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ETHIO LIFE AND GENERAL INSURANCE S.C.

ANNUAL REPORT

2021/22

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INSURANCE S.C.

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ETHIO LIFE AND GENERAL
INSURANCE S.C.

ANNUAL REPORT
FOR FINANCIAL YEAR ENDED
30 JUNE 2022

"SECURING THE FUTURE TODAY!"

CORPORATE INFORMATION

Who is ELiG?

Initially the Company was established by 117 shareholders with a clear vision of introducing and promoting Long-term insurance to the homes of millions. It obtained license from the National Bank of Ethiopia and commenced operations in October 2008 to transact Long-term (Life) insurance business ONLY until August 2012.

However, in consideration of the immense potentials and viability of the Non-Life insurance business, emanating from the rapid economic growth of the country, shareholders decided to expand the service of the Company by including Non-Life (general) insurance products. Accordingly, the Company was registered as composite insurer and started providing innovative Life and General Insurance products and service since August 2012. Hence, the name "Ethio Life and General Insurance S.C" emerged.

Vision

"By 2025, ELiG will be one of the undisputed market leader in introducing innovative insurance products and services in the Ethiopian insurance industry."

Mission

"To innovatively deliver real value in insurance at a scale and at a risk-based price by using state-of-the-art technology and deploying a professional and customer-friendly human resource to ensure a stable and reasonable return to shareholders and a worthy service to society."

Motto

"Securing the future today!"

Values

- Honesty and Integrity
- High Value for Resources
- Service Excellence
- Respect for the Environment

Products

ELiG provides a wide range of insurance solution, both Life and Non-Life insurance lines of business to the public at large.

Governance Structure

ELiG at its apex, led by competent and well experienced Board of Directors drawn from academics and businesses, and constituted by individuals and corporate entities whose professional mix is from areas like Economics, Law and Management. It also employed a team of professionals and qualified Senior Management Executives.

Our passion of caring for your Life has grown to assuring the guarantee of your property & liability as well

Contents

1. NOTICE OF THE 14TH ORDINARY GENERAL MEETIONG AND THE 9TH EXTRA ORDINARY MEETING OF THE SHAREHOLDERS

Ethio Life and General Insurance S.C (Address: Addis Ababa, Sub-city-Kirkos; Woreda- 02, House no-659, Company's subscribed capital-Birr 191.6 million, Insurance license registration no.013/08)

The 14th Ordinary General Meeting and the 9th Extraordinary Meeting of the Shareholders of Ethio Life and General Insurance S.C will be held on 3rd December 2022 starting 8:30 AM at Inter Luxury Hotel, in Addis Ababa. In light of this, the Board of Directors of the Company is hereby pleased to give notice to all Shareholders or their legal proxies to attend the above captioned meeting.

Agenda for the 14th Ordinary General Meeting

1. Consideration of share transfers in 2021/22.
2. Consideration and approval of the 2021/22 Annual Report of the Board of Directors.
3. Consideration and approval of the 2021/22 Annual Report of External Auditors.
4. Deliberation on and approval of item 2 and 3 above.
5. Deliberation on and approval of the proposed appropriation of 2021/22 profit.
6. Approval of annual compensation of the Board of Directors for 2021/22.
7. Approval of the Board of Directors monthly fee for 2022/23.
8. To consider and approve appointment of Company's External Auditors for the financial year 2022/23.
9. To consider and approve the Company's External Auditors remuneration for 2022/23.
10. Consideration of the report of Board Nomination Committee.
11. Electing members of the Board of Directors.
12. Consider and approve minute of the 14th Ordinary General Meeting of the Shareholders.

Agenda for the 9th Extraordinary General Meeting

1. Decide on and fix the date for full payment of subscribed but not paid up capital of the Company.
2. Deliberate on and decide on increase of Company's capital and payment modalities.
3. Consider and approve minute of the 9th Extraordinary General Meeting of the Shareholders.

Notes

- In accordance with Article 373 and 377 of the Commercial Code of Ethiopia, shareholders who will not be able to attend the meeting can delegate their proxies by signing on a form available at the Company's Head Quarter, around Meskel Flower, Home of Millions Building, 4th floor three days before the meetings.
- Each shareholders are expected to present an ID which confirm that he/she is an Ethiopian citizen. Foreign nationals but an Ethiopian by descent are expected to present an ID/Yellow card to confirm they are an Ethiopian by decent.
- Shareholders who have proxy letter which is authenticated by Document Registration and Authentication Office can attend the meetings.
- All the necessary precaution should be taken by all stakeholders to prevent spread of COVID-19 epidemic.

By the order of the Board of Directors
Ethio Life and General Insurance S.C

BOARD OF DIRECTORS


Ato Yoseph Endeshaw
Chairperson , Board of Director


Ato Abate Gidafe
Director


W/ro Alemitu Kassaye
Director


Ato Admit Zerihun
Director


Ato Aklilu Delele
Director


Dr. Elias Berhanu
Director


Dr. Meshesha Getahun
Director


Ato Hailu Alemu
Director


Ato Mesfin Tafese
Director


Ato Abdulhamid Mustefa
Board Secretary

MANAGEMENT T EAM

Ato Shimeles G/Giorgis
Chief Executive Officer

Ato Solomon Yehualashet
D/Chief Executive Officer Operation

Ato Adugna Jibriel
D/Chief Executive Officer Corporate Services

Ato Daniel Terefe
Manager, UnderWriting and Reinsurance Dep't

Ato Mehari Minas
Manager,Claims Mgt. Dep't

W/ro Meaza Kiros
Manager, Finance and Investment Dep't

Ato Demesew G/Michael
Manager, HR and Facility Management Dep't

Ato Nebiyu Ephrem
Manager, IT Dep't

Ato Behayilu Kacha
Manager, Life Insurance Dep't

Ato Goitom Aberham
Manager, Audit & Inspection Service

Ato Sisay Denekew
Manager, Risk Management & Compliance Service

Ato Abdulhamid Mustefa
Manager, Legal Service

Ato Tilahun Meles
Manager, Engineering service

Ato Yilkal Mekonnen
Manager, Head Quarter Branch

2. BOARD CHAIRPERSON'S STATEMENT

Ato Yoseph Endeshaw
Chairperson of Board of Directors

Dear Shareholders;

I am extremely happy and delighted to cordially welcome you all to the 14^{th} Annual General and 9^{th} Extraordinary Meetings of Ethio Life and General Insurance S.C (ELiG). I thank you all for reposing your trust and confidence in the Board of your company throughout these years. It is my immense pleasure to present the Annual Report of the Company for the financial year ended on 30^{th} June 2022.

Ladies and Gentlemen;

There is no question that 2021/22 was an eventful and extraordinary year. Due to the impact of COVID-19 pandemic and outbreak of the Russia-Ukraine war, economic and business disruptions became prevalent across the globe. Our country couldn't be immune from these episodes. Consequently, the overall price hike for goods and services coupled with the internal conflict in the North and Western parts of our country adversely impacted the overall business environment in the country. But even in these seriously challenging economic and business environments, we, at ELiG, came together, we stayed true to our strategy and we put our client's interest first and thus we were able to deliver exceptional results to our shareholders in 2021/22 financial year.

Indeed, against the tough business scenario, your Company has left no stone unturned to boost businesses in all areas of operation to achieve its corporate goals. ELiG has put its level best efforts at harnessing maximum possible return through prudent risk underwriting, effective cost control, and premium income drive and diversified investments.

Dear Shareholders;

In light of the above background, your company has registered 15.7 and 24 percent growth in its Life and non-life business segments, respectively. Consolidated gross written premium earnings of the Company increased to Birr 346.9 million in 2021/22 from Birr 283.5 million in 2020/2021. Underwriting profit increased to Birr 101.7 million in 2021/22 from Birr 80 million in the preceding fiscal year. Profit after tax increased to Birr 37.8 million in 2021/22 from Birr 22.8 million in the previous year. Despite one big marine cargo claim payout during the 2021/22, the Company has managed its liquidity in a wise and profitable way. Finally, your company is able to declare 21.52 percent Earning Per Share (EPS) for the year 2021/22 for its shareholders compared to 14.52 percent EPS for the year 2020/21.

Regarding strategic matters, the board has been overseeing the effective implementation of the five years strategic plan on the one hand and envisioning the Company's future success on the other. Accordingly, the Board's efforts were focused on providing continuous oversight, guidance and directions to the Company's management in respect of, among others, increased premium production, improved customer services, efficient management of financial resources, effective human resource management, automation of the Company's operations and increased profitability. At this juncture, I would like to assure respected shareholders that your company is in the right growth trajectory in all aspects of its endeavors.

In conclusion, I would like to thank and convey my sincere gratitude to my fellow board members for their commitment and wise leadership. I also express my deep sense of gratitude, on behalf of the Board, to the Company's Shareholders, NBE, reinsurance companies, intermediaries and other stakeholders for their sincere support, cooperation and guidance. I also place on record my appreciation to the efforts made by the management and employees of the Company, for their hard work and strong commitment towards achieving our cherished goals.

Sincerely yours;

Yoseph Endeshew
Board Chairperson
Ethio Life and General Insurance S.C
December 3, 2022

3. REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders:

ELiG's Board is pleased to present the Company's Annual Report and the Financial Accounts for the Fiscal Year ended June 30, 2022. The report briefly highlights the overall domestic economic and business environment as it has implication on the performance of the insurance business. Moreover, it discusses the Company's major activities executed and results achieved during the period under review and highlight the way forward.

3.1 Highlights of the Business Environment

The Ethiopian economy decelerated to 5.6 percent growth in 2021 from 6.1 in 2020, due to civil conflict and the effects of COVID-19 on transport and hospitality sectors. Public spending increased to 15.1 percent of GDP from 14.5 percent in 2019/20 due to an upsurge in defense spending to 0.9 percent of GDP in 2020/21 from 0.5 percent in 2019/20 as well as increased spending on humanitarian assistance and reconstruction needs. Yet, fiscal deficit decreased slightly to 2.6 percent of GDP in 2020/21, from 2.8 percent in 2019/20, reflecting the net effect of tax revenue growth. Tax revenue grew by 24.8 percent. The current account deficit improved slightly from 4.4 percent of GDP in 2019/20 to 4.3 percent in 2020/21, on account of a 21.1 percent growth in export revenues from higher receipts from gold, flowers, electricity, fruits and coffee exports. Import increased by 2.9 percent. Inflation reached 32.7 percent, fueled by supply and value chains disruptions due to internal conflict, the Ukraine-Russia war and COVID-19.

According to the 2022 African Economic Outlook report of the African Development Bank, real GDP growth is projected at 4.1 percent in 2022 and 4.8 percent in 2023. This is lower than earlier projections of 6.7 percent in 2022 and 7.3 percent in 2023 due to the intensified internal conflict and the Russia-Ukraine war. Growth will be driven by industry on the supply side and private consumption and investment on the demand side. A rebound in tourism and liberalization of the telecoms sector are expected to boost the growth outlook. Key downside risks to the growth outlook include the civil conflict in northern Ethiopia, COVID-19, and debt vulnerabilities. Beside, according to the same report, higher global food and oil prices due to the Russia-Ukraine conflict are expected to increase inflation to 32.6% in 2022 before it eases to 24.9% in 2023.

The fiscal deficit is projected to remain stable at 2.6 percent in 2022 and 2023 due to implementation of fiscal consolidation strategy and improvement in tax revenue mobilization. However, the current account deficit is expected to widen to 4.8 percent of GDP in 2022 but to narrow to 4.1 percent in 2023. This by and large reflects the slow recovery in merchandise and service exports and FDI, amidst lower imports of capital inputs.

3.2 The Ethiopian Insurance Industry

The financial sector in Ethiopia has been dominated by banking, which accounts for 76 percent of the sector's total capital, followed by micro finance (15 percent), limiting the role of the insurance and leasing sub-sector to contribute only 9 percent of the capital. The sector including the insurance sub-sector is closed to international competition and offers a limited range of financial products.

During the reporting period, the number of insurance companies in the Country stood at 18 (1 public and 17 private). The number of braches operated by these companies has increased to 691 from 635 a year earlier.

In terms of their engagement, 11 insurance companies or 61 percent are composite, providing both Life and General Insurance, while the remaining 7 or 39 percent are engaged only in General Insurance business. The total capital of all insurance companies reached at close to Birr 13.4 billion during the reporting period.

The provisional data on the performance of the insurance industry during the reporting period shows that total Gross Written Premium for Life and General businesses has reached at Birr 16.7 billion, up by 20 percent in the 2021/22 fiscal year as compared to the preceding year similar period. Out of the total Gross Written Premium, over Birr 15 billion or 92 percent attributed to the General Insurance business, while the remaining balance of over Birr 1.3 billion or about 8 percent is for that of Life Insurance business. The insurance market had shown growth of 41 percent and 18.6 percent in respect of Life and General insurance businesses, respectively.

During 2021/22 fiscal year, the industry's Loss Ratio stood at 52 and 56 percent for Life and General Insurance businesses, respectively, down both for Life and General Insurance businesses by 6 and 1 percent, respectively.

Regarding profitability, the total industry profit after tax increased by about 4 percent from Birr 2.7 billion in 2020/21 to 2.8 billion in 2021/22 fiscal year.

Despite the fact that the Ethiopian insurance industry players had been experiencing growth in terms of parameters that are taken as indicators of growth, a deeper look into the details show that the industry had faced multidimensional challenges. These include adverse impact of the conflict in some part of the country, inflation led high operating costs, stiff price competition, price-sensitive customers, undifferentiated insurance products, shortage of professionals, etc.

3.3. PERFORMANCE REVIEW OF THE COMPANY

3.3.1. Corporate Governance

The Board of Directors (BODs), duly cognizant of its role, as stipulated in the Article of Association of the Company, NBE's Directives, own rules and by laws, oversees the management of the Company and gives overall direction to the executive management. The ultimate objectives of the BoDs are to look after shareholders' interest and contribute to the health, stability and growth of the Company. In this respect, the Board had put in place policies and strategies that enhance transparency and accountability in all undertakings of the Company's operations. It also provided strategic guidance to the Company's management.

The Board, pursuant to the implementation of the relevant NBE's Directives and in light of practicing good corporate governance, has established three Board committees: Risk Management, Compliance and Audit Committee, Human Resource and Materials Management affairs Committee, and Finance and Investment Affairs Committee. These committees operate under clearly articulated terms of reference, which elucidate their responsibilities and scope of authority. The committees had unrestricted access to the Company's information and were authorized by the Board to obtain independent professional advice in the discharge of their functions. The committees report to the Board through their respective chairpersons at each Board meeting.

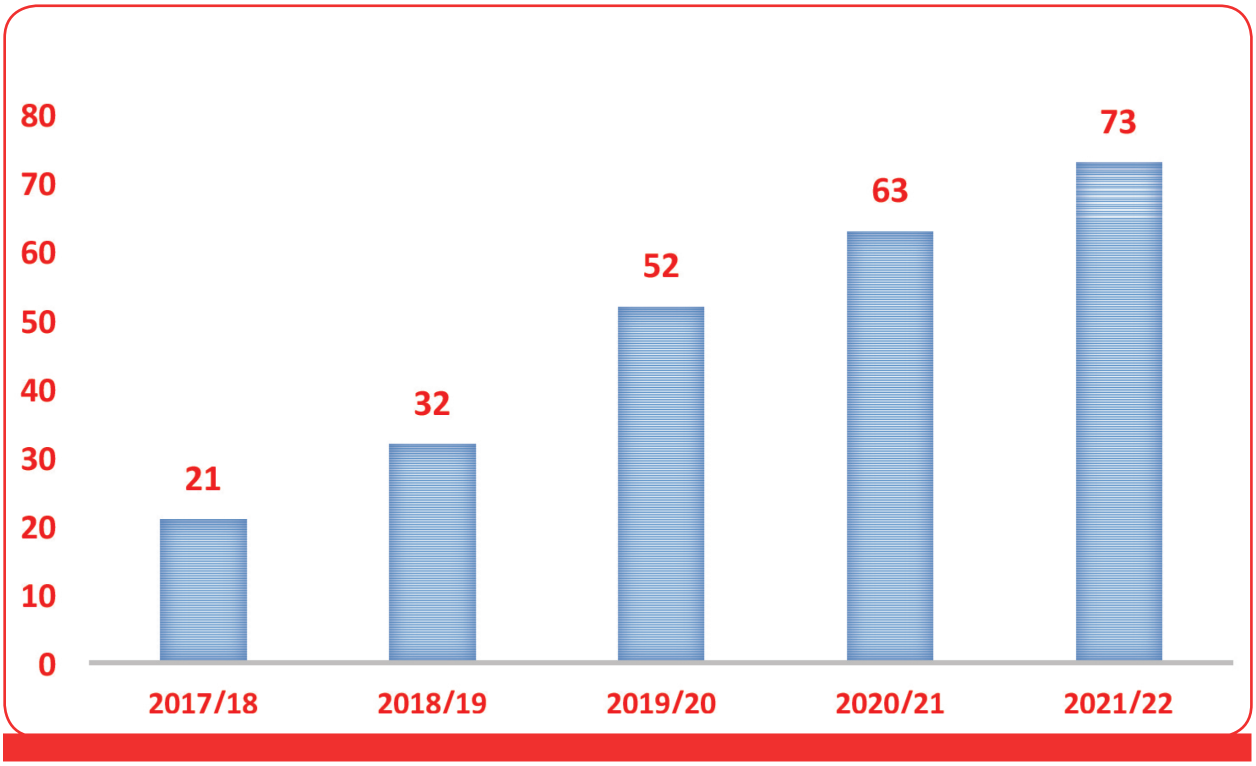
Pursuant to NBE's directive no 48/2019 article 10.3.2, the Board had transacted twelve monthly regular and five special Board meetings. Besides, in compliance with NBE's directive no 48/2018, article 10.4.11, the Board committees had transacted on varies issues and tabled proposals/comments for the full board. In these meetings, the Board had discussed and resolved varied strategic and policy issues and had undertaken oversight of corporate concerns, which include but not limited to the five-year strategic plan implementation status, the core insurance software implementation progress, company's property, equity and IT investments decisions, company's paid-up capital development, human resource issues with particular emphasis to succession planning and employee attrition.

3.3.2 Life and Health Business

Gross Underwriting Premium Income

The amount of Gross Written Premium (GWP) for Life and Health business increased to Birr 72.9 million in 2021/22 fiscal year from the level of Birr 63.1 million in 2020/21, which is an increase by Birr 9.8 million or 15.7 percent. The Life and Health business growth was due to, primarily, retaining the good share of the existing customers and, secondly, by attracting new individual and corporate clients. The great accomplishment witnessed is a testament of dependable and superior service delivered by the Company to the insuring public. It is, therefore, hoped that the nation-wide favourable image created in the minds of customers at large delivered dividend to business growth to EliG's Life and Health insurance.

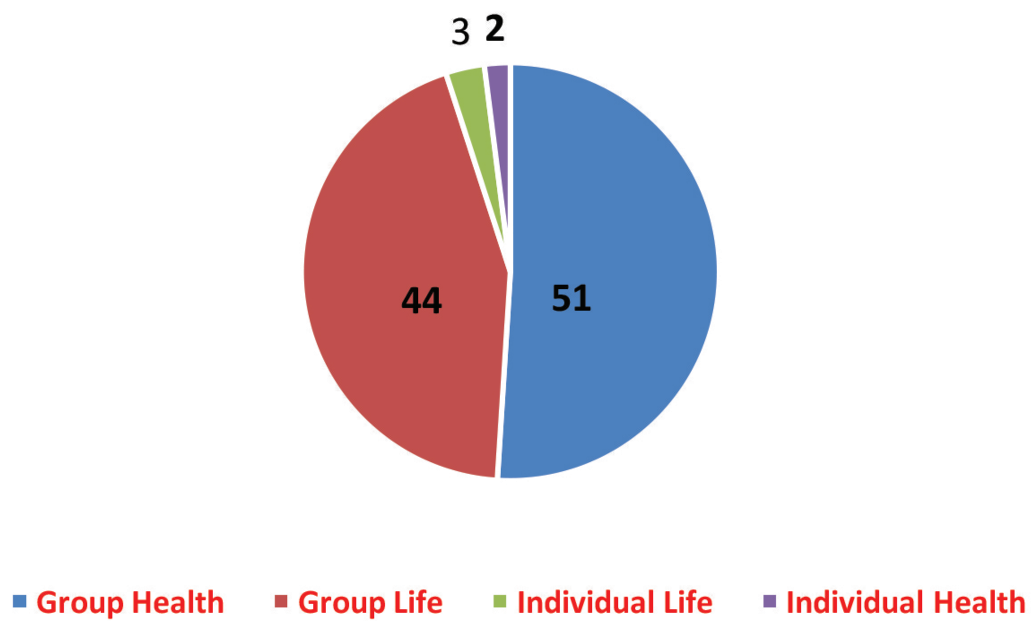
Figure-1:- Trend of Gross Written Premium of Life and Health Insurance Since 2017/18 in Million Birr



Premium Income by Types of Plan

Out of Birr 72.9 million GWP income during 2021/22 fiscal year, 51 percent was generated by the Group Health Plan, followed by Group Life Plan (44 percent), Individual Life Plan (3 percent) and Individual Health Plan (2 percent).

Figure 2:-Gross Written Premium Income of Life and Health Business By Types of Plan as of June 30, 2022 in percent



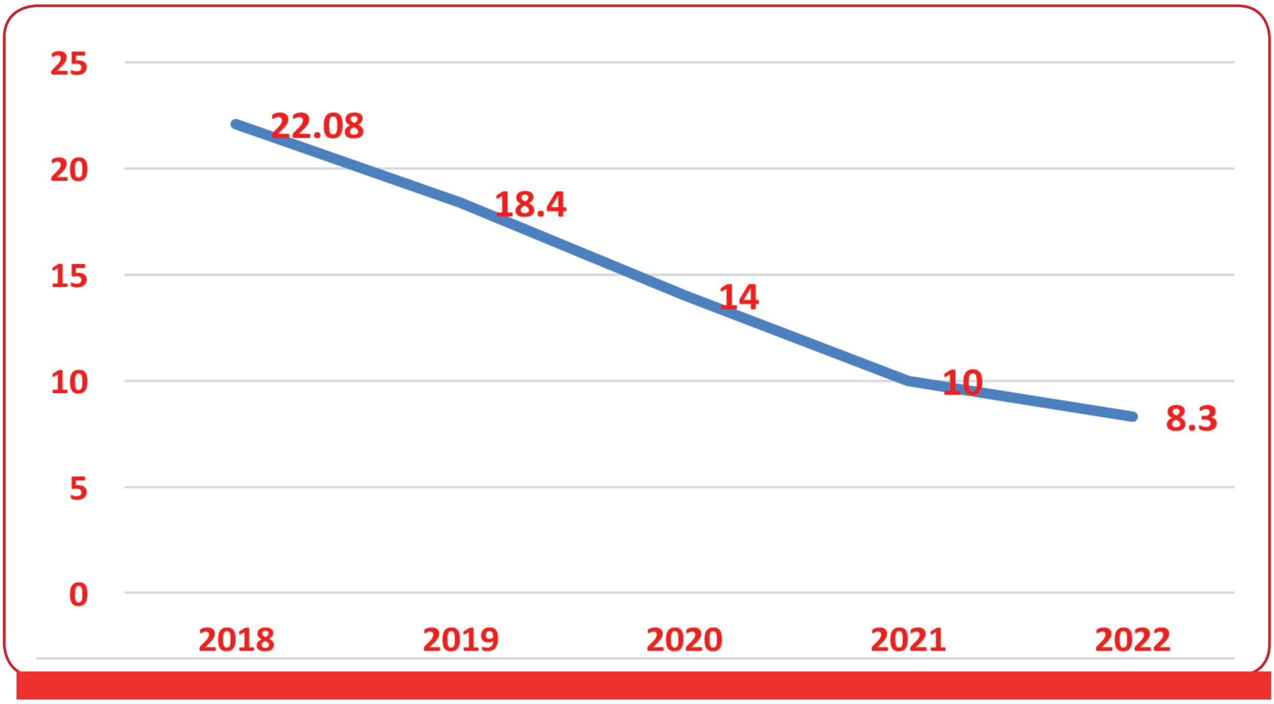
Claims Management

Net Claims incurred for the reporting period stood at Birr 34.5 million, increased by Birr 1.7 million or 5 percent compared to the preceding fiscal year**.** On the other hand**,** the Gross Loss Ratio of 56 percent for 2021/22 fiscal year appeared to be lower than the preceding year by 5 percent. This could be explained by substantial increment in Gross Written Premium during the period under review. The registered Gross Loss Ratio of 56 percent for the reporting period, however, was a little higher than the industry average (which is 52%) by 4 percent.

Management Expense Ratio

The Expense Ratio, which is the ratio of Management Expenses to Net Earned Premium, stood at 8.3 percent as of June 30, 2022. When compared to the ratio of the preceding fiscal year, which was 10 percent, it dropped by 2 percent. This signifies the fact that ELiG had increased its earned premium from 2021/22 operations as compared to 2020/21 fiscal year.

**Figure-3:- Life and Health Business
Expense Ratio Trend in Percent Since 2018**



Valuation Results

The Actuarial evaluation result disclosed that as of June 30, 2022, the Life Fund Value balance of the Company has increased from Birr 53.6 million as at June 30, 2021 to Birr 80.6 million as at June 30, 2022 representing a growth of 50%.

During the period under review, the actuarial liabilities of the Company had increased from Birr 53.6 million in 2021 to Birr 60.1 million in 2022, demonstrating a 12 percent increase. It is known that long term death risks would render augmented actuarial liabilities, due to the nature of life business.

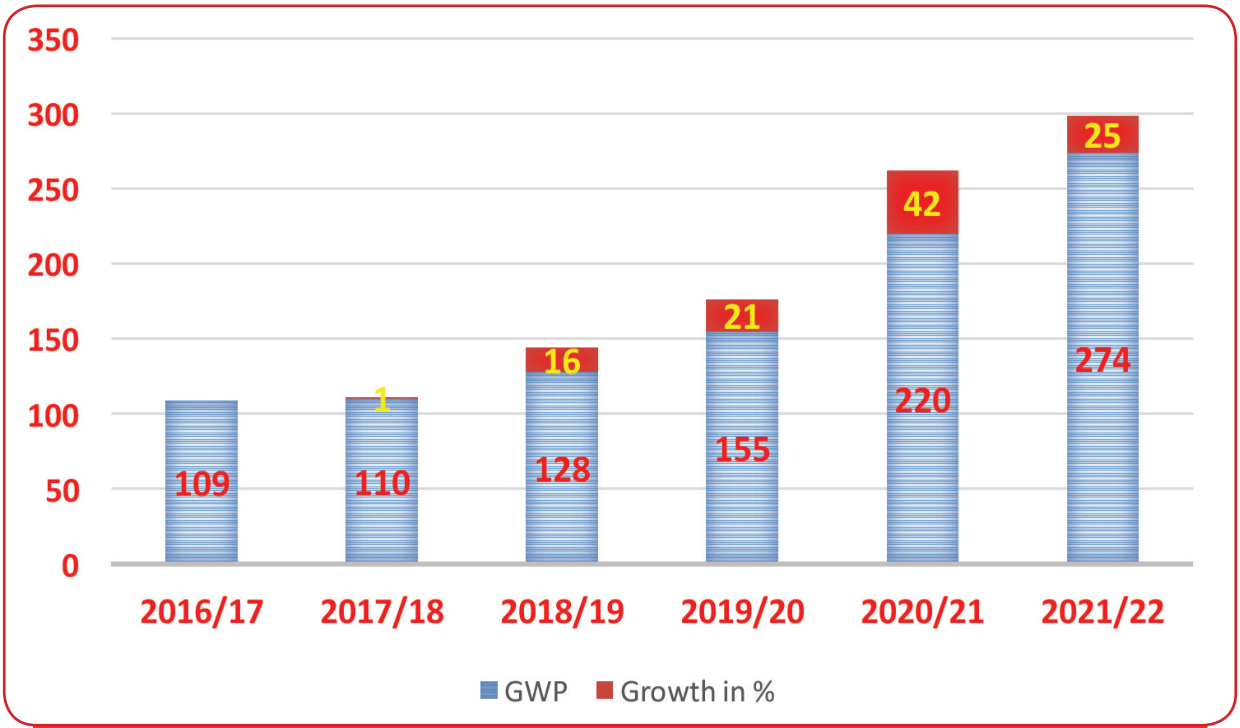
From the Life Fund balance of Birr 80.6 million, the appointed actuary proposed Birr 20.5 million to be distributed to the Shareholders as a dividend. This is approximately 26 percent of the Life Fund revealed in the fiscal year ending June 30, 2022.

4. General Insurance Business

Gross Written Premium

Despite the challenging business environment in the 2021/22 fiscal year, mainly due to the macroeconomic imbalance and conflicts in some parts of the country, ELiG had managed to underwrite gross premium of Birr 274 million. The GWP was higher than the preceding year similar period by Birr 53.5 million or 24 percent. The 24 percent registered growth was higher by 5.4 percent than the insurance industry's average; 18.6 percent. This was possible because of improved customers' retaining ability and diligent and aggressive market penetration of the company by focusing more on corporate customers.

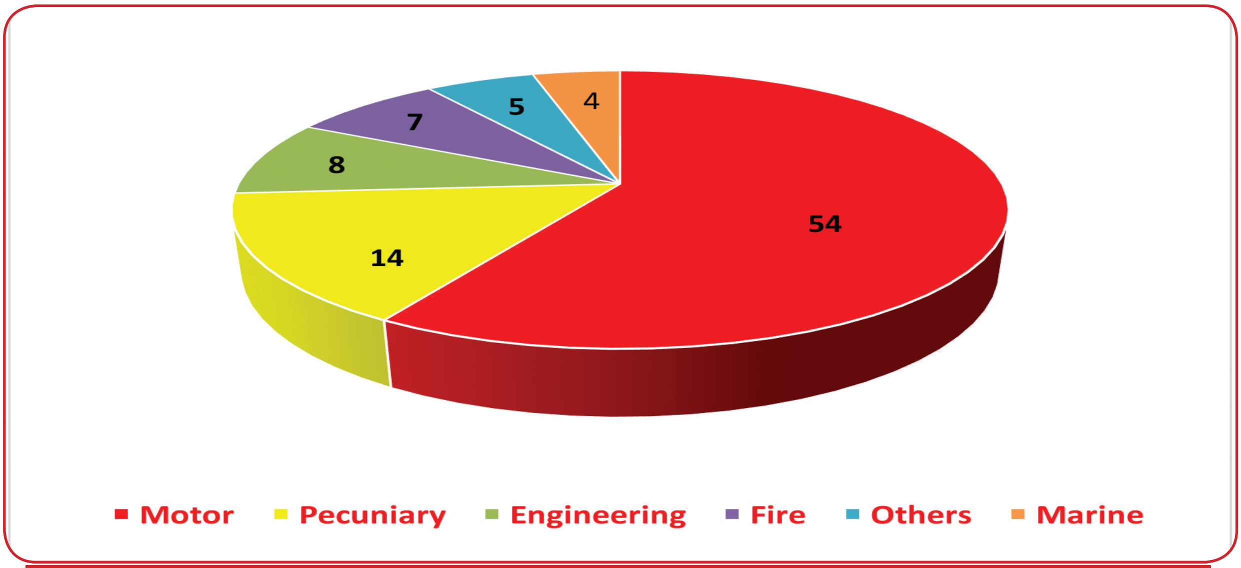
Figure 4 :- GWP and Annual Growth of the General Insurance Business since 2016/17



Premium Income by Classes of Business

As shown in the figure-6, the performance of major classes of business revealed that Motor, Pecuniary, Engineering, Fire, Others and Marine have contributed 54, 14, 8, 7, 5, and 4 percent, respectively totaling close to 92 percent of the overall portfolio.

Figure 5:- GWP Portfolio Mix of Various Classes of Business in Percent



Claims Incurred

During the fiscal year under review, the Company's net claims incurred amounted to be Birr 91.3 million, which is an increase of Birr 21.5 million or 31 percent as compared to the preceding year. Such an increase of net incurred claim attributed to an increase of GWP by 24 percent as well as settlement of big Marine claims net amounting close to Birr 10 million in the fiscal year.

Loss Ratio

During 2021/22 fiscal year, the Company's Loss ratio with respect to the General Insurance Business (ratio of Incurred Claims to Net Earned Premium) stood at 59 percent, which is above by 3 percent from the industry average of 56 percent but similar to the preceding fiscal year of the company.

5. CORPORATE FINANCIAL PERFORMANCE OVERVIEW

5.1. Underwriting Surplus/ Profit

As discussed earlier, the 2021/22 fiscal year was marked by multidimensional and diverse challenges emanated from political, social and economic situations of the country. In spite of that, ELiG had registered Birr 101.8 million underwriting result in the reporting period. This result was higher by 26.8 percent than the preceding fiscal year, which was 80.3 million.

5.2. Expenses

During the reporting fiscal year, the total non-claims (general and administrative) expenses of the Company stood at Birr 87.8 million from the level of Birr 79.8 million of the preceding year. An increase of Birr 8.0 million or 10 percent was a cumulative result of the effect of increment mainly in salary and benefits, depreciation expense, and other administrative expenses because of ever increasing inflation.

5.3. Total Assets and Liabilities

The total asset of the Company has reached to Birr 752.2 million showing an increase of Birr 37.1 million or 5 percent over the preceding year.

Similarly, total liabilities stood at Birr 518 million, revealing a decrease of Birr 10.3 million or 2 percent over the preceding year. This is due to settlement of the long outstanding Marine claim.

5.4. Shareholders' Equity

Shareholders' account stood at Birr 234.1 million that grew by 25.3 percent. This growth had become possible mainly due to the increase in paid up capital of the Company by Birr 30.1 million or 19 percent as compared to the preceding year. The paid-up capital of the Company as of June 30, 2022 stood at Birr 188.8 million.

5.5 Investment

Investment in equity shares

During the reporting period, the Company made additional investments in Addis International Bank (Birr 3 million), Bank of Abyssinia (Birr 3.1 million) and Goh Betoch Bank (Birr 5 million) and Ethiopian Reinsurance S.C. (Birr 3.3 million). Thus, company's total share investment stood at Birr 68.6 million as of June 30, 2022, which is higher than the preceding year by Birr 14.5 million or 27 percent.

Investment in Properties, Plant and Equipment

During the reporting period, the Company has paid a total amount of Birr 10.1 million for the purchase of various fixed assets, which include Motor vehicle (Birr 6.6 million), Computer and Printer (Birr 1.4 million) and Office Equipment, Furniture and others (Birr 2.1 million). In addition to this, the company has paid an additional amount of Birr 14.3 million during the same fiscal year for the IT project (for Oracle data base and Hardware).

As a result of the above developments, the Company's net investment in various properties and investment asset reached at Birr 162.9 million from the level of Birr 152.8 million of preceding year.

5.6 Profitability

Regarding Life and Health business, the Company has earned actuarial surplus of Birr 27 million during the reporting period, out of which Birr 20.5 million is proposed to be transferred to profit. Besides, Birr 21.7 million profit before tax was registered by the General Insurance business during the same period, which is higher by 15.9 million from the preceding year. Although the unexpected claim of Marine business has increased the incurred claim during the fiscal year, an increase of profit from the General business is possible due to two major reasons: an increment of Investment income by Birr 4.8 million and growth of GWP by Birr 53.5 million.

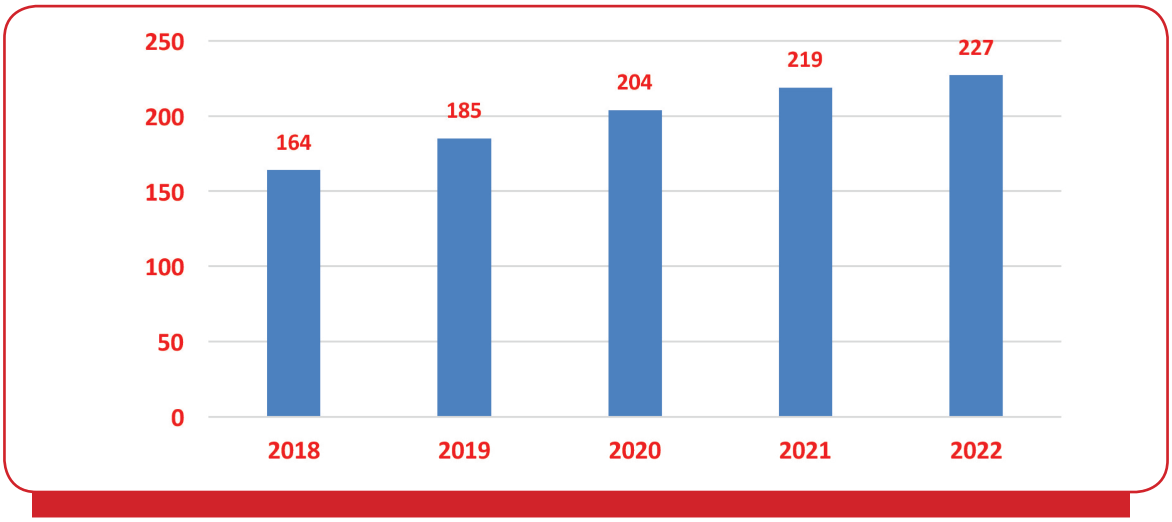
In light of the above, the consolidated financial statement of the Company shows profit before tax of Birr 42.2 million, which is higher than the preceding year by Birr 19.4 million or 85 percent. On the other hand, profit after tax for the 2021/22 fiscal year stood at Birr 37.8 million and this is higher than the preceding fiscal year by Birr 15 million or 66 percent. The earnings per share (EPS) for the fiscal year is calculated to be 21.52 percent. EPS of the reporting period is increased by 7.1 percent as compared to the preceding fiscal year.

6. HIGHLIGHTS OF MAJOR ACTIVITIES OF THE COMPANY

6.1. Human Resources

The Company's permanent work force as of June 30, 2022 stood at 227, out of which 55 percent were females while the balance 45 percent were males. Human resource strength of the Company increased by 8 persons or 3.6 percent only during the reporting period.

Figure 6:- Trend of Human Resource strength during 2018-2022



6.2. Branch Expansion

In line with the 5 years strategic plan of the Company, two branch offices which transact general business were opened in Addis Ababa at Piazza and Lebu areas in the fiscal year. Due to this development, the total number of Company's branch offices increased from 26 to 28 as of the end of the fiscal year.

6.3. Purchase and Implementation of Core Insurance Software

The Company's commitment of transforming its manual operations to digital has been in good progress. In view of this, an additional investments of Birr 14.3 million was made during the fiscal year for the purchase and installation of hardware (Birr 12.2 million), and Oracle data base (Birr 0.5 million.) as well as an additional payment for the Software (Birr 1.6 million). Therefore, as of June 30, 2022, the total investment for the purchase and implementation of the Core Insurance Software stood at Birr 19 million.

The IT project is now at User Acceptance Test stage (UAT). The go live and full implementation of the software is expected to take place in the second quarter of 2022/23 fiscal year.

6.4. Update on Purchase of Plot of Land

The long outstanding title deed acquisition has been still in progress in respect of 1,800m^2 plot of land which the Company purchased in 2019 for its vehicles wreck yard purpose. As of June 30, 2022, Birr 7.2 million was paid and the balance of about Birr 2.8 million will be effected the soonest the title deed is secured in the name of the Company.

7. THE WAY FORWARD

The incumbent Board has been participating in developing numerous polices and resolving strategic issues during its tenure. At this very junction, the Board, as a team is delighted to witness successive growth of the Company in terms of its market share, investment income, profitability, transformation process into digital operations, branch expansion and many more!

It is the convention of the Board that the Company is now in good standing and shape. The mid-term review of the five years strategic plan, follow-up of the implementation of the core insurance software, endorsing a prudent risk management and securing the title-deed of the plot of land are the major outstanding issues which in fact are at final stage.

8. VOTE OF THANKS

Finally, the Board of Directors of the Company would like to seize this opportunity to express its deepest gratitude to all its high valued customers who developed trust on the Company by placing their lives, property and liability risks. Indeed, their support to the Company's performance has been remarkable and the Board is grateful for that.

The Board of Directors would like to extend its appreciation for the support rendered by all insurance intermediaries and re-insurers for the healthy and profitable relationship the Company enjoyed during 2021/22 fiscal year.

Moreover, the Board wishes to express its indebtedness to the regulatory body for its unreserved support towards the attainment of the Company's outcome.

Last but not least, our thanks go to all the Company's front line and support staff and management team whose commitment to the Company's success has been unwavering all along. They have been playing the role of forerunner in delivering professional and friendly services to the public at large.

With best regards;

Yoseph Endeshaw
Chairperson, Board of Directors
ELiG, December 2022
Addis aba, Ethiopia

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Ethio Life and General Insurance S.C.

AUDITORS' REPORT

2021/22

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ETHIO LIFE AND GENERAL INSURANCE SHARE COMPANY.

ETHIO LIFE AND GENERAL INSURANCE

Directors, Professional Advisers and Registerd Offfice
For the Year Ended 30 June 2022

Company registration number No. '08489

Directors (as of 30 June, 2022)

Ato Yoseph Endeshaw	Chairperson
Ato Abate Gedafe	Member
Ato Aklilu Delele	Member
Ato Mesfin Tafese	Member
Dr. Meshesha Getahun	Member
Dr. Elias Birhanu	Member
Ato Admit Zerihun	Member
W/ro Alemitu Kassaye	Member
Ato Hailu Alemu	Member

Executive management (as of 30 June 2022)

Shimelese G/Giorgis	CEO
Adugna Jibriel	D/CEO- Corporate Service
Solomon Yehualashet	D/CEO- Operation
Daniel Terefe	UnderWriting and Reinsurance Dep't Manager
Mehari Minas	Claims Mgt. Dep't Manager
Meaza Kiros	Finance and Investment Dep't Manager
Demessew G/Michael	HR and Facility Management Dep't Manager
Nebiyu Ephrem	IT Department Manager
Behailu Kacha	Life Insurance Dep't Manager
Sisay Denekew	Risk Management and Compliance Service Manager
Goitom Abreham	Audit & Inspection Service Manager
Abdulhamid Mustefa	Legal Service Manager
Tilahun Melese	Engineering Service Manager
Yilkal Mekonnen	Head Quqarter Branch Mager

Independent auditor

TMS Plus Chartered Certified Accountants (UK) & Authorised Auditors (Ethiopia)
Addis Ababa
Ethiopia

Corporate office

Ethio Life and General Insurance Share Company
Addis Ababa,
Ethiopia

Principal bankers

Addis International Bank
Bambis
Zequal Bld
Addis Ababa,
Ethiopia

Reinsurers

Africa Re-insurers S.C.
Ethiopian Reinsurance S.C
Zep-Re (P.T.A. Reinsurance Co.)
Kenya Reinsurance S.C
East Africa Re S.C
Tunis RE

Consulting Actuaries

Actuarial Services East Africa Limited
26th Floor UAP -Old Mutual Towers
Upper Hill Road, Upper Hill
Nairobi, Kenya

TMS Plus
Tafesse,Shisema and Ayalew Certified Audit Partnership
Chartered Certified Accountants (UK) and Authorised Auditors (Ethiopia)
HLB Ethiopia
Member Firm of HLB International
THE GLOBAL ADVISORY AND ACCOUNTING NETWORK
Tel. 251-011-8961752 /011 6180638 Mob. 0911 229425 /0930 034356/0930 034357 Fax: 251-011 662 12 70/60
E-mail:- tmsplus@ethionet.et / tafessef@hotmail.com P.O.Box 110690 Addis Ababa - Ethiopia

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ETHIO LIFE AND GENERAL INSURANCE SHARE COMPANY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethio Life and General Insurance Share Company, which comprise the statement of financial position as at 30 June 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,the accompanying financial statements present fairly, in all material respects, or give a true and fair view of the financial position of the Company as at 30 June 2022, and its financial performance andits cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis forOpinion

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 the commercial code of Ethiopia of 1243/2021, recommended approval of the above mentioned financial statements.

Taf, Sh; & Ay

Tafesse,Shisema and Ayalew(TMS Plus)Certified Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)
Addis Ababa
27 September 2021

ETHIO LIFE AND GENERAL INSURANCE

Consolidated Statement of Profit or Loss & Other Comprehensive Income
For the Year Ended 30 June 2022

	Notes	30 June 2022 Birr'000 General Business	30 June 2022 Birr'000 Long Term Business	30 June 2022 Birr'000 Total	30 June 2021 Birr'000
Gross written premiums	5a	274,041	72,915	346,955	283,557
Premiums ceded to reinsurers	5b	97,407	11,133	108,540	94,723
Change in unearned premium		23,145	-	23,145	16,699
Net earned premiums		**153,489**	**61,782**	**215,270**	**172,135**
Fees and commission income	6	34,842	4,483	39,326	28,486
Net underwriting income		**188,331**	**66,265**	**254,596**	**200,621**
Net claims and loss adjustment expense	7	91,287	34,526	125,813	**102,565**
Underwriting expense	8	18,740	8,254	26,994	17,780
Total underwriting expense		**110,027**	**42,780**	152,807	**120,345**
Underwriting profit		**78,304**	**23,485**	**101,789**	**80,276**
Investment income	9	21,579	8,390	29,969	24,836
Other operating income	10	4,429	315	4,744	3,641
Net income		**104,312**	**32,190**	**136,502**	**108,753**
Employee benefit and other administrative expense	11	82,649	5,168	87,817	79,842
Impairment on receivables arising out of reinsurance arrangements		-		-	-
Transfer to Life fund			6,522	6,522	6,129
Profit before income tax		**21,663**	**20,500**	**42,163**	**22,782**
Income tax expense	12	4,358	-	4,358	-
Profit for the year		**17,305**	**20,500**	**37,805**	**22,782**
Other comprehensive income				-	-
Items that will not be subsequently reclassified into profit or loss:				-	-
Remeasurement gain/(loss) on retirement benefits obligation	28c	(445)	-	(445)	50
Total comprehensive income for the year		**16,860**	**20,500**	**37,360**	**22,832**
Basic and diluted Earning Per Share(ETB)	13			**215.16**	**144.43**
Basic and diluted Earning Per Share(%)				**21.52%**	**14.44%**

ETHIO LIFE AND GENERAL INSURANCE

Consolidated Statement of Financial Position

As At 30 June 2022

	Notes	30 June 2022 Birr'000 General Business	Long Term Business	Total	30 June 2021 Birr'000
ASSETS					
Cash and bank balances	14	189,164	79,361	268,525	223,047
Investment securities:					
– Available for sale	15	45,291	23,347	68,638	54,063
– Loans and receivables		-	-	-	-
Due from reinsurers and Co-insurers	16	52,041	9,679	61,720	55,888
Reinsurance assets	17	103,604	-	103,604	167,866
Deferred acquisition cost	18	14,726	-	14,726	9,686
Differed tax Asset	12	-	-	-	-
Other assets	19	39,470	4,243	43,713	21,079
Intangible assets		-	-	-	-
Property, plant and equipment	21	147,869	1,726	149,595	146,102
Investment Property	21.1	13,341	-	13,341	13,616
Statutory deposit	20	26,061	2,261	28,323	23,794
Total assets		**631,568**	**120,618**	**752,186**	**715,143**
LIABILITIES					
Insurance contract liabilities	22	276,731	1,524	278,255	307,018
Due to reinsurers	23	100,446	15,623	116,069	100,566
Other payables	25	38,563	1,016	39,579	30,852
Differed comm. Income	24	13,787	-	13,787	14,061
Current tax payable		2,677	-	2,677	
Deferred income tax	12	5,495	-	5,495	1,762
Retirement benefit obligations	28	2,059	-	2,059	1,515
Financial Liability	26	-	-	-	18,967
Life Fund Reserve	27	-	60,134	60,134	53,611
Total liabilities		**439,758**	**78,296**	**518,054**	**528,352**
Equity					
Share capital	29	173,743	15,074	188,817	158,699
Share premium	30	1,248	-	1,248	325
Retained earnings	31	14,443	18,451	32,894	20,373
Revaluation Reserve	31.2	(5,742)	-	(5,742)	(5,742)
Legal reserve	32	8,118	8,797	16,915	13,135
Total equity		**191,810**	**42,322**	**234,132**	**186,791**
Total equity and liabilities		**631,568**	**120,618**	**752,186**	**715,143**

Ato Yoseph Endeshaw
Chairperson, Board of Directors

Ato Shimelese G/Giorgis
Chief Executive Officer

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

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Securing the Future today!

ETHIO LIFE AND GENERAL INSURANCE

General Business Statement of Changes in Equity

For The Year Ended 30 June 2022

	Notes	Share capital	Share premium	Retained earnings	Legal reserve	Revaluation Reserve	Total Birr'000
As at 1 July 2020		**132,602**	**294**	**7,014**	**5,810**	**(5,742)**	**139,979**
Profit for the year		-	-	5,782	-	-	**5,782**
Transfer to legal reserve	32	-	-	(578)	578	-	-
Additional share issued	29	11,023	31	-	-	-	**11,054**
Prior year adjustments	31	-	-	(360)	-	-	**(360)**
Transfer from life		-	-	398	-	-	**398**
Dividends declared and paid	31	-	-	(6,433)	-	-	**(6,433)**
Transfer to directors fees payable		-	-	(1,350)	-	-	**(1,350)**
Tax Temporary Difference		-	-	503	-	-	**503**
Opening bal difference		-	-	7	-	-	**7**
Sub Total		**143,625**	**325**	**4,984**	**6,389**	**(5,742)**	**149,580**
Other comprehensive income:							-
Re-measurement gains on defined benefit plans (net of tax)	28	-	-	89	-	-	**89**
As at 30 June 2021		**143,625**	**325**	**5,073**	**6,389**	**(5,742)**	**149,669**
As at 1 July 2021		**143,625**	**325**	**5,073**	**6,389**	**(5,742)**	**149,669**
Profit for the year a/tax				17,305			17,305
Transfer to legal reserve	32			(1,730)	1,730		-
Additional share issued	29	30,118	923				31,041
Prior year adjustments	31			(511)			(511)
Transfer from life							-
Dividends declared and paid	31			(3,848)			(3,848)
Transfer to directors fees payable				(1,350)			(1,350)
Opening bal difference							-
Other comprehensive income:							-
Re-measurement gains on defined benefit plans (net of tax)	28			(495)			(495)
As at 30 June 2022		**173,743**	**1,248**	**14,443**	**8,118**	**(5,742)**	**191,810**

ETHIO LIFE AND GENERAL INSURANCE

Long Term Business Statement of Changes in Equity

For The Year Ended 30 June 2022

	Notes	Share capital	Share premium	Retained earnings	Legal reserve	Revaluation Reserve	Total Birr'000
As at 1 July 2020		**15,074**	**-**	**13,899**	**5,047**	**-**	**34,020**
Profit for the year		-	-	17,000	-	-	**17,000**
Transfer to legal reserve	32	-	-	(1,700)	1,700	-	-
Additional share issued	29	-	-	-	-	-	-
Prior year adjustments	31	-	-	(398)	-	-	**(398)**
Dividends declared and paid		-	-	(13,500)	-	-	**(13,500)**
Transfer to directors fees payable		-	-	-	-	-	-
Transfer to life fund	27	-	-	-	-	-	-
Other comprehensive income:		-	-	-	-	-	-
Re-measurement gains on defined benefit plans (net of tax)	28	-	-	-	-	-	-
							-
As at 30 June 2021		**15,074**	**-**	**15,301**	**6,747**	**-**	**37,122**
As at 1 July 2021		**15,074**	**-**	**15,301**	**6,747**	**-**	**37,122**
Profit for the year				20,500			20,500
Transfer to legal reserve	32			(2,050)	2,050		-
Additional share issued	29						-
Prior year adjustments	31						-
Dividends declared and paid				(15,300)			(15,300)
Transfer to directors fees payable							-
Transfer to life fund	27						-
Other comprehensive income:							-
Re-measurement gains on defined benefit plans (net of tax)	28						-
						-	-
As at 30 June 2022		**15,074**	**-**	**18,451**	**8,797**	**-**	**42,322**

ETHIO LIFE AND GENERAL INSURANCE

Statement of Cash Flows

For The Year Ended 30 June 2022

	Notes	30 June 2022 Birr'000	30 June 2021 Birr'000
Cash flows from operating activities			
Cash generated from operations	33	51,944	73,235
Income tax paid		-	(894)
Net cash (outflow)/inflow from operating activities		**51,944**	**72,341**
Cash flows from investing activities			
Purchase of investment securities	15	(14,576)	(19,169)
Purchase of intangible assets/lease		-	-
Purchase of property, plant and equipment	21	(10,123)	(13,662)
Purchase of Investment Property	21	-	-
Increase in statutory deposit	20	(4,528)	(1,826)
Proceeds from sale of PPE		1,306	-
Dividend received		6,743	4,645
Interest Income		23,226	20,191
Net cash (outflow)/inflow from investing activities		**2,048**	**(9,821)**
Cash flows from financing activities			
Proceeds from issues of shares	29	30,118	11,023
Increase in share premium	30	923	31
Dividend paid		(19,148)	(19,933)
Bank borrowing net (Repayment)/ Received	26	(21,717)	(21,717)
Net cash (outflow)/inflow from financing activities		**(9,825)**	**(30,596)**
Prior year adjustment			
Over looked Income / (Expenses)		1,311	**(364)**
		(8,514)	**(30,961)**
Net increase/(decrease) in cash and cash equivalents		**45,478**	**31,559**
		-	**-**
Cash and cash equivalents at the beginning of the year		**223,047**	**191,488**
Cash and cash equivalents at the end of the year		**268,525**	**223,047**

ETHIO LIFE AND GENERAL INSURANCE

Notes to The Financial Statement
For The Year Ended 30 June 2022

1 General Information

The registered office is at:
ELiG Home of Millions Building
Meskel Flower
Addis Ababa

The Company is principally engaged in the provision of general and life insurance services to clients in Ethiopian market.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies that the Company applies in the preparation of its Financial Statements are set out below. These policies have been consistently applied to all the years that will be presented, unless otherwise stated.

2.2 Basis of preparation

The Financial Statements year-ended 30 June 2022, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). Additional information required by National regulations are included where appropriate.

The financial statements comprise (1) the Statement of Profit or Loss and Other Comprehensive **income**, (2) the **Statement of Financial Position**, (3) the **Statement of Changes in Equity**, (4) the **Statement of Cash Flows** and (5) 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 financial assets which are measured at amortized cost and in accordance with IFRS 4 insurance contract modified as appropriate to comply with IFRS frame work. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr.

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

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

2.2.2 Changes in accounting policies and disclosures

New standards, Amendments, and Interpretations issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2022, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

ETHIO LIFE AND GENERAL INSURANCE

Notes to The Financial Statement

For The Year Ended 30 June 2022

IRFS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 requires all financial assets, except equity instruments, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would ariess.Having completed its initial assessment, the Company has concluded that all financial assets that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9 and equity investments will be classified as FVOCI.

However the company elects under the amendment to IFRS 4 to apply the temporarily exemption from IFRS 9 due to the company insurance contract liabilities constitute predominantly most of its liabilities there by deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

IFRS 17 – Insurance contracts

FRS 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 2022 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.

ETHIO LIFE AND GENERAL INSURANCE
Notes to The Financial Statement
For The Year Ended 30 June 2022

b) Transaction and balances

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

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

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

2.4 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	Depreciation rate (years)	Residual value (%)
Buildings	50	5%
Lift	15	1%
Motor vehicles	10	5%
Furniture & fittings	10	1%
Office equipment	10	1%
Computer equipment	7	1%

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition 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.

Tafesse, Shisema & Ayalew * Certified Audit Partnership * TMS Plus

ETHIO LIFE AND GENERAL INSURANCE

Notes to The Financial Statement

For The Year Ended 30 June 2022

2.5 Investment property

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

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

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

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Earned rental income is recorded in profit or loss for the year within (other operating income).

Investment properties are derecognised when they have been disposed.

2.6 Intangible assets

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

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

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

Assert Class	Useful life's (years)
Computer software	8

2.7 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.

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0111541235
Tafesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership
E-LiG
Ethio Life and General Insurance S.C.

ETHIO LIFE AND GENERAL INSURANCE

Notes to The Financial Statement
For The Year Ended 30 June 2022

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.

Company as a lessor

Leases where the company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating lease. Rental income is recorded as earned based on the contractual terms of the lease in other operating income.

The Company has entered into lease of office building for its branches. 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.

2.8 Statutory Deposits

Statutory deposits are cash balances held with the National Bank of Ethiopia in line with Article 20 of Insurance Business Proclamation No. 746/2012 and may not be withdrawn except with the written permission of the National Bank of Ethiopia, or be used as a pledge or security for any loan. They have been separately disclosed due to their nature and liquidity. Statutory deposits are measured at cost.

Statutory deposit represents 15% of the paid up capital of the Company deposited with the National bank of Ethiopia

2.9 Deferred acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts.

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

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

2.10 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 units (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.

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.

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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.

2.11 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.

2.11.1 Financial assets

a) 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.

b) Subsequent measurement

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

• Loans and receivables

• Available-for-sale financial investments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Company's loans and receivables comprise of insurance receivables, investment securities and other financial assets. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Available-for-sale (AFS) – financial assets

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

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial instruments. Interest earned whilst holding AFS financial investments is reported as interest and similar income using the EIR method. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets held to maturity if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

'Day' 1 Profit or loss

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

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

c) Reclassification of financial assets

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

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

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

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

d) De-recognition 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.

e) 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 amortized cost

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

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

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

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

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

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

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

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

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

AFS financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been re-measured 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.

2.11.2 Financial liabilities

a) Initial recognition and measurement

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

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

b) Subsequent measurement

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

c) 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.

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d) Derecognition of financial liabilities

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

2.11.3 Offsetting financial liabilities

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.

2.12 Reinsurance assets

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

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

2.13 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.

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

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.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cas hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

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

2.15 Insurance contracts

Classification

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

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

i. Non-life insurance contracts

These contracts are accidents and casualty and property insurance contracts.

Accidents and casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) ar 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 v of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

ii Life insurance contracts

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

In addition, the Company has short-term life insurance contracts which protect the Company's policyholders from the consequences of events (such as death or disability) that would affect the ability of the insured or his/ her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the insured or the beneficiary. There are no maturity or surrender benefits.

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2.16 Liability adequacy test

Liability adequacy test at each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

As set out note 4.2, life insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated.

2.17 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.

2.18 Deferred income

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

2.19 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.

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2.19.1 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.

2.20 Revenue recognition

A) Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when received from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium; others are recognised as an expense. 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 outward reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

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

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

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

C) Fee 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.

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D) Deferred income

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

E) 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.

F) 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.

2.21 Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

2.22 Reinsurance claims

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

2.23 Finance costs

Interest paid is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest bearing financial liability.

2.24 Underwriting expenses

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

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

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2.25 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 plan :

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 8% and 10% by employees and the Company respectively based on the employees' salary.

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

C) Defined benefit obligation

The Company operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in employment are entitled to benefit payments upon resignation. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is not a defined contribution plan. Typically defined benefit plans define an amount of gratuity benefit that an employee will receive on resignation.

The liability recognised in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation.

Employer's contributions to this scheme are charged to profit or loss in the year in which they relate.

Re-measurement gain and loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service and interest cost are included as part of employee benefit expense in the profit or loss. Past-service costs are recognised immediately in profit or loss.

Gains or losses on curtailment or settlement are recognised in profit or loss when the curtailment or settlement occurs.

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Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions Note 4.8.1 and Notes 3
- Quantitative disclosures of fair value measurement hierarchy Note 4.8.2
- Financial instruments (including those carried at amortised cost) Note 4.8.3

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.26 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.

2.27 Share capital

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

2.28 Legal reserves

In accordance with Article 22 sub article 1 - 2 of Insurance Business Proclamation No 746/12, the Company, at the end of each financial year, transfers to its legal reserve to account a sum of not less than 10% of profit. When the legal reserve becomes equal to 15% the paid-up capital of the Company, the amount of the legal reserve to be retained by the Company each year from its net profit shall be determined by NBE's directive.

2.29 Earnings per share

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

2.30 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.

2.31 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. IAS 23 provides guidance on how to measure borrowing costs, particularly when the costs of acquisition, construction or production are funded by an entity's general borrowings.

Period of capitalization

Capitalization of borrowing costs as part of the cost of a qualifying asset begins when the entity first meets all of the following conditions (commencement of capitalization) (IAS23.17 and 23.19):

Expenditures for the asset are incurred.

Borrowing costs are incurred.

Activities have started that are necessary to prepare the asset for its intended use or sale.

Capitalization of borrowing costs is suspended during extended periods in which the entity suspends active development of a qualifying asset (suspension of capitalization) (IAS 23.20–23.21). During this period of time the borrowing costs are recognized as an expense. Capitalization of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete (cessation of capitalization) (IAS 23.22–23.23). It may be the case that an entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts (e.g. the construction of a business park consisting of several buildings). In this case, the capitalization of borrowing costs ceases when the entity completes substantially all the activities necessary to prepare that part for its intended use or sale (IAS 23.24)

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

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:

3.2 Estimates and assumptions

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

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

a) Valuation of insurance contract liabilities

Life insurance contract liabilities

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

These liabilities are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract being written. Management make various assumptions such as expenses inflation, valuation interest rate and mortality in estimating the required liabilities for life contracts.

Non-life insurance contract liabilities

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

The ultimate cost of outstanding claims is estimated by using a standard actuarial claims projection techniques, Chain Ladder.

The main assumption underlying 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. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

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

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b) Impairment losses on Loans and receivables

The Company assesses at the end of every reporting period whether there is any objective evidence that its loans and receivables are 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.

c) 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.

d) 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 (The Board) is responsible for the overall risk encountered by the Company. The Board is responsible to develop comprehensives risk management program and policies of the Company. The Board has an oversight role on the proper implementation of the Company's risk management program or policies. The Board monitors proper implementation policies through various reports.

The Senior Management has the overall responsibility for the proper execution and interpretation of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and deliberate on reports to the Board regarding risk management issues and give timely directions.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company’s overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions.

Exceptions are reported, where necessary, to the Board’s Risk Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management Risk Committees to ensure that procedures are compliant with the overall framework.
The unit is functionally responsible to the Board. The risk management has also reporting relationship with internal audit function. Internal audit function among others ensures the effectiveness of the risk management function periodically. Internal Audit Function discusses the results of its assessments with management, and reports its findings and recommendations to the Board Audit Committee.

The Company's Finance department manager is responsible for managing the financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

4.1.2 Risk measurement and reporting systems

The Company’s risks are measured using 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.

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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.

4.2 Insurance risk

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

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

Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

4.2.1 Life insurance contracts

Life insurance contracts offered by the Company include: Individual riders, group term, group medical, group riders, endowment assurance, education endowments and individual mortgage protection.
The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Company and type of risk insured.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs.

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

Mortality and morbidity rates

Assumptions are based on standard industry, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Longevity

Assumptions are based on standard industry, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.
An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the share holders.

Policyholder decision (lapses and surrender)

Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type.
An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders to the un-recouped initial expenses.

Discount rate

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

Senestivity

	Change in assumptions	Change in Liability	
		2022	2021
Mortality/ Longevity	10%	3,579	8,330
Lapse and surrenders rate	20%	(73,520)	(28,677)
Investment Return	10%	(32,415)	(43,533)
Expenses	10%	79,452	77,517

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Senestivity	Change in assumptions	Change in Liability	
		2022	**2021**
Mortality/ Longevity	-10%	(3,462)	(7,913)
Lapse and surrenders	-20%	79,941	29,359
Investment Return	-10%	35,391	47,694
Expenses	-10%	(75,186)	(70,008)

4.2.2 Non- life insurance contracts

The Company principally issues the following types of general insurance contracts: Property insurance, Engineering insurance, Pecuniary insurance and Liability insurance. Risks under non–life insurance policies usually cover twelve months duration.

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

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

30 June 2022	**Gross liabilities**	**Reinsurance liabilities**	**Net liabilities**
			Birr'000
Motor	150,127	18,117	132,010
Marine	5,745	2,316	3,428
Fire	10,551	6,274	4,278
GPA	4,440	837	3,602
Engineering	18,376	13,318	5,058
Liability	8,391	2,069	6,321
Work mens	4,029	217	3,812
Pecuniary	59,293	48,514	10,779
Travel	2,453	1,163	1,290
Others	11,650	10,779	871
Total non life insurance	**275,054**	**103,604**	**171,450**

30 June 2021	**Gross liabilities**	**Reinsurance liabilities**	**Net liabilities**
			Birr'000
Motor	109,935	10,622	99,313
Marine	80,110	74,681	5,429
Fire	8,076	4,898	3,178
GPA	2,661	755	1,906
Engineering	17,136	10,533	6,603
Liability	5,624	1,824	3,800
Work mens	2,955	148	2,807
Pecuniary	67,754	57,244	10,510
Others	7,823	7,161	662
Total non life insurance	**302,074**	**167,866**	**- 134,207**

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: one–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		
Increase in gross liabilities:	**Change in assumptions**	**30 June 2022**	**30 June 2021**	**30 June 2020 Birr'000**
Average claim cost	+10%	3,178	2,245	12,228
Average number of claims	+10%			

		Change in liability		
Decrease in gross liabilities:	**Change in assumptions**	**30 June 2022**	**30 June 2021**	**30 June 2020**
Average claim cost	-10%	(3,138)	(2,245)	(8,380)
Average number of claims	-10%			

Claims development table

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

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

Accident year	**2019**	**2020**	**2021**	**2022 Birr'000**
Outstanding claims notified	116,596	124,755	162,104	104,515
Claims incurred but not reported	15,736	19,072	22,448	31,535
Ultimate Claims Projected	**132,332**	**143,827**	**184,552**	**136,050**

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

Accident year	**2018**	**2019**	**2020**	**2021 Birr'000**
Outstanding claims notified	104,927	116,596	124,755	162,104
Claims incurred but not reported	14,641	15,736	19,072	22,448
	119,568	**132,332**	**143,827**	**184,552**

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Ultimate Claims Projected

Gross non–life insurance contract outstanding claims provision for 2020:

Accident year	**2017**	**2018**	**2019**	**2020**
				Birr'000
Outstanding claims notified	27,352	104,927	116,596	124,755
Claims incurred but not reported	13,342	14,641	15,736	19,072
Ultimate Claims Projected	**40,694**	**119,568**	**132,332**	**143,827**

4.3 Financial risk

Financial instruments by category

The Company's financial assets are classified into the following measurement categories: Available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortised cost.
Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

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

30 June 2022	**Notes**	**Available-For-Sale**	**Loans and receivables**	**Total**
				Birr'000
Financial assets				
Government securities		-	-	-
Unquoted investments		45,291	-	45,291
Other receivables		-	11,939	11,939
Loans and receivables to staff		-	763	763
Receivables arising out of reinsurance arrangements		-	52,041	52,041
Receivables -technical reserve of reinsurance share		-	103,604	103,604
Deposits with financial institutions and cash and bank balances		-	189,164	189,164
Total financial assets		**45,291**	**357,512**	**402,803**

30 June 2021	**Notes**	**Available-For-Sale**	**Loans and receivables**	**Total**
				Birr'000
Financial assets				
Government securities		-	-	-
Unquoted investments		31,906	-	31,906
Other receivables		-	5,882	5,882
Loans and receivables to staff		-	817	817
Receivables arising out of reinsurance arrangements		-	50,234	50,234
Receivables -technical reserve of reinsurance share		-	167,866	167,866
Deposits with financial institutions and cash and bank balances		-	152,942	152,942
Total financial assets		**31,906**	**377,742**	**409,647**

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The Company's classification of its financial Labialise are summarised in the table below:

30 June 2022	
Creditors arising from Reinsurance arrangement	100,446
creditors arising from insurance contract	276,731
Long term loan	-
Other Payable	38,563
Total financial Liability	**415,740**
30 June 2021	
Creditors arising from Reinsurance arrangement	89,960
creditors arising from insurance contract	304,143
Long term loan	-
Other Payable	30,381
Total financial Liability	**424,484**

4.4 Credit risk

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

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

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

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

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

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

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

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

4.4.1 Credit quality analysis

a) Cash and cash equivalents

The credit quality of cash and bank balances and short term investments are neither past due or impaired as at 30 June 2022 and are non-rated as they are held in Ethiopian Banks. There are no credit rating agencies in Ethiopia. The Company has no cash and cash equivalents that are held in foreign banks.

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(b) Credit quality of trade and other receivables

30 June 2022	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total Birr'000
Insurance receivables				
Due from reinsurers	38,011	14,030	-	52,041
Due from agents, brokers and intermediaries				-
	38,011	14,030	-	52,041
Other loans and receivables				
Other receivables	11,939	-	-	11,939
Staff debtors	763	-	-	763
Gross amount	**12,702**	**-**	**-**	**12,702**

30 June 2021	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total Birr'000
Insurance receivables				
Due from reinsurers	35,803	12,111	-	47,914
Due from agents, brokers and intermediaries				-
	35,803	**12,111**	**-**	**47,914**
Other loans and receivables				
Other receivables	5,882	-	-	5,882
Staff debtors	817	-	-	817
Gross amount	**6,700**	**-**	**-**	**6,700**

4.4.2 Credit concentrations

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at 30 June 2021 and 30 June 2022. The Company concentrates all its financial assets in Ethiopia.

30 June 2022	Public enterprise Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
Cash and bank balances		189,164		189,164
Investment securities		-	-	-
- Available for	-	45,291	-	45,291
- Loans and			-	-
Trade and other receivables	-	52,041	-	52,041
Reinsurance assets	-	103,604	-	103,604
				-
	-	**390,102**	**-**	**390,102**

30 June 2021	Public enterprise Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
Cash and bank balances		152,942		152,942
Investment securities		-	-	-
- Available for	-	31,906	-	31,906
- Loans and			-	-
Trade and other receivables	-	50,234	-	50,234
Reinsurance assets	-	167,866	-	167,866
				-
	-	**402,949**	**-**	**402,949**

4.5 Liquidity risk

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

Liquidity risk management in the Company is solely determined by Risk Management and Compliance Unit, which bears the overall responsibility for liquidity risk. The main objective of the Company's liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

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4.5.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

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

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

4.5.2 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.

	0-1 year	1-3 years	3-5 years	Over 5 years	Total
30 June 2022					**Birr'000**
Insurance contract liabilities	276,731	-	-	-	276,731
Insurance payables	100,446	-	-	-	100,446
Long term liability		-			
Other liabilities	38,563	-	-	-	38,563
Total financial liabilities	**415,740**	**-**	**-**	**-**	**415,740**
30 June 2021					**Birr'000**
Insurance contract liabilities	304,143	-	-	-	304,143
Insurance payables	89,960	-	-	-	89,960
Long term liability		-			
Other liabilities	29,505	-	-	-	29,505
Total financial liabilities	**423,608**	**-**	**-**	**-**	**423,608**

4.6 Market risk

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

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

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4.6.1 Monitoring of market risk

Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

Theoretically, this risk is the risk of loses arising from volatility in the prices of stock and variable income investment, functions in real estate values, changes in interest rates and reinvestment risk. In the Ethiopian insurance industry context, this risk can only be assessed from Nye's Directive ISD/25/2004 which requires insurance companies to follow prudent proactive that give due consideration to diversification, liquidity, safety of investment of insurance funds

(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 cash deposits and investment security

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

Life and Non life business

30 June 2022	Fixed	Non-interest bearing	Total
			Birr'000
Assets			
Cash and bank balances	268,525	-	268,525
Investment securities	-	68,638	68,638
Trade and other receivables	-	74,840	74,840
Reinsurance assets	-	103,604	103,604
Total	**268,525**	**247,083**	**515,608**
Liabilities			
Insurance contract liabilities	-	278,255	278,255
Insurance payables	-	116,069	116,069
Other payables	-	37,594	37,594
Total	**-**	**431,918**	**431,918**

30 June 2021	Fixed	Non-interest bearing	Total
			Birr'000
Assets			
Cash and bank balances	223,047	-	223,047
Investment securities	-	54,063	54,063
Trade and other receivables	-	63,461	63,461
Reinsurance assets	-	167,866	167,866
Total	**223,047**	**285,390**	508,437
Liabilities			
Insurance contract liabilities	-	307,018	307,018
Insurance payables	-	100,566	100,566
Other payables	-	29,976	29,976
Total	**-**	**437,560**	**437,560**

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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

(i) Non life business

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 2022	30 June 2021
(A) Admissible assets		
Cash and cash equivalents	189,164	152,942
Investment securities		
- Available for sale	45,291	31,906
'- Loans and	-	-
Trade and other receivables	52,041	50,234
Reinsurance assets	103,604	167,866
Deferred income tax	-	-
Statutory Deposit	26,061	21,533
Property plant and equipment	161,210	158,946
	577,373	**583,428**
(B) Admissible liabilities		
Insurance contract liabilities	276,731	304,143
Deferred income tax Liabilities	5,495	1,762
Taxes payable	-	-
Re-insurance payables	100,446	89,960
Other payables	38,563	63,409
	421,235	**459,274**
(C) Excess (admitted capital)- (A-B)	**156,138**	**124,154**

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(D)	**Net premium**	118,158	104,045
(E)	**Technical provision**	276,731	304,143
	Solvency Margin		
(F)	**Limit of net premium i.e. 20% of net premium .**	23,632	20,809
(G)	Limit of technical provision i.e. 25% of technical provi:	69,183	76,036
(H)	**Minimum paid up capital**	**60,000**	**60,000**

Since C > G, Solvency Margin is Positive.

		30 June 2022	30 June 2021
(ii)	**Life Business**		
(A)	**Admissible assets**		
	Cash and cash equivalents	79,361	70,105
	Investment securities		
	- Available for sale	23,347	22,156
	- Loans and receivables	-	-
	Trade Receivables	12,082	7,403
	Deferred income tax	-	-
	Statutory Deposit	2,261	2,262
	Property plant and equipment	1,726	772
		118,777	**102,698**
(B)	**Admissible liabilities**		
	Insurance contract liabilities	1,524	2,875
	Deferred income tax Liabilities	-	-
	Taxes payable	-	-
	Insurance payables	15,623	10,606
	Life Fund	60,134	53,611
	Other payables	1,016	471
		78,296	**67,563**
(C)	**Excess (admitted capital) - (A-B)**	**40,481**	**35,134**
(D)	**Technical provision**	60,134	53,611
	Solvency Margin		
(E)	Limit of Technical provision i.e. 10%	6,013	5,361
(F)	Minimum paid up capital	15,000	15,000

Since C > F, the Solvency Margin is Positive.

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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.

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Life and non life business

	30 June 2022		30 June 2021		30 June 2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
						Birr'000
Financial assets						
Cash and bank balances	268,525	268,525	223,047	223,047	191,488	191,488
Investment securities		-	-	-		-
- Available for sale	68,638	68,638	54,063	54,063	34,893	34,893
- Loans and receivables	-	-	-	-	-	-
Trade and other receivables	74,840	74,840	63,461	63,461	51,443	51,443
Reinsurance assets	103,604	103,604	167,866	167,866	118,984	118,984
Total	515,608	**515,608**	**508,437**	**508,437**	**396,808**	**396,808**
				-		
Financial liabilities				-		
Insurance contract liabilities	278,255	278,255	307,018	307,018	222,161	222,161
Re-insurance payables	116,069	116,069	100,566	100,566	68,155	68,155
Other liabilities	37,594	37,594	-	-	29,240	29,240
Total	**431,918**	**431,918**	**407,583**	**407,583**	**319,557**	**319,557**

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 2022 Birr'000			30 June 2021 Birr'000		
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
5	**Net premiums**						
a	**Gross premiums on insurance contracts**						
	Individual Life	-	1,921	**1,921**	-	8,008	**8,008**
	Group Life	-	32,234	**32,234**	-	27,513	**27,513**
	Individual Medical	-	1,664	**1,664**	-	1,280	**1,280**
	Group Medical	-	37,096	**37,096**	-	26,247	**26,247**
	Motor	147,979	-	**147,979**	110,959	-	**110,959**
	Marine	9,654	-	**9,654**	9,873	-	**9,873**
	Fire	18,690	-	**18,690**	15,547	-	**15,547**
	GPA	6,949	-	**6,949**	4,848	-	**4,848**
	Engineering	20,806	-	**20,806**	11,940	-	**11,940**
	Liability	8,586	-	**8,586**	8,009	-	**8,009**
	Work mens	4,754	-	**4,754**	3,819	-	**3,819**
	Bond	38,890	-	**38,890**	41,398	-	**41,398**
	Travel	4,162	-	**4,162**	3,107	-	**3,107**
	Others	13,570	-	**13,570**	11,009	-	**11,009**
	Total	**274,041**	**72,915**	**346,955**	**220,509**	**63,047**	**283,557**
	Total gross premiums						
	Change in unearned premium provision	**23,145**		**23,145**	**16,699**		**16,699**
b	**Premiums ceded to reinsurers**						
	Individual Life	-	646	**646**	-	-	**-**
	Group Life	-	8,889	**8,889**	-	1,348	**1,348**
	Individual Medical	-	-	**-**	-	-	**-**
	Group Medical	-	1,598	**1,598**	-	7,722	**7,722**
	Motor	13,142	-	**13,142**	9,110	-	**9,110**
	Marine	4,736	-	**4,736**	4,244	-	**4,244**
	Fire	14,119	-	**14,119**	10,780	-	**10,780**
	GPA	1,300	-	**1,300**	1,549	-	**1,549**
	Engineering	14,307	-	**14,307**	6,604	-	**6,604**
	Liability	2,551	-	**2,551**	1,686	-	**1,686**
	Work mens	238	-	**238**	194	-	**194**
	Bond	32,230	-	**32,230**	38,607	-	**38,607**
	Travel	2,007	-	**2,007**	2,305	-	**2,305**
	Others	12,777	-	**12,777**	10,575	-	**10,575**
	Total premiums ceded to reinsurers	**97,407**	**11,133**	**108,540**	**85,653**	**9,070**	**94,723**
					-	-	
	Net premium	**153,489**	**61,782**	**215,270**	**118,158**	**53,977**	**172,135**

		General Business	Long Term	Total	General Business	Long Term	Total
6	**Fee and Commission income**						
	Reinsurance commission income	27,875	2,724	**30,600**	24,209	2,389	**26,598**
	Change in deffered commission income	273	-	**273**	(7,224)	-	**(7,224)**
	Profit commission	6,694	1,759	**8,453**	6,907	2,205	**9,112**
	Total commission income	**34,842**	**4,483**	**39,326**	**23,892**	**4,594**	**28,486**

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	30 June 2022 Birr'000			30 June 2021 Birr'000		
	General Business	Long Term Business	Total	General Business	Long Term Business	Total
7 Net benefits and claims						
Claims expenses						
Claims paid	183,597	38,763	**222,360**	78,815	31,919	**110,734**
Recoverable from reinsurance	106,015	2,886	**108,902**	25,762	1,681	**27,443**
Total claims paid	**77,582**	**35,877**	**113,459**	**53,053**	**30,238**	**83,290**
Gross change in contract liabilities						
Change in insurance contract:						
Outstanding claims provision	7,604	(1,351)	**6,253**	13,127	2,570	**15,698**
Change in insurance contract IBNR provision	6,495	-	**6,495**	2,891	-	**2,891**
Change in Unallocated loss adjustment	(394)	-	**(394)**	686	-	**686**
Total gross change in contract liabilities	**13,705**	**(1,351)**	**12,354**	**16,704**	**2,570**	**19,275**
Net Claims and Loss adjustment expense	**91,287**	**34,526**	**125,813**	**69,757**	**32,808**	**102,565**

	30 June 2022 Birr'000			30 June 2021 Birr'000		
8 Underwriting expenses	General Business	Long Term Business	Total	General Business	Long Term Business	Total
Commission paid	23,780	8,254	**32,034**	16,089	5,338	**21,427**
Changes in deferred acquisition cost (DAC)	(5,040)	-	**(5,040)**	(3,647)	-	**(3,647)**
Other acquisition cost	-	-	-			-
Total Under writing expense	**18,740**	**8,254**	**26,994**	**12,442**	**5,338**	**17,780**

	30 June 2021 Birr'000			30 June 2021 Birr'000		
9 Investment income	General Business	Long Term Business	Total	General Business	Long Term Business	Total
Dividend Income on equity investment	5,552	1,191	6,743	3,841	804	**4,645**
Interest income on cash and short tem deposits	14,003	7,199	21,202	11,922	6,513	**18,436**
Interest on government bond	2,024	-	2,024	1,755	-	**1,755**
Total investment income	**21,579**	**8,390**	**29,969**	**17,518**	**7,318**	**24,836**
10 Other operating income						
Gain on Disposal	919	312	1,231	-	-	-
Interest Income on Staff Loan	-	-	-	111	-	**111**
Office Rent Income	3,124	-	3,124	2,615	-	**2,615**
Sundry Income	387	3	389	907	8	**915**
Total other operating income	**4,429**	**315**	**4,744**	**3,634**	**8**	**3,641**

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		30 June 2022 Birr'000			30 June 2021 Birr'000		
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
11	**Other operating and administrative expenses**						
	Board Allowance	1,099	-	**1,099**	1,006	-	**1,006**
	Employee benefits expense (note 11.1)	51,287	3,682	**54,970**	46,427	3,167	**49,594**
	Rent & Utility	7,129	937	**8,066**	6,411	828	**7,240**
	Depreciation & Amortization(note 21&2	7,561	168	**7,730**	6,345	170	**6,515**
	Advertising & Publicity	2,181	17	**2,199**	1,484	-	**1,484**
	Donation and Sponsorship	1,150	-	**1,150**	816	-	**816**
	Financial Exp. & Charges	2,858	7	**2,866**	5,365	261	**5,626**
	Penalty	10	-	**10**	2	-	**2**
	Repair & Maintenance	747	8	**755**	1,090	19	**1,108**
	Telephone & Postage	854	28	**882**	607	28	**636**
	Stationary, Printing & Supplies	1,992	6	**1,998**	1,593	7	**1,599**
	Fuel	485	42	**527**	415	39	**454**
	Other Motor V. Exp.	1,809	84	**1,893**	879	20	**899**
	Premium & Travelling Exp.	371	8	**380**	230	-	**230**
	Consultation & Professional Fee	399	140	**539**	973	39	**1,012**
	Audit Fee	97	-	**97**	80	-	**80**
	Entertainment & Off. Refreshment	394	24	**418**	326	28	**354**
	Property Insurance Exp.	782	-	**782**	548	-	**548**
	Other Admin. Exp.	1,442	16	**1,458**	624	16	**641**
	Total Expense	**82,649**	**5,168**	**87,817**	**75,220**	**4,622**	**79,842**

		General Business	Long Term Business	Total	General Business	Long Term Business	Total
11.1	**Employee benefits expense**						
	Short term employee benefits:						
	Salaries and wages	33,983	2,516	**36,500**	33,804	2,370	**36,174**
	Staff allowances	3,822	294	**4,116**	2,906	251	**3,157**
	Other staff expenses	9,233	864	**10,097**	5,065	323	**5,388**
	Pension costs	-	-	**-**	-		**-**
	Defined contribution plan	3,719	8	**3,727**	3,413	223	**3,637**
	Defined benefit plan expense (Note 28)	531	-	**531**	1,238	-	**1,238**
		51,287	**3,682**	**54,970**	**46,427**	**3,167**	**49,594**

12 COMPANY INCOME TAX AND DEFFERED TAX
12A CURRENT INCOME TAX EXPENSE (NOTE 12B)

	30 June 2021 Birr'000	30 June 2020 Birr'000
Company income tax (12B)	2,677	-
Deferred income tax/(credit) to profit or loss (12B)	1,682	(503)
Total charge to profit or loss	**4,358**	**(503)**

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12B 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 2022		30 June 2021 Birr'000
Profit before tax		**42,163**	**22,782**
Add: Disallowed Expense			
Entertainment	418		354
Penalty	10		2
Donation	-		-
Severance Exp.	49		368
Depreciation for accounting purpose	7,060		6,515
Other (prior year adjustment)	1,311		-
Total Disallowable		**8,848**	**7,239**
Less: Allowed			
Profit from sale of PPE			
Prior year adjustment	-		(364)
Depreciation for tax purpose	12,120		11,109
Dividend income taxed at source	6,743		4,645
Interest income taxed at source	23,226		20,191
Total Allowed Expense		**42,089**	**35,581**
Taxable profit		**8,922**	(5,560)
Income tax at 30%		2,677	-
Deferred tax (asset) / Liab.		1,682	-
Income tax expense /(credit) to be recognized in PL		**4,358**	**-**

	30 June 2022 Birr'000		30 June 2021 Birr'000
12C Current income tax liability		-	
Balance at the beginning of the year			-
Charge for the year:			
Income tax expense payable current year (12B)	2,677		-
Withholding tax advance paid (19.2)	3,515		2,863
Payment during the year	-		-
Net Payable / (Receivable) at the end of the year	**(839)**		**(2,863)**

12D 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.

The analysis of deferred tax assets/(liabilities) is as follows:	30 June 2022 Birr'000	30 June 2021 Birr'000
To be recovered after more than 12 months	**5,495**	1,762
To be recovered within 12 months	-	-

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

Deferred income tax Liability / (Asset):	**At 1 July 2021**	**(Credit) / charge to profit or loss**	**(Credit) / charge to RE**	**30 June 2022**
				Birr'000
Property, plant and equipment	1,307	1,519	2,051	**4,877**
Post employment benefit obligation	455	163	(0)	**618**
Total deferred tax Liability / (Asset)	**1,762**	**1,682**	**2,051**	**5,495**

i **Temporary Difference**

Carrying value for reporting purpose	155,657
Carrying value for tax purpose	139,401
Temporary difference	**16,257**
Severance pay - carrying amount	2,059
Severance pay - tax base	-
Severance pay temporary difference	**2,059**
Deferred tax @ 30% Liability / (Asset)	**5,495**

ii **Deprecation for Tax Purpose- Consolidated**

	Balance at 01/07/2021	**Additions**	**Reclassification**	**Disposal**	**Prior year adjustment**	**Balance at 30/06/2022**
Cost						
Computer	4,534	1,399	-	-	-	5,933
Building	126,235	719	-	-	-	126,954
Other Assets	40,878	8,004	-	(1,000)	425	48,308
	171,647	**10,123**	**-**	**(1,000)**	**425**	**181,195**
Accumulated Deprecation						
Computer	2,761	791	-	-	-	3,552
Building	8,115	6,348	-	-	-	14,463
Other Assets	19,527	4,981	-	(925)	197	23,780
	30,403	**12,120**	**-**	**(925)**	**197**	**41,795**
Net Book Value	**141,244**					**139,401**

Earnings Per Share

13 Earnings per share is calculated by dividing the profit for the year and the average number of ordinary shares issued during the year.

		30 June 2022 Birr'000	**30 June 2021 Birr'000**
Profit attributable to ordinary share holders(ETB)		37,805	22,782
Weighted average number of share out standing during the year	175,706		
Basic and diluted earnings per ordinary share (ETB)		215.16	144.43
Basic and diluted earnings per ordinary share %		21.52%	14.44%

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14 Cash and cash equivalents	30 June 2022 Birr'000			30 June 2021 Birr'000		
	General Business	Long Term Business	Total	General Business	Long Term Business	Total
Cash on hand and at bank	52,393	4,478	**56,871**	50,129	9,158	**59,287**
Time deposit	136,771	74,883	**211,654**	102,814	60,947	**163,761**
	189,164	**79,361**	**268,525**	**152,942**	**70,105**	**223,047**
Maturity analysis						
Current			**268,525**			**223,047**
Non- current			-			-
			268,525			**223,047**

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.

15 Investment Security	30 June 2022			30 June 2021		Birr'000
15.1 Available for sale:	General Business	Long Term Business	Total	General Business	Long Term Business	Total
Equity Investments in:						
Specialized Financial Institution	245	-	**245**	245	-	**245**
Bank of Abyssinia	12,317	-	**12,317**	9,153	-	**9,153**
Ethiopian Reinsurance	8,388	-	**8,388**	5,000	-	**5,000**
Addis Int'l Bank S.C	12,795	8,347	**21,142**	10,961	7,156	**18,117**
Nib International bank	6,547	-	**6,547**	6,547	-	**6,547**
Goh Bethoch Bank S.C	5,000	15,000	**20,000**	-	15,000	**15,000**
	45,291	**23,347**	**68,638**	**31,906**	**22,156**	**54,063**
15.2 Loans and receivables:						
Ethiopian Government Bonds	-		-	-		-
	45,291	**23,347**	**68,638**	**31,906**	**22,156**	**54,063**
Maturity analysis						
Current			-			-
Non-Current			**68,638**			**54,063**
Total			**68,638**			**54,063**

The Company hold equity investments are unquoted equity securities measured at cost. ELig S.C has not more than 5% holding in all these investments.

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.

ETHIO LIFE AND GENERAL INSURANCE
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16 Trade receivables	30 June 2022 Birr'000 General Business	Long Term Business	Total	30 June 2021 Birr'000 General Business	Long Term Business	Total
Due from re-insurers	46,908	9,679	**56,587**	47,914	5,654	**53,568**
Due from policy holders	-	-	-	-	-	-
Due from co-insurers	5,133	-	**5,133**	2,320	-	**2,320**
	52,041	**9,679**	**61,720**	**50,234**	**5,654**	**55,888**
Less: impairment allowance	-		-	-		-
	52,041	**9,679**	**61,720**	**50,234**	**5,654**	**55,888**

17 Reinsurance assets	30 June 2022 General Business	Long Term Business	Total	30 June 2021 General Business	Long Term Business	Total
Reinsurers' share of out standing claims	52,988	-	**52,988**	118,180	-	**118,180**
Reinsurance share of IBNR claims	6,301	-	**6,301**	3,709	-	**3,709**
Reinsurer's share of unearned premium	44,316	-	**44,316**	45,977	-	**45,977**
	103,604	-	**103,604**	**167,866**	-	**167,866**

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

18 Deferred acquisition cost	30 June 2022 Birr'000 General Business	Long Term Business	Total	30 June 2021 Birr'000 General Business	Long Term Business	Total
Motor	4,699	-	**4,699**	3,301	-	**3,301**
Marine	607	-	**607**	502	-	**502**
Fire	1,145	-	**1,145**	947	-	**947**
GPA	659	-	**659**	413	-	**413**
Engineering	2,129	-	**2,129**	1,128	-	**1,128**
Liability	631	-	**631**	401	-	**401**
Work mens	347	-	**347**	218	-	**218**
Bond	4,272	-	**4,272**	2,590	-	**2,590**
Travel	49	-	**49**	9	-	**9**
Others	189	-	**189**	176	-	**176**
	14,726	-	**14,726**	**9,686**	-	**9,686**

This represents insurance commission expense relating to the unexpired tenure of risk.

	30 June 2022 Birr'000	30 June 2021 Birr'000
The movement in deferred acquisition costs is as follows:		
As at 1 July	9,686	6,039
Movement during the year	5,040	3,647
As at 30 June	**14,726**	**9,686**

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For The Year Ended 30 June 2022

19 Other assets	30 June 2022			30 June 2021		
19.1 Financial assets	General Business	Long Term Business	Total	General Business	Long Term Business	Total
Staff loan	763	219	**981**	817	265	**1,082**
Receivable from branches	-	1,985	**1,985**	-	875	**875**
Dividend receivable	-	-	**-**	-	-	**-**
Tax receivable	2,953	-	**2,953**	932	-	**932**
Salvage receivables	3,721	-	**3,721**	1,685	-	**1,685**
Other Receivable	5,265	199	**5,465**	3,265	609	**3,874**
Gross amount	**12,702**	**2,403**	**15,105**	**6,700**	**1,749**	**8,449**
Less: Specific impairment	-	-	-	-	-	-
	12,702	**2,403**	**15,105**	**6,700**	**1,749**	**8,449**
19.2 Non-Financial assets						
Prepayments	5,622	439	**6,061**	4,152	952	**5,104**
Advance profit tax paid	2,114	1,402	**3,515**	1,828	1,035	**2,863**
Prepayment for IT Project	19,032		**19,032**	4,664	-	**4,664**
	26,768	**1,841**	**28,608**	**10,644**	**1,987**	**12,631**
			-			-
Net amount	**39,470**	**4,243**	**43,713**	**17,343**	**3,736**	**21,079**

Maturity analysis	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	43,713	21,079
Non- current	-	-
	43,713	**21,079**

20 Statutory deposits	30 June 2022			30 June 2021		
	General Business	Long Term Business	Total	General Business	Long Term Business	Total
	26,061	2,261	**28,323**	**21,533**	**2,262**	**23,794**

The company acquires government bond bearing interest income of 8% per annum by using statutory deposit held with NBE.

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

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21 Property, plant and equipment

a) **General Business**	Buildings and Land Improvement	Motor Vehicles	Office Furniture	Office Equipment	Computer and Accessories	Machinery and Generator	Lift	Total Birr'000
Cost								
As at 1 July 2020	5,238	19,479	5,582	1,614	3,656	1,622	-	**37,191**
Additions	1,285	7,408	748	110	798	486	2,819	**13,653**
Disposals	-	(622)	(46)	(29)	(46)	-	-	**(743)**
Prior year adjustment	-	-	-	-	-	-	-	-
Reclassification	105,274	-	-	-	-	-	-	**105,274**
As at June 30, 2021	**111,796**	**26,265**	**6,285**	**1,695**	**4,408**	**2,107**	**2,819**	**155,375**
								-
As at 1 July 2021	**111,796**	**26,265**	**6,285**	**1,695**	**4,408**	**2,107**	**2,819**	**155,375**
Additions	719	5,620	784	440	1,399	-	-	**8,963**
Disposals		**(700)**		**(2.29)**				**(703)**
Prior year adjustment		**425**						**425**
Reclassification								-
As at June 30, 2022	**112,516**	**31,611**	**7,068**	**2,133**	**5,807**	**2,107**	**2,819**	**164,060**
Accumulated depreciation								
								-
As at 1 July 2020	**199**	**7,171**	**1,886**	**573**	**1,979**	**154**	-	**11,962**
Charge for the year	2,113	2,401	571	157	491	186	151	**6,071**
Disposals	-	(416)	(18)	(15)	(31)	-	-	**(480)**
Prior year adjustment	-	(15)	-	-	(19)	-	-	**(34)**
Reclassification	-	-	-	-	-	-	-	-
As at June 30, 2021	2,312	**8,944**	**2,439**	**715**	**2,421**	**340**	**151**	**17,322**
								-
As at 1 July 2021	**2,312**	**8,944**	**2,439**	**715**	**2,421**	**340**	**151**	**17,322**
Charge for the year	2,132	2,686	625	180	614	200	179	**6,616**
Disposals		(663)		(2)				**(665)**
Prior year adjustment		197						**197**
Reclassification								-
As at June 30, 2022	**4,444**	**11,165**	**3,063**	**893**	**3,035**	**541**	**329**	**23,470**
Net book value								
As at 30 June 2021	**109,485**	**17,321**	**3,846**	**980**	**1,987**	**1,767**	**2,668**	**138,052**
As at 30 June 2022	**108,072**	**20,446**	**4,005**	**1,239**	**2,772**	**1,566**	**2,489**	**140,590**

	30 June 2022	30 June 2021
Construction in Progress	**Birr'000**	**Birr'000**
As at 1 July, 2021	7,279	**112,544**
Addition	-	**9**
Reclassification	-	**(105,274)**
As at 30 June, 2022	7,279	**7,279**

Total net book value		
PPE	140,590	**138,052**
Construction in progress	7,279	**7,279**
	147,869	**145,331**

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b) Long term business	Buildings and land improvement	Motor Vehicles	Office furniture	Office equipment	Computer and accessories	Machinery and Generator	Lift	Total Birr'000
Cost								
As at 1 July 2020	-	1,420	275	13	126	-	-	**1,833**
Additions	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 30 June, 2021	**-**	**1,420**	**275**	**13**	**126**	**-**		**1,833**
								-
As at 1 July 2021	-	**1,420**	**275**	**13**	**126**	-	-	**1,833**
Additions	-	1,022	2	136	-	-	-	**1,160**
Disposals	-	(298)	-	-	-	-	-	**(298)**
Reclassification	-	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-	-
As at June 30, 2022	**-**	**2,144**	**277**	**149**	**126**	**-**	**-**	**2,696**
Accumulated depreciation								
As at 1 July 2020	-	**630**	**144**	**7**	**111**	-	-	**892**
Charge for the year	-	135	25	1	9	-	-	**171**
Disposals	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
As at 30 June 2021	**-**	**765**	**169**	**8**	**120**	**-**	**-**	**1,062**
As at 1 July 2021	**-**	**765**	**169**	**8**	**120**	**-**	**-**	**1,062**
Charge for the year	-	136	24	6	2	-	-	**168**
Disposals	-	(261)	-	-	-	-	-	**(261)**
Reclassification	-	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-	-
As at June 30 2022	**-**	**641**	**193**	**15**	**121**	**-**	**-**	**970**
Net book value								
As at 30 June 2021	**-**	**655**	**106**	**5**	**6**	**-**	**-**	**771**
As at 30 June 2022	**-**	**1,503**	**84**	**135**	**5**	**-**	**-**	**1,726**

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Notes to The Financial Statement
For The Year Ended 30 June 2022

c) Investment property

	30 June 2022 Birr'000
Cost	
As at 1 July 2020	**14,439**
Additions	-
Reclassifications	-
Disposals	-
As at 30 June 2021	**-**
As at 1 July 2021	**14,439**
Additions	-
Disposals	-
Reclassification	-
As at 30 June 2022	**14,439**
Accumulated depreciation	
As at 1 July 2020	**549**
Charge for the year	274
Disposals	-
As at 30 June 2020	**823**
As at 1 July 2021	**823**
Charge for the year	274
Disposals	-
Prior year adjustment	-
As at 30 June 2022	**1,098**
Net book value	
As at 30 June 2021	13,616
As at 30 June 2022	**13,341**

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Notes to The Financial Statement

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		30 June 2022 Birr'000			30 June 2021 Birr'000		
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
22	**Insurance contract liabilities**						
	IBNR	31,535		31,535	22,448	-	22,448
	Outstanding Claims	104,515	1,524	106,039	162,104	2,875	164,979
	Provision for unearned premium	139,005		139,005	117,520	-	117,520
	Unallocated loss adjustment	1,676		1,676	2,070	-	2,070
				-			-
	Total insurance liabilities, gross	**276,731**	**1,524**	**278,255**	**304,143**	**2,875**	**307,018**
	Maturity analysis						
	Current			278,255			307,018
	Non- current						

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation.

		30 June 2022 Birr'000			30 June 2021 Birr'000		
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
23	**Creditors arising from reinsurance**						
	Due to re-insurers	100,446	15,623	116,069	89,960	10,606	100,566
				-			-
		100,446	**15,623**	**116,069**	**89,960**	**10,606**	**100,566**

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 2022 Birr'000			30 June 2021 Birr'000		
24	**Differed commission income**	General Business	Long Term Business	Total	General Business	Long Term Business	Total
	Motor	467		467	371		371
	Marine	581		581	591		591
	Fire	1,873		1,873	1,635		1,635
	GPA	293		293	267		267
	Engineering	2,233		2,233	1,367		1,367
	Liability	559		559	328		328
	Work mens	42		42	35		35
	Bond	5,987		5,987	8,126		8,126
	Travel	465		465	325		325
	Others	1,286		1,286	1,016		1,016
		13,787	-	13,787	14,061	-	14,061

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This represents the liability of commission income on premium ceded for which the company's obligations are not expired at year end.

	30 June 2022 Birr'000	30 June 2021 Birr'000
The movement in deferred commission income is as follows:		
As at 1 July	14,061	6,836
Movement during the year	(273)	7,224
As at 30 June	**13,787**	**14,061**

25 **Other Liabilities**	30 June 2022 Birr'000			30 June 2021 Birr'000		
	General Business	**Long Term Business**	**Total**	**General Business**	**Long Term Business**	**Total**
Due to Co-insurers	1,906	-	1,906	333	-	333
Commission Payable	4,603	284	4,886	1,856	-	1,856
Annual Leave	3,396	-	3,396	2,524	90	2,613
Income Tax payable	908	-	908	783	-	783
Withholding Tax Payable	451	-	451	415	28	443
VAT Payable	105	-	105	396	-	396
Pension Contribution Payable	574	-	574	492	-	492
Share holder payable	146	-	146	100	-	100
Revenue Stamp Payable	59	-	59	23	-	23
Audit Fee	96	-	96	80	-	80
Payable to branches	1,985	-	1,985	875	-	875
Deferred office rent income	3,256	-	3,256	4,501	-	4,501
Trade Creditors	951	-	951	951	-	951
Dividend Payable	9,777	-	9,777	8,540	-	8,540
Bonus accrual	4,617	517	5,134	4,024	158	4,182
Other Payables	5,734	216	5,950	4,488	195	4,683
	38,563	**1,016**	**39,579**	**30,381**	**471**	**30,852**

Maturity analysis	30 June 2022 Birr'000	30 June 2021 Birr'000
Current	39,579	30,852
Non- current	-	-
	39,579	**30,852**

26 **Financial Liability**		
Loan from Awash Bank	-	18,967

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For The Year Ended 30 June 2022

		30 June 2022	30 June 2021
27	**Life Fund**		
	Long Term Business	**Birr'000**	**Birr'000**
	As at 1 July 2020	53,611	47,482
	Addition	27,022	23,129
	Transfer to P or L	(20,500)	(17,000)
	As at 30 June	**60,134**	**53,611**

		30 June 2022	30 June 2021
28	**Retirement benefit obligations**	**Birr'000**	**Birr'000**
	Defined benefits liabilities:		
	– Severance pay (note 28a)	2,059	1515
	Liability in the statement of financial position	**2,059**	**1515**
	Income statement charge included in personnel expenses:		
	– Severance pay (note 28b)	99	329
	Total defined benefit expenses	**99**	**329**
	Remeasurements for:		
	– Severance pay (note 28c)	(863)	-959
		(863)	**-959**

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 2022	30 June 2021
	Birr'000	**Birr'000**
Current	1,407	1,379
Non-Current	652	136
	2,059	**1,515**

Severance pay

The Company operates an unfunded severance pay plan for its employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as one 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. The severance benefit entitlement is provided under the labour proclanamation No. 377/2003 and 494/2006.

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Notes to The Financial Statement

For The Year Ended 30 June 2022

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

		30 June 2022 Birr'000	30 June 2021 Birr'000
A	**Liability recognised in the financial position**	2,059	1,515
B	**Amount recognised in the profit or loss**		
	Current service cost	1,199	1,052
	Interest cost	208	186
		1,407	1,238
C	**Amount recognised in other comprehensive income:**		
	Remeasurement (gains)/losses arising from participants	445	(50)
	Benefit and expense paid	(1,308)	(909)
		(863)	**(959)**
	The movement in the defined benefit obligation over the years is as follows:		
	At the beginning of the year	1,515	1,236
	Current service cost	1,199	1,052
	Interest cost	208	186
	Remeasurement (gains)/ losses	445	(50)
	Benefits paid	(1,308)	(909)
	At the end of the year	2,059	**1,515**

The significant actuarial assumptions were as follows:

i) **Financial Assumption Long term Average**

	30 June 2022 Birr'000	30 June 2021 Birr'000
Discount Rate (p.a)	14.25%	14.25%
Future increase in salary(p.a)	7.00%	7.00%
Average Rate of Inflation (p.a)		

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	Male %	Female %
20	0.11	0.11
25	0.11	0.11
30	0.12	0.11
35	0.13	0.12
40	0.19	0.15
45	0.33	0.23
50	0.60	0.42
55	1.04	0.75
60	1.72	1.27

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iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 12% at the youngest ages falling with increasing age to 1.8% at age 44.

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

Impact on defined benefit obligation

	30 June 2022 Birr'000		30 June 2021 Birr'000	
	Change in assumption	**Impact of an increase**	**Impact of a decrease**	**Impact of an increase**
Discount rate	14.25%	2,059	14%	1,515
Pension Increase rate	7%	-	7%	-
Mortality experience	1year		1year	

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

		30 June 2022			30 June 2021 Birr'000		
		General Business	**Long Term Business**	**Total**	**General Business**	**Long Term Business**	**Total**
29	**Ordinary share capital**						
	Authorized						
	200000 ordinary shares ordinary shares of Birr 1000 each			200,000			200,000
	Issued and fully paid:						
	Ordinary shares of Birr 1000 each	173,743	15,074	188,817	143,625	15,074	**158,699**
30	**Share premium**	1,248	-	1,248	325	-	**325**

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

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For The Year Ended 30 June 2022

		30 June 2022 Birr'000			30 June 2021 Birr'000		
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
31	**Retained earnings**						
	At the beginning of the year	5,022	15,301	20,323	7,054	13,899	**20,953**
	Profit/ (loss) after tax for the year	17,305	20,500	37,805	5,782	17,000	**22,782**
	Transfer to legal reserve	(1,730)	(2,050)	(3,780)	(578)	(1,700)	**(2,278)**
	Dividend declared and paid	(3,848)	(15,300)	(19,148)	(6,433)	(13,500)	**(19,933)**
	Transfer to Directors fee	(1,350)	-	(1,350)	(1,350)	-	**(1,350)**
	Tax Temporary Difference	-	-	-	503	-	**503**
	Adjustment from Life	-	-	-	398	(398)	
	Prior year adjustments	(511)	-	(511)	(360)	-	**(360)**
	Opening Bal difference	-	-	-	7	-	**7**
				-			
	At the end of the Year	**14,887**	**18,451**	**33,338**	**5,022**	**15,301**	**20,323**
31.1	**Other comprehensive income**						
	At the beginning of the year	50	-	50	(39)	-	(39)
	Additions for the year	(495)	-	(495)	89	-	89
	Sub total	(445)	-	(445)	50	-	50
	Total Retained Earning and OCI at the end of the Year 2022	14,443	18,451	32,893	5,072	15,301	20,373
31.2	**Revaluation Reserve**						
	At the beginning of the year	(5,742)	-	(5,742)	-5,742	-	-5742
	Additions for the year	-	-	-	-	-	0
		(5,742)	-	(5,742)	-5,742	-	-5742
32	**Legal reserve**						
	At the beginning of the year	6,388	6,747	13,135	5,810	5,047	10,857
	Transfer (from) / to retained earnings	1,730	2,050	3,780	578	1,700	2,278
	Prior year adjustment	-	-	-	-	-	-
	At the end of the year	**8,118**	**8,797**	**16,916**	6,388	6,747	13,135

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Notes to The Financial Statement

For The Year Ended 30 June 2022

		30 June 2022 Birr'000	30 June 2021 Birr'000
33	**Cash generated from operating activities**		
	Profit before tax	42,163	22,782
	Interest Income	(23,226)	(20,191)
	Interest expense	2,750	5,152
	Dividend Income	(6,743)	(4,645)
	Gain on disposal	(1,231)	-
	Directors remuneration	(1,350)	(1,350)
	Adjustments for non- cash items:	-	
	Depreciation of property, plant and equipment	7,060	6,515
	Amortisation of intangible assets	-	-
	Provision for employee benefit	49	368
		-	-
	Movements in statement of financial position items:		
	Decrease / (Increase) in Trade receivables	(5,832)	(12,731)
	Decrease / (Increase) in Reinsurance asset	64,262	(48,882)
	Decrease / (Increase) in Deferred acquisition costs	(5,040)	(3,647)
	Decrease / (Increase) in other Assets	(22,634)	9,019
	Increase / (Decrease) in Insurance contract liabilities	(28,763)	84,856
	Increase / (Decrease) in trade payable	15,503	32,411
	Increase / (Decrease) in Deferred commission income	(273)	7,224
	Increase / (Decrease) in other payable	8,727	(9,776)
	Increase / (Decrease) in life fund	6,522	6,129
		51,944	**73,235**

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

		30 June 2022 Birr'000	30 June 2021 Birr'000
33a	Proceeds on disposal	1,306	-
	Net book value of property, plant and equipment disposed (Note 21)	75	-
	Gain/(loss) on sale of property, plant and equipment	**1,231**	-

ETHIO LIFE AND GENERAL INSURANCE

Notes to The Financial Statement

For The Year Ended 30 June 2022

34 Related party transactions

The Licensing and supervision of Insurance Business Directive No. SIB/53/2012 of the National Bank of Ethiopia defined a related party as a shareholder, a director, a chief executive officer, or a senior officer of the Insurance company and / or their spouse or relation in the first degree of consanguinity or affinity; and a partnership , a common enterprise, a private limited company, a share company, a joint venture, a corporation or any other business in which officers of the company and /or their spouse or relation of the first degree of consanguinity or affinity of the officers of the company has business interest as shareholder, director, chief executive officer, senior officer, owner or partner. The directive stipulates that the identification of related parties shall be the responsibility of the company.

From the above, only directors were identified to be related parties of the company.

	30 June 2022 Birr'000	30 June 2021 Birr'000
34a Transaction with related party		
Loans and advance to Key management personnel	479	260

34b Key management compensation

Key management has been determined to be the members of the Board of Directors and the Senior Management of the Company.

Directors are remunerated as per Directive No. SIB/46/2018 of National Bank of Ethiopia which limited payments to Directors to be Birr 150,000.00 per annum and Birr 10,000.00 allowance to be paid every month. The current balance is composed of monthly allowance paid during the year.

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 2022.

	30 June 2022 Birr'000	30 June 2021 Birr'000
Directors allowance (non executive directors')	1,099	1,006
Salaries and other short-term employee benefits	6,641	6,120
Representation allowance	310	297
Other expenses	866	473
	7,817	**6,889**
	8,916	**7,895**

35 Directors and employees

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

	30 June 2022 Number	30 June 2021 Number
Professional and high level supervisory	141	131
Semi professional and clerical	50	47
Technicians and skilled	37	41
	228	**219**

ETHIO LIFE AND GENERAL INSURANCE

Notes to The Financial Statement
For The Year Ended 30 June 2022

36 Dividends

The directors propose the payment of dividend of ETB 32,163,372.00 (2022) per share totalling to in respect of the year ended 30th June 2022. This dividend is subject to the approval by share holders at the Annual General Meeting and has not been included as a liability in these financial statements.

37 Contingent liabilities

The Company's contingent liabilities as at the date of this report 30 June 2022 is NIL

38 Commitments

The company has no commitments, not provided for in these financial statement as at the date of this report.

39 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 2022 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

ACTUARY

actserv Actuarial Consultants

I, Abed Mureithi representing Actuarial Services (E.A) Limited, 26th floor, UAP OLD MUTUAL Tower, Upper Hill, P.O. Box 10472-0100 Nairobi, being an Actuary duly qualified having conducted an investigation do hereby certify as under that as at 30 June 2022

- That in my opinion the value placed upon the aggregate liabilities relating to the Ordinary Life Fund and Superannuation Fund of Ethio Life and General Insurance
- S.C in respect of policies on the basis of valuation adopted by me is not less than what would have been if the aggregate value had been calculated on the minimum basis prescribed;
- That necessary steps as required were taken; and
- That I am satisfied that the value of assets adopted by me are, on the basis of the auditor's certificate appended to the balance sheet, fully of the value so adopted

Abed Mureithi
Fellow of the Institute and Facilit
Of Actuaries (UK)

ACTUARIAL SERVICES EA LIMITED
P.O. BOX 10472-00100
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Major Events

ኢትዮ ላይፍ ኤንድ ጀነራል ኢንሹራንስ አ.ማ.
Ethio Life and General Insurance S.C.

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13th Ordinary General Meeting

Sales agents and Branch Managers Recognition Event

Corporate Customers Recognition Event

ማስታወሻ Notes

የነገን ደህንነት ዛሬ እናረጋግጥ!
Securing the Future today!

Our Branches

Life & Health Business

	Branches	Location	Tel.	Fax
1	Teshome Beyene Life and Health	Meskel Flower: Homes of Millions Building	0115-54-96-52/09-22-72-40-93	0115-57-71-67
2	Africa Avenue Life and Health	Bole : Yeshi Building	011 5-57-40-48/09-32-15-13-70	0115-57-40-81
3	Besrate-Gebreal Life Branch	Besrate-Gebreal : Abebech Building	0113-69-07-17/07-10-54-00-01	0113-69-08-20

General (Non-Life) Business

	City Branches	Location	Tel	Fax
1	Head Quarter Branch	Meskel Flower: Homes of Millions Building	0114-70-18-61/09-30-06-11-75	0114-70-29-24
2	Africa Avenue Branch	Bole : Yeshi Building	0115-57-45-22/09-32-15-13-79	0115-57-53-09
3	Bambis Branch	Bambis : Afewerk Building	0115-57-07-00/09-22-72-40-96	0115-57-07-01
4	Beklobet Branch	Beklobet : Meaza Tower	0114-70-43-45/09-22-72-41-03	0114-70-44-36
5	Besrate-Gebreal Branch	Besrate-Gebreal : Abebech Building	0113-81-10-47/09-29-49-98-75	0113-81-10-53
6	Betel Branch	Betel: Almeshan Building	0113-69-77-01/09-86-01-93-47	0113-69-73-32
7	Bole Medhanialem Branch	Bole Medhanialem: New Bright Tower	0116-18-04-02/09-22-72-41-00	0116-18-04-45
8	CMC Branch	CMC: Mati Building	0116-67-51-58/09-22-72-41-02	0116-67-51-63
9	Goffa Branch	Kera: DownTown Building	0114-70-28-37/09-22-72-40-98	0114-67-06-55
10	Jemo Branch	Furi: Piony Commercial	0113-69-99-55/09-86-01-93-48	0113-69-85-90
11	Lebu Branch	Lebu : Musika Sefer	0114-70-21-70/09-02-44-37-02	0114-70-15-79
12	Lideta Branch	Lideta : AIA Building	0115-15-78-80/09-32-15-13-66	0115-15-58-79
13	Megenagna Branch	Megenagna: Gedame Mariam Building	0116-63-02-93/09-22-72-40-97	0116-63-01-47
14	Merkato Branch	Merkato : Addis Admas Building	0112-73-23-81/09-32-15-13-68	0112-73-23-91
15	Mexico Branch	Mexico: KKARE Building	0115-15-19-31/09-22-72-41-06	0115-15-42-28
16	Piazza Branch	Piazza : Ferdu Building	0115-33-60-01/09-02-45-32-02	0115-33-60-03
17	Saris Branch	Saris : Tekelhaimanot Building	0114-71-53-03/09-29-49-98-76	0114-71-69-50
18	Senga-tera Branch	Senga-tera : 40/60 Condominium	0115-57-56-95/09-04-04-87-64	0115-57-45-62
19	Somale Tera Branch	Somale Tera : Badreg Building	0111-26-40-63/09-22-72-41-01	0111-26-40-64
20	Yerer Branch	Yerer : Jakerose Square MDK Building	0116-67-52-80/09-30-03-15-57	0116-73-41-76
	Outlying Branches	**Location**	**Tel**	**Fax**
21	Adama Branch	Adama : HH Building	022-211-50-17/09-32-15-13-67	022-211-50-72
22	Bahirdar Branch	Bahirdar: Around papyrus Dashen Bank Building	0582-20-62-41/0932151365	058-220-62-46
23	Hawassa Branch	Hawassa : In front of Pinna Hotel	0462-12-50-37/09-22-72-41-04	046-212-50-39
24	Mekele Branch	Mekele : Around Hawzen Square	0342-41-51-10/09-22-72-41-05	034-241-51-12
25	Shashemene Branch	Shashemene : Aposto Next to 3M Building	0462-11-50-39/09-40-27-00-22	046-211-93-09
26	Wolyta-Sodo Branch	Wolyta-Sodo : In front of Axum Hotel	0461-80-10-79/09-29-49-98-68	046-180-34-43

Around Meskel Flower
Homes of Millions Building

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