approved and authorised for issue by the board of directors on 21 September 2020 and were signed on its behalf by:

Ato Mandefro Erkou

Ato Kassa Lisanework

TSEHAY INSURANCE SHARE COMPANY
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Gross written premiums	5	322,953	300,186
Change in unearned premium reserve	5	(9,755)	(4,132)
Gross earned premiums		313,199	296,054
Less: Premiums ceded to reinsurers	5	(54,330)	(54,885)
Net earned premiums		258,868	241,168
Commission income	6	11,175	9,730
Net underwriting income		**270,044**	**250,898**
Claims and policy holder benefits payable	7	257,188	238,075
Less : claims recoverable from reinsurers	7	(77,891)	(72,399)
Net claims and benefits incurred		179,297	165,676
Commission expense	8	25,024	23,291
Management expense		37,376	27,329
Total Underwriting expense		241,697	216,296
Underwriting Profit		**28,346**	**34,602**
Investment income	9	34,799	29,297
Other income	10	286	267
Total Income		**63,432**	**64,166**
Other operating and administrative expenses	11	32,810	28,278
Impairment on receivables arising out of reinsurance arrangements	18	-	
Finance income and (costs)	12	(571)	(507)
Total expense		**33,382**	**28,785**
Profit before income tax		30,050	35,381
Income tax expense	13a	158	(2,092)
Profit for the year		**30,208**	**33,289**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	26	2,334	(444)
Deferred tax (liability)/asset on remeasurement gain or loss		700	(93)
		3,035	(537)
Total comprehensive income for the year		**27,174**	**32,752**
Earning Per Share(ETB)	28.1	**21%**	**34%**

The notes on pages 7 to 50 are an integral part of these financial statements.

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TSEHAY INSURANCE SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Other reserves Birr'000	Total Birr'000
As at 1 July 2018							-
		87,280	**764**	**35,448**	**7,569**	**378**	**131,439**
Profit for the year				33,289			33,289
Transfer to legal reserve	29			(3,329)	3,329		-
Transfer to capital		11,277	-	(11,277)			-
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
As at 30 June 2019		**110,779**	**764**	**37,915**	**10,898**	**915**	**161,272**
As at 1 July 2019		110,779	764	37,915	10,898	915	161,272
Profit for the year				30,208			30,208
Transfer to legal reserve	29			(3,021)	3,021		-
Transfer to capital		28,610	-	(28,610)			-
Transaction with owners in their capacity as owners :							-
Contribution of equity net of transaction costs		33,131					33,131
Dividends declared and paid				(1,350)			(1,350)
Other comprehensive income							-
Re-measurement gains on defined benefit plans (net of tax)	26					(2,908)	(2,908)
As at 30 June 2020		**172,520**	**764**	**35,143**	**13,919**	**(1,993)**	**220,353**

The notes on pages 7 to 50 are an integral part of these financial statements.

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TSEHAY INSURANCE SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash flows from operating activities			
Cash generated from operations	30	18,462	114,314
Interest income		(26,335)	(22,504)
Dividend income		(8,464)	(6,793)
Income tax paid		(2,168)	(2,083)
Net cash (outflow)/inflow from operating activities		**(18,506)**	**82,934**
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(10,116)	(66,225)
Purchase of unquoted equity investment	15	(13,153)	(7,377)
Purchase of government securities	15	(6,246)	(1,744)
Proceeds from sale of property, plant and equipment	14	18	801
Interest received		26,335	22,504
Dividends received		8,464	6,793
Net cash (outflow)/inflow from investing activities		5,302	(45,248)
Cash flows from financing activities			
Proceeds from issues of shares	27	61,741	23,499
Increase in share premium		-	
Time deposit		(33,634)	1,113
Transfer to capital		(28,610)	(11,277)
Dividends paid		-	(14,866)
Net cash (outflow)/inflow from financing activities		(503)	(1,531)
Net increase/(decrease) in cash and cash equivalents		**(13,707)**	**36,155**
Cash and cash equivalents at the beginning of the year	20	70,041	33,886
Foreign exchange (losses)/ gains on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	20	**56,334**	**70,041**

The notes on pages 7 to 50 are an integral part of these financial statements.

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TSEHAY INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 Brass Hospital
Addis Ababa,
Ethiopia

The principal activities of the Company are the underwriting of non-life insurance risk and provision of related financial

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.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept except for available for sale financial assets which is measured at fair value. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2.1 Going concern

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

2.2.2 New Standards,Amendments,interpretation issued but not yet effective.

A number of new standards and amendment to standard and interpretation are effective for annual period begnning 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 comapny,except the following set out below

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IFRS 16 - Leases

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

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

IFRS 17 - Insurance contracts

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

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

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

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

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

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

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

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

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

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

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

Asset class	Useful life (years)	Residual value
Motor vehicles	10	5%
Computer and accessories	7	1%
Furniture and fitting	10	1%
Office and other equipment	7	1%
Recovery improvements	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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognised.

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

2.5 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 amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in income statement in the period in which the expenditure is incurred .

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

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

Assets class	Useful lifes (years)
Computer software	8

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2.5 Intangible assets (Contd)

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 capitalised as an intangible asset (DAC). Deferred acquisition costs represents a portion of commission which are incurred during a financial year and are defered to the extent that they are recoverable out of future revenue margins. All other costs are recognised as expenses when incurred.

Subsequent to initial recognition, this DAC asset is amortised 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 amortisation 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 derecognised when the related contracts are either settled or disposed off.

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

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

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2.7 Financial instruments - initial recognition and subsequent measurement (Contd)

2.7.1 Financial assets (continued)

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 amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Company's loans and receivables comprise of 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 recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'.

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

Reclassification of financial assets

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

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

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Derecognition of financial assets

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

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment of financial assets

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

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

(i) Financial assets carried at amortised cost

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

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

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(i) Financial assets carried at amortised 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 realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'loan impairment charge'.

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

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

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 recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

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

2.7.2 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 recognised 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.

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2.7.2 Financial liabilities (Contd)

Subsequent measurement

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

a) **Financial liabilities at amortised 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 amortised 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 amortised cost are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

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

Derecognition of financial liabilities

Financial liabilities are derecognised 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 recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Company or the counterparty.

2.8 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 amortised over the period in which the service is to be enjoyed.

(b) Other receivables

Other receivables are recognised 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.

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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.

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 recognised 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 the Company. the Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

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2.10.3 Liability adequacy test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related 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).

2.10.4 Reinsurance contracts held

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

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

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 amortised 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 recognises 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 amortised 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 recognised 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 recognises 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 recognised 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 recognised 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 recognised 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 recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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

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

c) Fees and commission income

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

d) Investment income

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

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

e) Dividend income

This is recognised 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 recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

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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 organisation 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 recognised as employee benefit expense in the profit or loss in the year they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) *Defined benefit plan*

The liability or asset recognised 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 recognised 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, recognised 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 recognised 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) *Termination 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 recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(e) *Profit-sharing and bonus plans*

the Company's recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company’s shareholders after certain adjustments. the Company recognises 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, summarised 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, maximising the use of relevant observable inputs and minimising 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 categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

2.16 Provisions

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

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

2.17 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.

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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 authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. 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 fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

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

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

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

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

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

3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, 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

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3.1 Judgements

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

Operating lease commitments -Company as lessee

The Company has entered into 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.

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 amortised to the consolidated statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation 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 analysed by accident years, but can also be further analysed 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 judgement 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 judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provide by a contract requires amortisation 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 reorganisation.

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.

Collective impairment incorporates the following:
• current and reliable data, management's experienced credit judgements, and all known relevant internal and external factors that may affect collectability;
• historical loss experience or where institutions have no loss experience of their own or insufficient experience, peer company experience for a comparable company's of financial instruments at amortized cost;
• adjustments to historical loss experiences on the basis of current observable data to reflect the effects of current conditions.

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 deem the reserves as adequate.

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 judgement. In making this judgement, 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 judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.8.2 for further disclosures.

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

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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 minimise 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 maximise 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 exposure, 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 mitigants, identified and approved for the Company, are documented for existing and new processes and systems.

Risk control processes are identified and discussed in the quarterly risk report 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 compansation and group personal accident.

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

30 June 2020	**Gross liabilities Birr'000**	**Reinsurance liabilities Birr'000**	**Net liabilities Birr'000**
Fire	1,602	1,165	437
Motor	133,934	29,859	104,075
Marine	2,401	1,376	1,024
Workmens compensation	1,680	671	1,009
Liability	13,810	2,731	11,079
Pecuniary	59,885	52,406	7,479
Engineering	2,208	529	1,679
Accident	1,119	339	780
PVT	1,208	135	1,073
Total non-life insurance contract liabilities	217,847	89,211	128,636

30 June 2019	**Gross liabilities Birr'000**	**Reinsurance liabilities Birr'000**	**Net liabilities Birr'000**
Fire	1,496	1,067	430
Motor	124,736	30,228	94,508
Marine	953	137	816
Workmens compensation	1,835	515	1,320
Liability	14,639	3,737	10,902
Pecuniary	46,727	37,985	8,742
Engineering	2,545	696	1,850
Accident	111	49	62
Pvt	500	-	500
Total non-life insurance contract liabilities	193,542	74,413	119,128

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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. Judgement 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 2020 Birr'000**	**30 June 2019 Birr'000**
Average claim cost	+10%	28,665	24,931
Average number of claims	+10%	28,665	24,931
Average claim settlement period	Reduce from 30 months to 24 months		

		Change in liability	
	Change in assumptions	**30 June 2020 Birr'000**	**30 June 2019 Birr'000**
Average claim cost	-10%	(29,072)	(24,940)
Average number of claims	-10%	(29,072)	(24,940)
Average claim settlement period	Reduce from 30 months to 24 months		

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 amortised cost.

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

30 June 2020	**Notes**	**Available-For-Sale Birr'000**	**Held to maturity Birr'000**	**Loans and receivables Birr'000**	**Total Birr'000**
Cash and bank balances	17	-	-	56,334	56,334
Unquoted equity investment – available for sale		68,021			68,021
Government securities held to maturity	15	-	19,185		19,185
Trade and other receivables	16	-	-	6,896	6,896
Reinsurance assets	18	-	-	87,165	87,165
Total financial assets		68,021	19,185	150,395	237,601

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			54,868
Government securities held to maturity	15	-	12,939	-	12,939
Trade and other receivables	16	-	-	3,651	3,651
Reinsurance assets	18	-	-	62,550	62,550
Total financial assets		54,868	12,939	136,242	204,049

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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 arrangement 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 consitututes 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 exposures 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 entereing 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 netted 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 arangements.

d) Reinsurance is placed with counterpartties 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 2020 Birr'000	30 June 2019 Birr'000
Cash and bank balances		56,334	70,041
Unquoted equity investment – available for sale		68,021	54,868
Government securities held to maturity		19,185	12,939
Other receivables		11,902	7,764
Other Asset		1,713	1,015
Reinsurers' share of technical provisions and reserves		111,285	97,152
Deferred acquisition costs		16,506	15,811
Receivables arising out of reinsurance arrangements		87,165	62,550
		372,111	322,140

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4.4.1 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 2020, 30 June 2019 are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia.

(b) Credit quality of trade and other receivables

30 June 2020	**Neither past due nor impaired Birr'000**		**Past due but not impaired Birr'000**	**Individually impaired Birr'000**	**Total Birr'000**
Insurance receivables					
Due from Reinsurers	74,704		12,057		86,761
Due from Co-insurers					-
Due from agents, brokers and intermediaries					-
	74,704		12,057	-	86,761
Other loans and receivables					
Other receivables	11,902				11,902
Staff debtors	5,032				5,032
Gross amount	16,934	-	-	-	16,934
Less: Specific impairment allowance (note 15a)					-
	16,934		-	-	16,934
	91,638		12,057	-	103,695

30 June 2019	**Neither past due nor impaired Birr'000**	**Past due but not impaired Birr'000**	**Individually impaired Birr'000**	**Total Birr'000**
Insurance receivables				
Due from 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

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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 2020 Birr'000	30 June 2019 Birr'000
Neither past due nor impaired	91,638	24,002
	91,638	24,002

(ii) Trade and other receivables - past due nor impaired

	30 June 2020 Birr'000	30 June 2019 Birr'000
Past due up to 30 days	5,157	8,838
Past due up to 30 - 60 days	14,359	3,585
Past due by 60 - 90 days	10,727	7,083
Past due by 90 - 180 days	61,395	4,496
	91,638	24,002
Collective impairment		
	91,638	24,002

(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 2020 Birr'000	30 June 2019 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 rate the company should keep on hand is one birr for one birr and five cents obligation or liability.

In addition, the Company should maintain than 60% 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 where 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 2020	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	217,847				217,847
Creditors arising from reinsurance arrangements	14,683	5,118			19,802
Other liabilities	18,115				18,115
Land Lease				41,999	41,999
Total financial liabilities	250,645	5,118	-	41,999	297,762

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 arrangements	14,680	5,114			19,794
Other liabilities	22,166				22,166
Land Lease				41,999	41,999
Total financial liabilities	230,388	5,114	-	41,999	277,501

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

Investment is not be made if the investee company does not fulfill the above noted measurement factors. Investments 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 exposures to fixed and variable interest instruments.

30 June 2020	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	56,334		56,334
Unquoted equity investment – available for sale		68,021	68,021
Government securities held to maturity	19,185		19,185
Trade and other receivables		6,896	6,896
Reinsurance assets	87,165		87,165
Total	162,684	74,917	237,601
Liabilities			
Insurance contract liabilities		217,847	217,847
Creditors arising from reinsurance arrangements		19,802	19,802
Other liabilities		18,115	18,115
Total	-	255,764	255,764

30 June 2019	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	70,041	-	70,041
Unquoted equity investment – available for sale		54,868	54,868
Government securities held to maturity	12,939	-	12,939
Trade and other receivables	-	3,651	3,651
Reinsurance assets	62,550	-	62,550
Total	145,530	58,519	204,049
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

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(ii) Foreign exchange risk

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

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 2020 Birr'000	30 June 2019 Birr'000
Admissible assets	A		
Property and equipment		85,585	81,082
Unquoted equity investment – available for sale		68,021	54,868
Government securities held to maturity		19,185	12,939
Reinsurance share of technical provisions & Reserve		111,285	97,152
Deferred acquisition costs		16,506	15,811
Receivables arising out of reinsurance arrangements		87,165	62,550
Other receivables		11,902	7,764
Deposits with financial institutions		226,755	193,121
Cash and cash equivalents		56,334	70,041
		682,738	595,328
Admissible liabilities	B		
Insurance contract liabilities		217,847	193,542
Unearned premium reserve		160,544	151,454
Deferred Commission Income		5,197	5,369
Creditors arising from reinsurance arrangements		19,802	19,794
Current income tax liabilities		(1,558)	610
Other liabilities		60,114	64,165
Defined Benefit Liablity		3,726	1,734
Deferred income tax		1,994	1,452
		467,666	438,120
Excess (admitted capital)- (A-B)	C	215,072	157,208
Net premium	D	245,300	226,339
Technical provision	E	378,391	344,996
Solvency margin			
Limit of net premium i.e. 20% of net premium	F	49,060	45,268
Limit of technical provision i.e. 25% of technical provision	G	94,598	86,249
Miniumum Paidup Capital	H	60,000	60,000
Since C>G - Positive Solvency Margin	(C-G)	120,474	70,959

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4.8 Fair value of financial assets and liabilities

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

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

4.8.1 Valuation models

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

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

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

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

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.8.2 Financial instruments not measured at fair value

The following table summarises the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	30 June 2020		30 June 2019	
	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000
Financial assets				
Cash and bank balances	56,334	56,334	70,041	70,041
Unquoted equity investment – available for sale	68,021	68,021	54,868	54,868
Government securities held to maturity	19,185	19,185	12,939	12,939
Other receivables	11,902	11,902	7,764	7,764
Receivables arising out of reinsurance arrangements	87,165	87,165	62,550	62,550
Total	242,607	242,607	208,162	208,162
Financial liabilities				
Insurance contract liabilities	217,847	217,847	193,542	193,542
Unearned premium reserve	160,544	160,544	151,454	151,454
Creditors arising from reinsurance arrangements	19,802	19,802	19,794	19,794
Other liabilities	18,115	18,115	22,166	22,166
Total	416,308	416,308	386,956	386,956

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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 2020 Birr'000	30 June 2019 Birr'000
5	**Premium income**		
a	**Gross written premium**		
	Engineering	11,868	9,872
	Fire	8,806	7,136
	Liability	37,423	39,436
	Pvt	12,293	10,113
	Marine	5,561	7,450
	Motor	228,556	207,366
	Accident	1,233	1,175
	Pecuniary	10,986	12,178
	Workmen Compensation	6,229	5,459
	Total gross premiums	322,953	300,186
b	**Change in unearned premium reserve**		
	Engineering	(857)	665
	Fire	(382)	(300)
	Liability	(389)	1,067
	Marine	2,048	(2,618)
	Motor	(10,987)	(1,656)
	Accident	835	(1,512)
	Pecuniary	650	851
	Workmen Compensation	541	(785)
	PVT	(1,213)	158
	Total change in unearned premium reserve	(9,755)	(4,132)
c	**Premiums ceded to reinsurers**		
	Engineering	(4,042)	(2,981)
	Fire	(5,936)	(4,379)
	Liability	(2,757)	(2,166)
	Marine	(1,468)	(2,806)
	Motor	(23,475)	(26,405)
	Accident	(297)	(760)
	Pecuniary	(7,762)	(7,247)
	Workmen Compensation	(311)	(273)
	PVT	(8,282)	(7,868)
		-	
	Total premiums ceded to reinsurers	(54,330)	(54,885)
	Net earned premiums	**258,868**	**241,168**

		30 June 2020 Birr'000	30 June 2019 Birr'000
6	**Commission income**		
	Reinsurance commission income	11,175	9,730
	Total commission income	11,175	9,730

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		30 June 2020 Birr'000	30 June 2019 Birr'000
7	**Claims expenses**		
	Claims and policy holder benefits payable		
	Gross benefits and claims paid	232,883	212,285
	Change in insurance contract outstanding claims provision	22,599	23,371
	Change in other technical provision (IBNR)	3,344	1,907
	Change in technical provision (Unallocated loss adjustment expense)	-1,638	512
		257,188	238,075
	Recoverable from reinsurance:		
	Claims paid recoverable	(63,093)	(55,491)
	Change in provision for outstanding claims recoverable	(13,395)	(15,809)
	Change in other technical provision (IBNR) recoverable	(1,403)	(1,099)
		(77,891)	(72,399)
	Net claims and loss adjustment expense	179,297	165,676

		30 June 2020 Birr'000	30 June 2019 Birr'000
8	**Commission expense**		
	Commission expense	25,024	23,291
	Other acquisition cost		-
		25,024	23,291

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

		30 June 2020 Birr'000	30 June 2019 Birr'000
9	**Investment income**		
	Dividend income on equity investments	8,464	6,793
	Interest income on investment securities	2,277	711
	Interest income on cash and short-term deposits	24,058	21,793
	Total investment income	34,799	29,297

		30 June 2020 Birr'000	30 June 2019 Birr'000
10	**Other income**		
	Profit from sale of property, plant & equipment	8	-4
	Interest income on staff loans	-	-
	Sundry income	278	271
		286	267

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			30 June 2020 Birr'000	30 June 2019 Birr'000
11	**Other operating and administrative expenses**			
	Employee benefits expense	Note 11.1	16,775	15,137
	Rental expenses		1,088	781
	Repair and maintenance		1,807	1,440
	Consultation expense		258	543
	Advertising and publication		971	1,676
	Communication		472	349
	Printing and stationaries		380	258
	Entertainment		314	375
	Travelling and transportation expenses		3,256	2,272
	Insurance		906	701
	Office cleaning and supplies		306	124
	Legal and professional fees		160	133
	Director fees		991	415
	Audit fees		90	66
	Subscription and membership fees		566	190
	Amortisation of intangible assets		945	315
	Depreciation on property and equipment		749	1,087
	Bank charges		0	-
	Sundry expenses		2,775	2,416
			32,810	28,278

		30 June 2020 Birr'000	30 June 2019 Birr'000
11.1	**Employee benefits expense**		
	Salaries and wages	8,475	6,806
	Staff allowances	-	-
	Pension costs – Defined contribution plan	3,373	2,502
	Pension costs - Defined benefit plans	(103)	792
	Other staff expenses	3,183	2,781
	Bonus expenses	1,848	2,256
		16,775	15,137

		30 June 2020 Birr'000	30 June 2019 Birr'000
12	**Finance income and (costs)**		
	Finance income	-	-
	Finance costs	(571)	(507)
	Gain or (Loss) on foreign exchange	-	-
		(571)	(507)

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		30 June 2020 Birr'000	30 June 2019 Birr'000
13	**Company income and deferred tax**		
13a	**Current income tax**		
	Company income tax	-	1,859
	Prior year (over)/ under provision	-	-
	Deferred income tax/(credit) to profit or loss	(158)	233
	Total charge to profit or loss	(158)	2,092
	Tax (credit) on other comprehensive income		-
	Total tax in statement of comprehensive income	(158)	2,092

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:

	30 June 2020 Birr'000	30 June 2019 Birr'000
Profit before tax	30,050	35,381
Add : Disallowed expenses		
Entertainment expense	314	375
Fines & penalities	0	5
Donation & Contribution	1,022	25
Severance Expense	(342)	779
Adjustment of depreciation expense	4,137	3,260
Total disallowable expenses	5,131	4,444
Less : Allowable expense		
Declining depreciation per FIRA	4,047	4,333
Dividend income taxed at source	8,464	6,793
Interest income taxed at source-Local Deposit	26,335	22,504
Total allowable expenses	38,846	33,630
Taxable profit	(3,665)	6,196
Current tax at 30%	-	1,859

		30 June 2020 Birr'000	30 June 2019 Birr'000
13c	**Current income tax assets / (liability)**		
	Balance at the beginning of the year	(610)	(835)
	Current year provision	-	(1,859)
	WHT Not utilised	1,558	1,248
	Payment during the year	610	835
	Balance at the end of the year	1,558	(610)

13d Deferred income tax

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

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	30 June 2020 Birr'000	30 June 2019 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	2,153	1,452
To be recovered within 12 months		
	2,153	1,452

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

Deferred income tax assets/(liabilities):	**At 1 July 2019** **Birr'000**	**Credit/ (charge) to P/L** **Birr'000**	**Credit/ (charge) to equity june/2020** **Birr'000**	**Credit/ (charge) to equity up to june/2019** **Birr'000**	**30 June 2020** **Birr'000**
Property, plant and equipment	2,152	440			2,591
Provisions	-	-			-
Unrealised exchange gain	-	-			-
Tax losses charged to profit or loss	-	-			-
Post employment benefit obligation	(520)	(598)	700	(179)	(1,297)
Total deferred tax assets/(liabilities)	1,632	(158)	700	(179)	2,153

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14 Property, plant and equipment

	Motor vehicles Birr'000	Furniture and fittings Birr'000	Computer and accessories Birr'000	Office equipment	Recovery Improvements Birr'000		Total Birr'000
Cost							
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)
As at 30 June 2019	26,511	4,497	2,907	962	432	-	35,309
As at 1 July 2019	26,511	4,497	2,907	962	432	-	35,309
Additions	5,206	1,061	1,495	1,013	1,342		10,117
Disposals		(26)	-		-		(26)
Reclassification		(12)		12			-
As at 30 June 2020	31,717	5,520	4,402	1,987	1,774	-	45,400
Accumulated depreciation							
As at 1 July 2018	5,503	1,068	1,000	245	181	-	7,997
Charge for the year	2356	382	369	110	43	-	3,260
Disposals	(1,022)	-	-		-		(1,022)
As at 30 June 2019	6,837	1,450	1,369	355	224	-	10,235
As at 1 July 2019	6,837	1,451	1,369	355	224	-	10,235
Charge for the year	2,886	517	449	210	74	-	4,137
Disposals		(16)	-		-		(16)
As at 30 June 2020	9,723	1,952	1,818	565	298	-	14,355
Net book value							
As at 30 June 2019	19,674	3,047	1,538	608	208	-	25,074
As at 30 June 2020	21,994	3,568	2,584	1,422	1,476	-	31,044

14.1 **Leasehold land**	As at 1 July 2019 Birr 000	Addition	Impairments	As at 30 June 2020 Birr 000
Cost	60,000			60,000
Accumulated amortization	(945)	(945.00)		(1,890)
Net Book Value				
	59,055	(945.00)		58,110

15	30 June 2020 Birr'000	30 June 2019 Birr'000
Investment		
Available for sale:		
Unquoted equity investment – available for sale	68,021	54,868

The Company holds equity investments in the following entities;

	30 June 2020 Equity investements	30 June 2019 Equity investements
Bank of Abyssinia	7,150	7,150
United Bank S.C.	8,961	7,129
Tsehay Industry	13,591	12,009
Dynamic micro finance	12,763	9,313
Birhan international bank s.c.	8,526	6,946
Ethiopian Reinsurance S.C.	10,426	8,717
Abay Industry development	6,075	3,075
Addis Africa Inter	530	530
	68,021	**54,868**

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.

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		30 June 2020 Birr'000	30 June 2019 Birr'000
	Loans and receivables:		
	Government securities held to maturity	19,185	12,939
	Gross amount	19,185	12,939
	Less individual allowance for impairment		
		19,185	12,939

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

		30 June 2020 Birr'000	30 June 2019 Birr'000
16	**Reinsurers' share of technical provisions and reserves**		
	- Claims incurred but not reported	6,177	4,775
	- Notified claims outstanding	83,034	69,639
	- Unearned premium	22,074	22,738
	At end of year	**111,285**	**97,152**

		30 June 2020 Birr'000	30 June 2019 Birr'000
17	**Deferred acquisition costs**		
	At the start of the year	16,506	15,811
	At end of year	**16,506**	**15,811**

		30 June 2020 Birr'000	30 June 2019 Birr'000
18	**Receivables arising out of reinsurance arrangements**		
	Gross reinsurance receivables	87,165	62,550
	Impairment provision	-	-
		87,165	**62,550**

		30 June 2020 Birr'000	30 June 2019 Birr'000
19	**Other receivables**		
	Sundry debtors	485	3,651
	Staff account	4,364	-
	Shareholders account	2,047	-
	Trade debtors	-	-
	Prepayments	5,006	4,113
		11,902	7,764
	Gross amount	**11,902**	**7,764**

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	Maturity analysis	**30 June 2020 Birr'000**	**30 June 2019 Birr'000**
	Current	11,902	7,764
	Non- current		
		11,902	7,764

		30 June 2020 Birr'000	**30 June 2019 Birr'000**
19.1	**Other Asset**		
	Wrecks Of Paid Claim	930	483
	Supplies(Inventories)	783	532
		1,713	1,015

		30 June 2020 Birr'000	**30 June 2019 Birr'000**
20	**Cash and cash equivalents**		
	Cash in hand	4,093	5,874
	Cash at bank	52,241	64,167
		56,334	70,041

	Maturity analysis	**30 June 2020 Birr'000**	**30 June 2019 Birr'000**
	Current	56,334	70,041
	Non- current		-
		56,334	70,041

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

		30 June 2020 Birr'000	**30 June 2019 Birr'000**
	Cash and cash equivalents	56,334	70,041
	Deposits with financial institutions	226,755	193,121
		283,089	263,162

		30 June 2020 Birr'000	**30 June 2019 Birr'000**
21	**Insurance contract liabilities**		
	Gross		
	Gross insurance contracts :		
	Claims reported and loss adjustment expense (Note 21.1)	191,416	168,817
	Claims incurred but not reported IBNR (Note 21.2)	24,274	20,930
	Unallocated loss adjustment expense(Note 21.3)	2,157	3,795
	Total insurance liabilities, gross	**217,847**	**193,542**

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Recoverable from reinsurers			
- Notified claims outstanding	(Note 16)	(83,034)	(69,639)
- Claims incurred but not reported	(Note 16)	(6,177)	(4,775)
- Unallocated loss adjustment expense		-	-
Total reinsurers' share of insurance liabilities		**(89,211)**	**(74,414)**
Net Insurance contracts liabilities:			
Claims reported and loss adjustment expense		108,382	99,178
Claims incurred but not reported IBNR		18,097	16,155
Unallocated loss adjustment expense		2,157	3,795
Total insurance contract liabilities, net		**128,636**	**119,128**

Maturity analysis	**30 June 2020 Birr'000**	**30 June 2019 Birr'000**
Current	128,636	119,128
Non- current		
	128,636	**119,128**

		30 June 2020 Birr'000	**30 June 2019 Birr'000**
21.1	**Claims reported and loss adjustment expenses**		
	Fire	999	990
	Motor	115,519	108,511
	Marine	1,897	441
	Workmens compensation	1,202	1,318
	Liability	10,790	10,863
	Pecuniary	58,456	44,933
	Engineering	1,401	1,703
	Accident	1,003	59
	PVT	150	
		191,416	**168,817**

		30 June 2020 Birr'000	**30 June 2019 Birr'000**
21.2	**Claims incurred but not reported IBNR**		
	Fire	588	477
	Marine	480	493
	Motor	17,090	13,779
	Engineering	785	793
	Pecuniary	838	878
	Accident	105	50
	Workmens compensation	461	481
	Liability	2,882	3,489
	PVT	1,046	490
		24,274	**20,930**

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		30 June 2020 Birr'000	30 June 2019 Birr'000
21.3	**Uallocated loss adjustment expense**		
	Fire	16	29
	Marine	24	19
	Motor	1,326	2,446
	Engineering	22	50
	Pecuniary	591	916
	Accident	11	2
	Workmens compensation	17	36
	Liability	139	287
	PVT	12	10
		2,157	**3,795**

		30 June 2020 Birr'000	30 June 2019 Birr'000
22	**Unearned premium reserve**		
	Gross - Unearned premium reserve	160,544	151,454
	Recoverable from reinsurers (Note 16)	(22,074)	(22,738)
	Unearned premium reserve, net	138,470	128,716

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

		30 June 2020 Birr'000	30 June 2019 Birr'000
22.1	**Unearned premium**		
	Fire	4293	3,651
	Motor	112260	100,610
	Marine	2817	5,576
	Workmens compensation	2889	3,413
	Liability	18018	17,489
	Pecuniary	7422	7,155
	Engineering	6492	5,078
	Accident	539	1,580
	PVT	5814	6,903
		160,544	151,454

		30 June 2020 Birr'000	30 June 2019 Birr'000
23	**Deferred commission income**		
	At the start of the year	5,369	4,328
	Net increase / (decrease)	(172)	1,041
	At end of year	**5,197**	**5,369**

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		30 June 2020 Birr'000	30 June 2019 Birr'000
24	**Creditors arising from reinsurance arrangements**		
	Creditors arising from reinsurance arrangements	19,802	19,794
		19,802	19,794

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 2020 Birr'000		30 June 2019 Birr'000
25	**Other payables**			
	Other financial liabilities			
	Board remunaration payment	1,350		1,350
	Dividend payable	-		-
	Third party insurance payables	279		607
	Commission payable	6,519		6,191
	Bank Over Draft-United Bank	2,747		5,401
		10,895	-	13,549
	Other non financial liabilities			
	Income tax payable	678		806
	Pension fund payable	479		380
	Witholding tax payable	219		168
	Value added tax	1,195		1,329
	Sundry creditors	851		899
	Accrued expense	3,798		5,035
		18,115		22,166
	Lease hold payable	41,999		41,999
		60,114	-	64,165
	Gross amount	**60,114**		**64,165**

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	60,114	64,165
Non- current		
	60,114	64,165

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			30 June 2020 Birr'000	30 June 2019 Birr'000
26	**Defined benefit liability**			
	Defined benefits liabilities:			
	Severance pay	Note 26(a)	3,726	1,734
	Liability in the statement of financial position		**3,726**	**1,734**
	Income statement charge included in personnel expenses:			
	Severance costs	Note 26(a)	-342	779
	Total defined benefit expenses		**(342)**	**779**
	Remeasurements for:			
	Remeasurement (gains)/losses	Note 26(a)	2,334	(444)
	Deferred tax (liability)/asset on remeasurement gain or loss		700	(93)
`			**3,035**	**(537)**

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

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current		
Non-Current	3,726	1,734
	3,726	1,734

26a **Severance pay**

The Company operates an unfunded severance pay plan for its employees who have served the Companyfor 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 recognised in the financial statements:

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	30 June 2020 Birr'000	30 June 2019 Birr'000
A Liability recognised in the financial position	3,726	1,734

B Amount recognised in the profit or loss	30 June 2020 Birr'000	30 June 2019 Birr'000
Current service cost	(634)	581
Interest cost	292	198
	(342)	779

C Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in demographic assumptions	2,334	(309)
	2,334	(309)

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
At the beginning of the year	1,734	1,264
Current service cost	-634	581
Interest cost	292	198
Remeasurement (gains)/ losses	2,334	(309)
Benefits paid		
At the end of the year	3,727	1,734

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2020 Birr'000	30 June 2019 Birr'000
Discount rate (p.a)	14.25%	13.50%
Long term salary Increase rate (p.a)	17.00%	17.00%

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	0.11%	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 summarised below :

Age	Resignation rates per annum
Less than 20	15.00%
21-25	12.00%
26-30	6.00%
31-35	250.00%
36-40	1.80%
41-45	1.00%
Above 41	0.18%

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

	30 June 2020				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate	17.00%	17.00%	18.00%	17.00%	16.00%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	**1,734**	**1,734**	**1,734**	**1,734**	**1,734**
Total net expense recognised in income statement	(342)	(342)	(342)	(342)	(342)
Net increase recognised in other comprehensive	2,334	2,090	2,546	2,617	2,150
Net liability at end of period	**3,727**	**3,482**	**3,938**	**4,009**	**3,542**

	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 Salary rate decreased by 1%
Discount rate	13.50%	14.50%	13.50%	12.50%	13.50%
Salary rate	17.00%	17.00%	18.00%	17.00%	16.00%
		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 recognised in income statement	779	779	779	779	779
Net increase recognised in other comprehensive	(309)	(461)	(137)	(130)	(459)
Net liability at end of period	**1,734**	**1,582**	**1,906**	**1,913**	**1,584**

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 recognised within the statement of financial position.

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		30 June 2020	30 June 2019
		Birr'000	Birr'000
27	**Ordinary share capital**		
	Authorised:		
	500,000: 2020 (2019 : 120,000) ordinary shares of Birr 1000 each	500,000	120,000
	Issued and fully paid:		
	Ordinary shares of Birr 1000 each	172,520	110,779
	Share premium	764	764

Total subscribed shares at 30 June 2019 is 120,000,000.00 & on 30 June 2020 the total subscribed share reached to Birr 500,000,000.00 out of which Birr 110,778,758 & Birr 172,519,000.00 was paid respectively.

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

		30 June 2020	30 June 2019
		Birr'000	Birr'000
28	**Retained earnings**		
	At the beginning of the year	37,915	35,448
	Profit/ (loss) for the year	30,208	33,289
	Transfer to legal reserve	(3,021)	(3,329)
	Transefer to board directors	(1,350)	(1,350)
	Dividend provided for		(14,866)
	Transfer to capital	(28,610)	(11,277)
	At the end of the year	35,143	37,915

		30 June 2020	30 June 2019
		Birr'000	Birr'000
28.1	**Earning Per share**		
	Profit after tax	30,208	33,289
	Average number of shares during the year	141,650	99,030
	Earnig per share	**21%**	**34%**

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		30 June 2020 Birr'000	30 June 2019 Birr'000
29	**Legal reserve**		
	At the beginning of the year	10,899	7,570
	Transfer (from) / to retained earnings	3,021	3,329
	At the end of the year	13,920	10,899

		Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
30	**Cash generated from operating activities**			
	Profit before tax		30,050	35,381
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment		5,066	3,183
	Post employment benefit expense		(103)	792
	Finance costs - net		571	507
	Gain/(Loss) on disposal of property, plant and equipment		8	(4)
	Actuarial gain or loss		2,334	(309)
	Change in operational assets:			
	-Decrease/ (Increase) in other receivables		(4,836)	9,165
	-Decrease/ (increase) in deferred acquisition cost		(695)	(956)
	-Decrease/ (increase) in receivables arising out of reinsurance arrangements		(24,615)	16,356
	-Decrease/ (Increase) in reinsurers' share of technical provisions and reserves		(14,133)	(21,495)
	Change in operational liabilities:			
	-Increase/ (decrease) in other liabilities		(4,051)	51,675
	-Increase/(decrease) in creditors arising from reinsurance arrangements		8	(15,134)
	-Increase/(decrease) in insurance contract liabilities		24,305	25,790
	-Increase/(decrease) in unearned premium reserve		9,090	8,719
	-Increase/(decrease) in deferred commission income		(172)	1,041
	-Increase/(decrease) in deferredTax Liablity		(956)	141
	-Increase/(decrease) in Other Comprensive Income		(3,410)	(537)
			18,462	114,315

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Proceeds on disposal	18	801
Net book value of property, plant and equipment disposed (Note 14)	10	805
Gain/(loss) on sale of property, plant and equipment	8	-4

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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:

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 2020.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Salaries and other short-term employee benefits	1,349	1,313
Post-employment benefits		
Representation allowance	9	8
Other expenses		
	1,358	1,321

32 Directors and employees

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

	30 June 2020 Number	30 June 2019 Number
Professionals and High Level Supervisors	133	115
Semi-professional, Administrative and Clerical	71	63
Technician and Skilled	42	38
	246	216

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Birr		
Less 10,000	150	156
10,000 - 30,000	86	53
30,001 - 50,000	9	6
50,001 - 100,000	1	1
Above 100,000	-	-
	246	216

33 Contingent liabilities

The Company has no contingent liabilities as at the date of this report. (30 June 2020: nil).

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34 Commitments

The company has no commitments, not provided for in these financial statement as at the date of this report. (30 June 2020: nil , 1 July 2019: nil).

35 lease commitments - Company as lessee

The Company own a land from government under non-cancellable lease agreements. The lease terms

are 60(Sixty) years the total lease amount is ETB birr 60M out of these the company paid 1st inslatllment of 30% which is 17M the remaining 41M will be paid through over 30years , and of these lease agreements are renewable 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 2020 Birr'000	30 June 2019 Birr'000
Lease Payment form july/2021- to- sep/2049	1,340	1,340
Total	1,340	1,340

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 2020 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

social responsibility participation

Partial View of the 8th Annual General Meeting