CORPORATE INFORMATION

The Company

The Company was established in October 2008 by 117 shareholders, initially focusing on long-term insurance under the name "Ethio Life Insurance S.C. (E.Life)." In August 2012, the company expanded its services to include General Insurance, becoming a composite insurer. Since then, it has been known as Ethio Life and General Insurance S.C., offering innovative life and general insurance products and services.

However, in consideration of the immense potentials and viability of the non-life business, emanating from the rapid economic growth of the country, shareholders were determined 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 markets leaders 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.
- Service Excellence.
- High Value for Resources.
- 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, Accounting, Engineering 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

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1. NOTICE OF THE 15TH ORDINARY GENERAL MEETING AND THE 10TH 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 255.38 million and paid up capital birr 218.18 million as at june 2023 Insurance license registration no.013/08)

The 15th Ordinary and the 10th Extraordinary Meetings of the Shareholders of Ethio Life and General Insurance S.C. will be held on December 2, 2023, starting at 8:30 AM at the Inter Luxury Hotel in Addis Ababa. Shareholders or their legal proxies are kindly requested to attend these meetings.

Agenda for the 15th Ordinary General Meeting:

1. Consideration and approval of share transfers in the 2022/23 FY.
2. Consideration of the Annual Report of the Board of Directors for the 2022/23 FY.
3. Consideration of the Annual Report of External Auditors for the 2022/23 FY.
4. Deliberation on and Approval of items 2 and 3 above.
5. Approval of the proposed appropriation of the profit for the 2022/23 FY.
6. Approval of the annual compensation of the Board of Directors for the 2022/23 FY.
7. Approval of the monthly fee for the Board of Directors for the 2023/24 FY.
8. Approval of the Company's External Auditors' remuneration for the 2023/24 FY.
9. Approval of the corrected Board of Directors election made by the Board Nomination Committee and approved by the Board of Directors on behalf of the General Assembly, following the feedback from the National Bank of Ethiopia.
10. Approval of the minutes of the 15th Ordinary General Meeting of the Shareholders.

Agenda for the 10th Extraordinary General Meeting:

1. Approval of amendment to the Company's Memorandum of Association.
2. Approval of corrections to the decision of the 9th Extraordinary Meeting regarding share sales to employees and potential investors.
3. Approval of minutes of the 10th Extraordinary General Meeting.

Notes:

- Shareholders unable to attend may delegate proxies by completing and signing a form available at the Company's headquarters. Proxies must be submitted three days before the meetings.
- Shareholders must present valid identification confirming Ethiopian citizenship or the privilege.
- Shareholders with authenticated proxy letters may attend the meetings.
- The draft amendment to the Company's Memorandum of Association is available at www.eliginsurance.com.

By the order of the Board of Directors;

BOARD OF DIRECTORS

Ato Hailu Alemu
Board Chairperson

Ato Moges Abayneh
Board of Director

Dr. Eyasu Mekonnen
Board of Director

Ato Beshada Gemechu
Board of Director

Engineer Abate Gidafe
Board of Director

Engineer Welday Berhe
Board of Director

Engineer Rahel Kore
Board of Director

Dr. Mariamawit Yonatan
Board of Director

Ato Belayneh Yilma
Board of Director

Ato Teshome Dejene
Company Secretary

MANAGEMENT TEAM


Ato Shimeles G/Giorgis
Chief Executive Officer


Ato Solomon Yehualashet
D/Chief Executive Officer Operation


Ato Wondwosen Gelaw
D/Chief Executive Officer Corporate Services


Ato Mehari Minas
Manager, Claims Mgt Dep't


Ato Daniel Terefe
Manager, Underwriting & Reinsurance Dep't


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


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


Ato Nebiyu Ephrem
Manager, IT Dep't


Ato Goitom Aberham
Manager, Audit & Inspection Service


Ato Sisay Denekew
Manager, Risk Management and Compliance Service


Ato Yilkal Mekonnen
Manager, Head Quarter Branch


Ato Abdulhamid Mustefa
Manager, Legal Service


Ato Tilahun Meles
Manager, Engineering Service

2. BOARD CHAIRPERSON'S STATEMENT

Dear Esteemed Shareholders,

Welcome to the 15th Annual General Meeting and the 10th Extraordinary Meeting of the Shareholders. I extend a warm welcome to all of you gathered here today. These shareholder meetings are of utmost importance as they provide a vital platform for open dialogue, collaboration, and the reinforcement of our shared vision. In fact, your presence here today is a testament to your unwavering commitment as shareholders, and thus on behalf of the Board of Directors, I would like to express heartfelt gratitude for your continued trust and support. Together, let us embark on this journey of transparency and collaboration, shaping the future of our company.

Ato Hailu Alemu
Board Chairperson

Within this shareholders' annual report, you will find a comprehensive overview of the Company's financial performance, strategic milestones, and the impact it has made in the insurance industry during the 2022/23 financial year. This report is a testament to our commitment to transparency and accountability, providing you with a comprehensive understanding of ELiG's financial performance, risk management practices, and corporate governance framework. We remain steadfast in maintaining the highest standards of corporate responsibility, ensuring the safeguarding and nurturing of your investments with utmost care.

Dear Shareholders,

The success of our company is a direct result of the tireless efforts of our dedicated team, whose expertise and commitment have propelled ELiG forward. The Board, along with all ELiG staff members, has navigated the complexities of the 2022/23 financial year, embracing innovation in insurance services delivery and upholding an unwavering commitment to providing remarkable peace of mind to our valued policyholders.

ELiG has achieved sustainable growth and solid performance across all of its businesses despite notable challenges. The impact of the war in the northern part of the country, political instability, shortage of foreign currency, unfair competition, and high inflation affected the insurance activity. We continued to address these challenges in our operational environment as their impact on our business has been significant. To address these ongoing challenges, ELiG will continue to strengthen its capacity by implementing various initiatives and going forward with its solid strategic vision.

In light of the above background, the Board is pleased to present the performance of the Company for the financial year 2022/23. As you can note, ELiG achieved gross written premium income growth of 52.6%, increased gross profitability by 24%, enhanced shareholder value as demonstrated by an EPR of 24.56%, and improved its operational efficiency. These achievements reflect, among others, the Company's prudent financial management, effective risk mitigation strategies, and relentless pursuit of excellence in all aspects of its business.

Looking ahead, ELiG remains committed to innovation, customer-centricity, and digital transformation. The Board and Management of the Company recognize the evolving business landscape and determined to embrace emerging opportunities, leverage cutting-edge technologies, and deliver superior value to our customers and stakeholders.

Finally, I would like to extend my profound appreciation to our shareholders for their unwavering trust, confidence, and continued investment in ELiG. Your support has been instrumental in ELiG's success, and we remain committed to delivering sustainable growth and creating long-term value for you.

I also express my sincerest gratitude to the entire ELiG team, whose passion, dedication, and unwavering commitment have been integral to the Company's accomplishments. Their hard work and resilience have played a vital role in overcoming challenges and seizing opportunities. In conclusion, I am confident that our strategic direction, coupled with our strong foundation, positions us well for a future of sustained success. We will continue to build on our strengths, embrace innovation, and remain agile in a rapidly changing business environment.

On behalf of the Board of Directors, I extend my deepest appreciation to our shareholders, employees, customers, business partners, the National Bank of Ethiopia and all stakeholders for their continued support. Together, we will continue to reach new heights and create a brighter future for ELiG.

"Securing the future today!"

With warm regards,

Hailu Alemu
Board Chairperson
Ethio Life and General Insurance
December, 2023
Addis Ababa, Ethiopia

3. REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders:

The Board of Directors of ELiG is pleased to present the Annual Report for the fiscal year 2022/23, which ended on June 30, 2023. This report aims to provide an overview of both financial and non-financial activities conducted by ELiG as well as the outcomes achieved during this period. The report begins by offering a concise summary of the overall domestic economic and business landscape, as these factors have significant implications for the performance of the insurance business. Undertaking the broader context helps us to assess the achievements and challenges within the market. Furthermore, this report includes the audited annual financial statement of the company. The financial statement provides a comprehensive analysis of our financial performance, including revenue, expenses, and profitability. It serves as a transparent and reliable record of the Company's financial activities, ensuring accountability to our valued stakeholders.

In addition to the financial aspects, the report highlights the way forward and outlines our future strategic initiatives

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3.1. Key Points on the Business Environment

According to the African Development Report (2022), the Ethiopian real GDP growth declined to 5.3 percent in 2022, from 5.6 percent the previous year, but it still exceeded the average growth rate of East Africa (4.7 percent in 2021 and 4.4 percent in 2022). The main drivers of growth were the industry and services sectors, while private consumption and investment were the main contributors on the demand side. However, annual inflation remained high at 34 percent in 2022, compared to 32.7 percent the previous year. This was primarily due to an increase in both food and non-food inflation. Factors such as unrest in certain parts of the country, the Russia-Ukraine war, a mismatch between aggregate supply and demand, high commodity prices in the global market, and loose monetary and fiscal policies contributed to the inflationary pressure observed during the fiscal year. The fiscal deficit widened to 4.2 percent of GDP in 2022 from 2.6 percent in 2021 due to higher defense spending and weak revenue performance. The total consumption expenditure (combining public and private) as a percentage of GDP also rose to 84.7 percent from 81.1 percent the previous year. As a result, domestic saving decreased by 3.6 percentage points, amounting to 15.3 percent of GDP compared to 18.9 percent of the previous year.

The National Bank of Ethiopia Annual Report (2021/22) reveals that the Ethiopian economy saw a significant improvement in merchandise exports, which increased by 14.1 percent compared to the same period last year. This growth was mainly driven by strong export performance in coffee, flowers, fruits and vegetables, textiles and textile products, meat and meat products, and electricity. On the other hand, total merchandise imports showed a 26.6 percent annual growth, primarily due to increased import bills for consumer goods, fuel, and semi-finished goods. As a result, Ethiopia's external sector performance recorded a current account deficit, including official transfers. According to the 2022 African Economic Outlook report by the

African Development Bank, real GDP growth is projected to reach 4.8 percent in 2023 and 6.2 percent in 2024. This growth will be driven by the industry, private consumption, and investment sectors. The peace dividend, rebounding tourism, and prospects of further sector liberalization are expected to contribute to this positive growth outlook. However, these projections are lower than earlier estimates of 5.8 percent in 2023 and 7.3 percent in 2024 due to increased internal conflict and the Russia-Ukraine war.

Inflation is projected to decline to 28.1 percent in 2023 and 20.1 percent in 2024. This is based on the expectation of improvements in internal conflicts in certain parts of the country. The fiscal deficit is projected to increase to 3.1 percent in 2023 and 2.5 percent in 2024. This is due to anticipated growth in government revenue driven by improvements in domestic resource mobilization, implementation of fiscal consolidation strategies, and resumption of donor inflows. The current account deficit is expected to narrow to 3.7 percent of GDP during 2023-24. This reflects the slow recovery in merchandise and service exports and foreign direct investment, along with reduced imports of capital inputs.

3.2. The Insurance Industry in Ethiopia

The financial sector in Ethiopia is primarily dominated by the banking industry, which accounts for 89 percent of the sector's total capital. The insurance sub-sector, on the other hand, makes up only 6 percent of the sector's capital, while the microfinance sub-sector represents a mere 5 percent.

During the reporting period, there were a total of 18 insurance companies in the country, of which one is a public company and 17 are private companies. The number of branches operated by these companies increased from 691 to 741 compared to the previous year.

In terms of their engagement 12 insurance companies or 67 percent are composite insurance providers, while the remaining 6 or 33 percent are engaged only in General Insurance business. The total capital of all insurance companies reached at over Birr 16.3 billion during the reporting period.

Provisional data on the performance of the insurance industry during the reporting period indicates that the total gross written premium for life and general insurance businesses amounted to Birr 22.9 billion, marking a 37.2 percent increase compared to the preceding year. Out of this total, over Birr 21.5 billion (94 percent) is attributed to the general insurance business, while the remaining balance of over Birr 1.5 billion (6 percent) pertains to the life insurance business. The industry experienced growth rates of 8 percent and 40 percent in the life and general insurance lines of businesses, respectively.

In terms of profitability, the insurance industry's total profit before tax increased by 21 percent, rising from Birr 3.3 billion in the 2021/22 fiscal year to Birr 4.08 billion, in 2022/23.

Despite the overall growth indicators, the Ethiopian insurance industry had faced various challenges. These include the adverse impact of conflicts in certain parts of the country, elevated operating costs due to inflation, fierce price competition, price-sensitive customer base, undifferentiated insurance products, and a shortage of skilled professionals.

3.3. Performance review of the company

3.3.1. Corporate Governance

The Board of Directors (BODs) is responsible for overseeing the management of the company and providing overall direction to the executive management. Their main objectives are to protect shareholders' interests and contribute to the company's health, stability, and growth. To ensure transparency and accountability, the Board has implemented policies and strategies in all aspects of the company's operations. They also provide strategic guidance to the management team.
In adherence to good corporate governance practices and the directives of the National Bank of Ethiopia (NBE), the Board has established three sub committees: Risk Management, Compliance and Audit Committee; Human Resource and Materials Management Affairs Committee; and Finance and Investment Affairs Committee. Each Committee; has well-defined responsibilities and authority, outlined in their terms of reference. They have unrestricted access to company information and are authorized to seek independent professional advice when necessary. The committees report to the Board through their respective chairpersons at each Board meeting.
In accordance with NBE directive no 48/2019 article 10.3.2, the Board had conducted eleven regular monthly meetings and seven special meetings. Additionally, the Board committees have held meetings to discuss various issues and tabled proposals, as required by NBE directive no 48/2018 article 10.4.11. During these meetings, the Board had addressed strategic and policy matters, as well as provided oversight on corporate concerns such as the progress of the five-year strategic plan implementation, the implementation of core insurance software, decisions regarding company property, equity, and IT investments, development of the company's paid-up capital, and human resource issue with particular emphasis to succession planning and employment attrition.

3.3.2. Life and Health Business

Gross Underwriting Premium Income

The 2022/23 fiscal year, the Gross Written Premium (GWP) for Life and Health business witnessed a notable surge, reaching Birr 124.8 million. This signifies a substantial growth compared to the previous fiscal year, in which the GWP amounted to Birr 72.9 million. The surge accounts for Birr 51.9 million, indicating a growth rate of 71 percent.

This remarkable growth in Life and Health business attributed to two key factors. Firstly, ELiG was successful in retaining a substantial portion of its existing customer base. This is a testament to the reliable and superior service that ELiG consistently delivers to the insuring public. The trust and satisfaction of our customers have resulted in their continued commitment to our services.
Secondly, ELiG achieved success in attracting new individual and corporate clients. This expansion

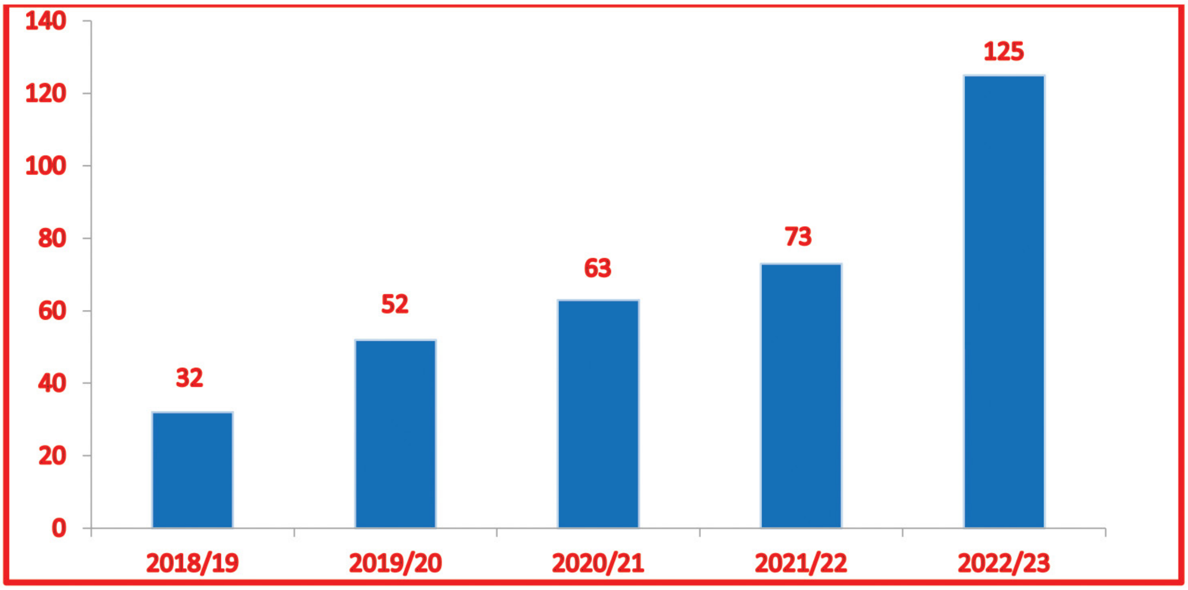
of customer base has further contributed to the overall growth of ELiG business. By offering compelling insurance solutions and effectively communicating the value ELiG brings, it was possible to capture the interest and confidence of new clients.

These two factors combined have propelled the growth of our Life and Health business, demonstrating the effectiveness of our customer retention strategies and our ability to attract new clients in a competitive market.

The remarkable achievement we have witnessed in the growth of ELiG's Life and Health business is a direct result of ELiG's commitment to providing dependable and superior service to its customers. By prioritizing customer satisfaction and consistently delivering on its promises, ELiG has built a favorable image and established a strong reputation nationwide.

ELiG remain committed to upholding its high standards of service excellence and continuously improving its offering to ensure that it remains at the forefront of the industry, meeting the evolving needs of its valued customers

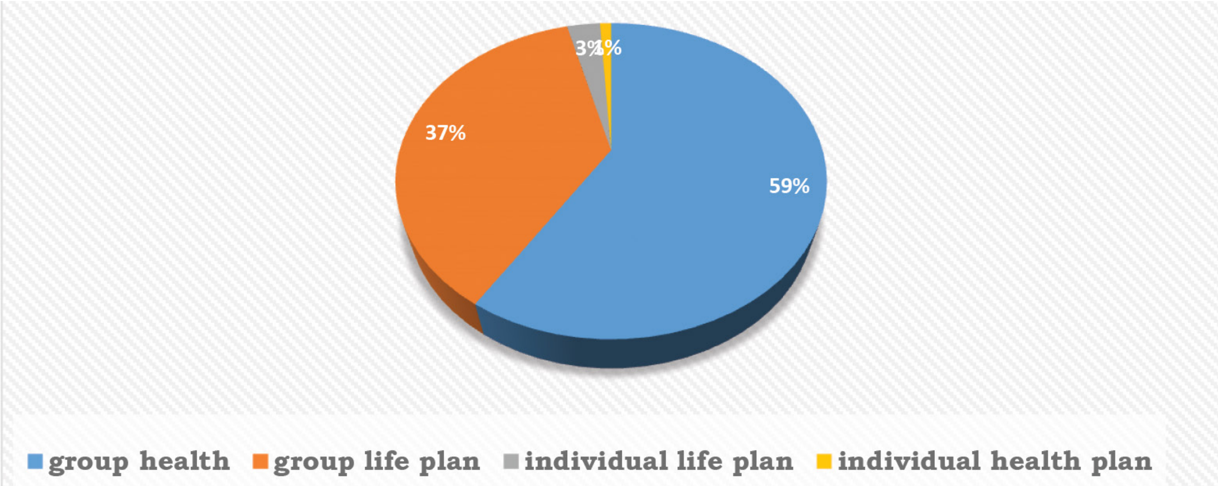
Figure 1. Trend of Gross Written Premium of Life and Health Insurance Since 2018/19 in Million Birr



Premium Income by Class of Business

During the fiscal year 2022/23, the company generated a total Gross Written Premium (GWP) income of Birr 124.8 million. Out of this income, 59 percent was generated by the Group Health Plan, followed by 37 percent from the Group Life Plan, 3 percent from the Individual Life Plan, and 1 percent from the Individual Health Plan.

Figure 2. GWP PORTFOLIO MIX OF VARIOUS CLASS OF BUSINESS



The above breakdown demonstrates the significance of the Group Health Plan in driving the company's premium income, highlighting the demand for comprehensive health coverage among groups

Claims Management

During the reporting period, the net claims incurred reached Birr 68.5 million, indicating a substantial increase of Birr 34 million or 98 percent compared to the previous fiscal year.
The Gross Loss Ratio for the fiscal year stood at 65 percent, which is 9 percent higher than the previous year. It is important to note that the Loss Ratio calculates the total claims incurred as a percentage of the net Premium. The increase in the Loss Ratio can be primarily attributed to the significant rise in medical claims.

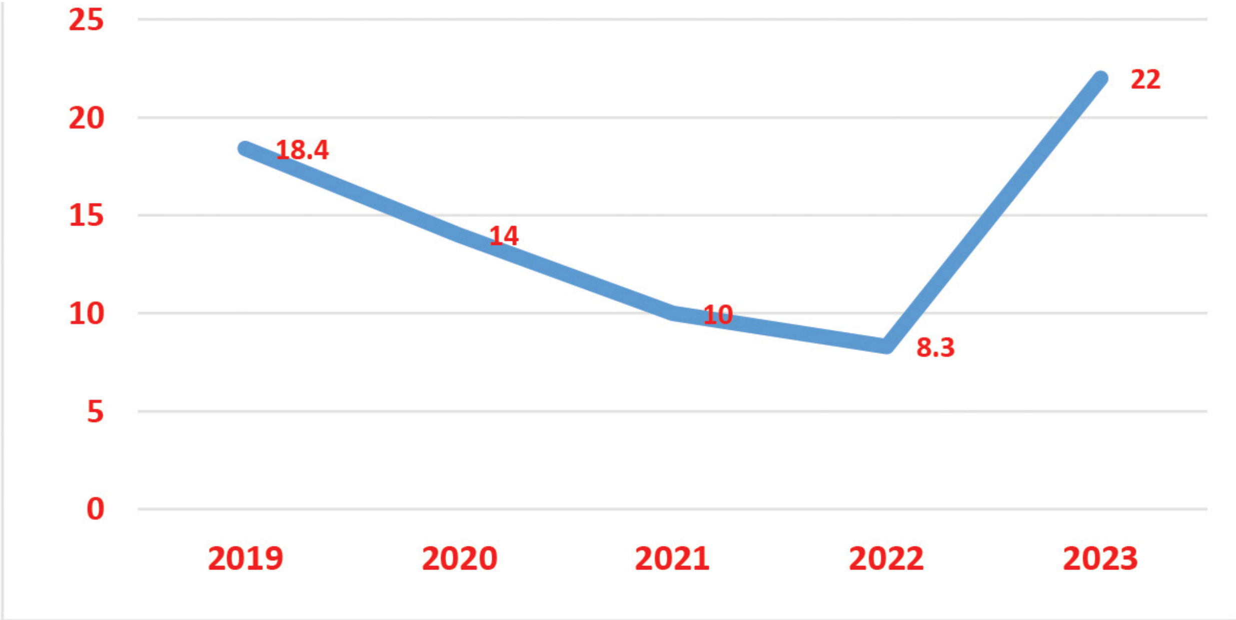
However, it is noteworthy that the registered Loss Ratio of 65 percent slightly exceeded the industry average of 63%. This indicates that ELiG experienced a higher proportion of claims compared to the industry average.

Management Expense Ratio

As of June 30, 2023, the Expense Ratio, which represents the ratio of Management Expenses to Net Earned Premium, stood at 15.48 percent. This is an increase of 7.18 percent compared to the previous fiscal year's ratio of 8.3 percent. This increase is mainly due to inflation in administration expenses . As the premium volume increases due to market inflation, the expenses associated with managing and administering policies also increases.

To ensure efficient operations and maintain a healthy expense ratio, it is crucial for ELiG to closely monitor and manage expenses. By implementing cost-control measures, negotiating favorable terms with service providers, and exploring opportunities for process optimization, ELiG shall strive to mitigate the impact of inflation on administration expenses.

Figure 3. Trend Life and Health Business Expense Ratio in Percent Since 2019



The above breakdown demonstrates the significance of the Group Health Plan in driving the company's premium income, highlighting the demand for comprehensive health coverage among groups

Valuation Results

Based on the actuarial evaluation conducted as of June 30, 2023, the Life Fund Value balance of the company experienced growth, increasing from Birr 80.6 million to Birr 88.2 million. This represents a growth rate of 9.4 percent.

During the same period, the actuarial liabilities of the company also increased, rising from Birr 60.1 million to Birr 78.1 million. This demonstrates a significant increase of 30 percent. The increment in liabilities is expected due to the nature of the life business and long-term death risks. From the Life Fund balance of Birr 88.2 million, the appointed actuary has proposed a dividend distribution of Birr 10.06 million to the shareholders. This dividend represents approximately 11.4 percent of the Life Fund accrued in the fiscal year ending June 30, 2023.

The proposed dividend distribution reflects the company's profitability and the ability to distribute a portion of the earnings to the shareholders. It is essential to strike a balance between maintaining sufficient funds in the Life Fund to meet future obligations and rewarding the shareholders for their investment.

4. GENERAL INSURANCE BUSINESS

Gross Written Premium (GWP)

Despite the challenging business environment in the 2022/23 fiscal year, ELiG managed to underwrite a gross premium of Birr 404.8 million. This represents a significant increase of Birr 130.8 million or 48 percent compared to the previous year.

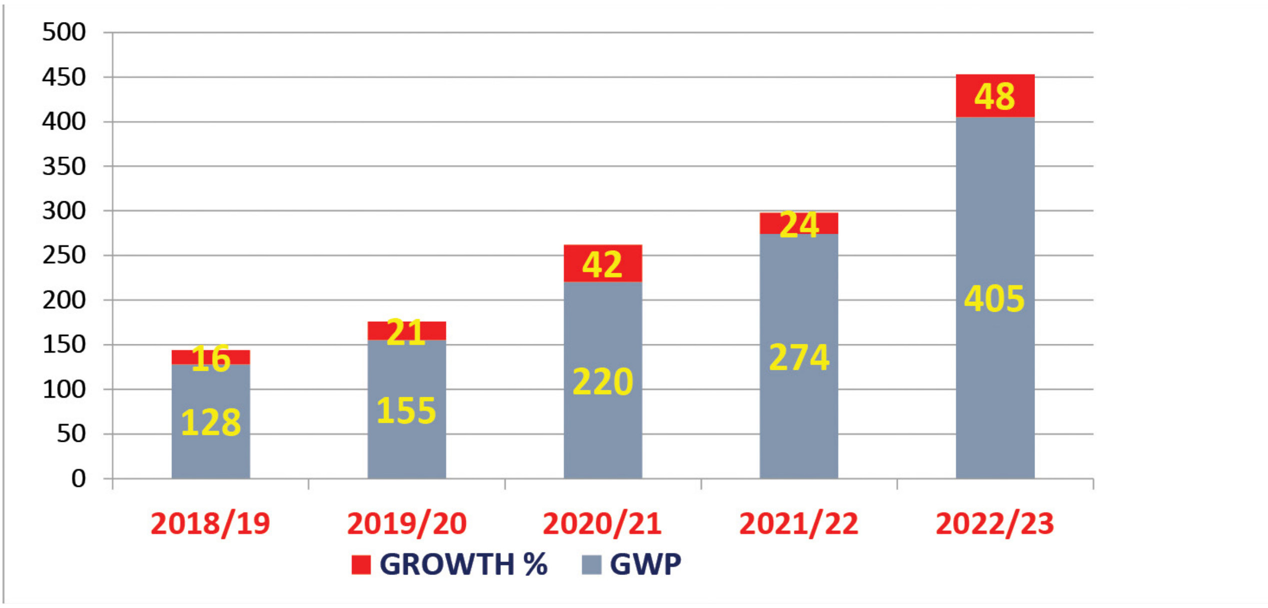
The growth rate of 48 percent exceeded the insurance industry's average of 40 percent by 8 percent, highlighting ELiG's remarkable performance in the market. This achievement was made possible due to various factors.

Firstly, the company's improved ability to retain customers played a significant role. By delivering reliable and superior service to existing clients, ELiG fostered trust and loyalty, leading to their continued commitment to the company's insurance offerings.

Secondly, ELiG's focused efforts to penetrate the market, particularly targeting corporate customers, contributed to the remarkable growth. By identifying and addressing the specific needs of corporate clients, the company was able to attract new business and expand its customer base.

These combined efforts resulted in the substantial increase in the General Insurance Gross Written Premium, positioning ELiG ahead of the industry average. The company's ability to retain customers and its strategic approach to market penetration has proven effective in driving growth and solidifying its position in the insurance industry.

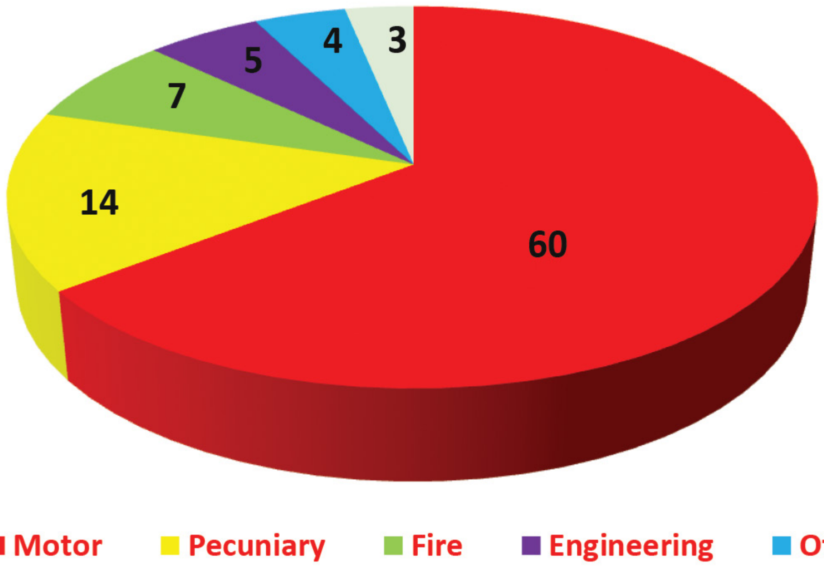
Figure-4: GWP and Annual Growth of the General Insurance Business, Since 2018/19 in million Birr



Premium Income by Classes of Business

The performance of major classes of business showed that Motor, Pecuniary, Fire, Engineering, others, and Marine contributed 60, 14, 7, 5, 4, and 3 percent respectively, accounting for close to 93 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 has incurred net claims of Birr 137.5 million. This represents an increase of Birr 46.3 million or 50.7 percent compared to the previous year. The increase in net incurred claims can be attributed to the growth in gross written premium and the impact of inflation, which lead to higher costs.

Loss Ratio

During 2022/23 fiscal year, the Company's Loss ratio for the General Insurance Business, which compares Incurred Claims to Net Earned Premium, was 60 percent. This ratio exceeded the industry average by 2 percent, which stood at 58 percent. And it is similar to last year, which was 59%.

5. CORPORATE FINANCIAL PERFORMANCE OVERVIEW

5.1. Underwriting Surplus

Despite the political, social, and economic challenges faced during the 2022/23 fiscal year, ELiG successfully achieved an underwriting surplus of Birr 130.8 million. This impressive result reflects a significant increase of 28.5 percent compared to the previous fiscal year's surplus of Birr 101.8 million.

5.2. Expenses

During the reporting period, the Company's total non-claims (general and administrative) expenses amounted to Birr 114.5 million, a 30 percent increase from the preceding year's level of Birr 87.8 million. The rise in expense can be attributed to factors such as rising inflation, salary increments for employees, depreciation expenses, and the expansion of branches, and other administrative expenses.

5.3. Total Assets and Liabilities

The Company's total assets grew to Birr 1.02 billion, reflecting a significant increase of Birr 272 million or 36 percent compared to the previous year. Similarly, total liabilities also increased, rising by Birr 227.4 million or 44 percent to Birr 745.4 million from the previous year. The primary driver of this increase in liabilities was a technical provision increment of Birr 128.4 million.

5.4. Shareholders' Equity

Shareholders' equity in the company stood at Birr 279.2 million, showing a growth of Birr 45 million or 19.2 Percent from the previous year. This growth was caused by an increase in paid-up capital, which rose by Birr 29.3 million or 16 percent from the preceding year. As of June 30, 2023, the Company's paid-up capital reached Birr 218.2 million.

5.5. Investment

Investment in equity shares

During the reporting period, the company increased its investments in various equity shares. It allocated Birr 4 million in Addis International Bank, Birr 6.4 million to Bank of Abyssinia, Birr 1.5 million in Nib Bank, Birr 1 million to Ethiopian Reinsurance S.C., Birr 1 million to Goh property development, and Birr 0.5 million to National Finance Academy. As of June 30, 2023, the company's total share investment amounted to Birr 83.1 million, indicating a growth of Birr 14.5 million or 21 percent compared to the previous year.

In addition to share equity investment, ELIG also invested Birr 5.6 million in bonds during the 2022/23 fiscal year.

Investment in Properties, Plant and Equipment

During the reporting period, the company allocated Birr 26 million towards the acquisition of various fixed assets. This includes Birr 16.5 million for motor vehicles, Birr 2.5 million for computers and printers, and Birr 3.1 million for office equipment, furniture, and other items. Furthermore outstanding amounts of Birr 3.9 million for the Kality Recovery Site was fully settled. In addition to this Birr 2 million for an IT project were paid during the fiscal year.

As a result of these investments, the company's net investment in properties and investment assets increased to Birr 179.7 million from Birr 162.9 million in the previous year.

5.6. Profitability

In the Life and Health business, the company generated an actuarial surplus of Birr 28 million during the reporting period. Out of this surplus, Birr 10 million is proposed to be transferred to shareholders.

Additionally, the General Insurance business recorded a profit before tax of Birr 42 million, which is an increase of Birr 20.3 million compared to the previous year. Despite an increase in claims, the General business saw a growth in profit due to two main factors: an increase in investment income and other operating income by Birr 15.5 million, and a growth in Gross Written Premium (GWP) by Birr 130.7 million.

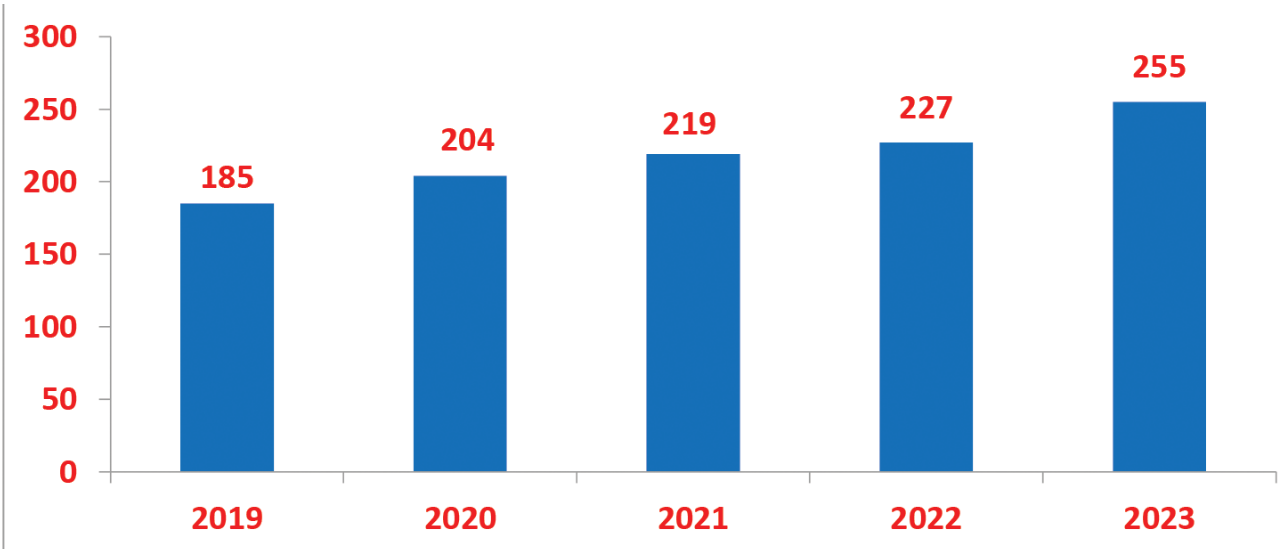
As a result, the company's consolidated financial statement shows a profit before tax of Birr 52.1 million, reflecting a growth of Birr 10 million or 24 percent compared to the previous year. The profit after tax for the fiscal year 2022/23 amounted to Birr 49.3 million, which is higher by Birr 11.4 million or 30 percent compared to the previous fiscal year. The earnings per share (EPS) for the fiscal year is calculated to be 24.56 percent, indicating a 14 percent increase compared to the previous fiscal year.

6. HIGHLIGHTS OF MAJOR ACTIVITIES OF THE COMPANY

6.1. Human Resources

ELiG highly values its employee and consider them to be its most valuable assets. The human resource strategy of the company is designed to enhance employee motivation, productivity, and performance through various ideas and procedures. As of June 30, 2023, ELiG had a permanent workforce of 255 employees, with 55 percent being female and 45 percent being male. The gender mix remained consistent with previous years. During the reporting period, the human resource strength increased by 28 individuals or 12 percent compared to the previous year.

Figure 6: Trend of Human Resource Strength during 2019-2023



6.2. Branch Expansion

In the fiscal year 2022/23, we strategically opened three new branches to expand our presence in different geographical locations. One of these branches, located in Addis Ababa near Bisrate Gebreal, was specifically dedicated to serving the life and health insurance business. This location was carefully chosen to meet the growing demand for life and health insurance services in the city.

Furthermore, we opened two general business branch offices in the cities of Dire Dawa and Debre Birehan. These cities were selected based on their potential for sustainable insurance business and their significance as regional hubs to effectively reach surrounding city centers.

With the establishment of these three new branches, our total number of branch offices has now reached 31, representing a significant increase from the previous year's total of 28

6.3. Purchase and Implementation of Core Insurance Management System

ELiG has been making progress in its commitment to transforming from manual operations to digital system. As part of this effort, ELiG has purchased an Oracle license and completed the installation of the database in the preceding year. The Core Insurance Management system is currently undergoing User Acceptance Test stage (UAT) to ensure its functionality and compatibility with the company's operations.

The go-live and full implementation of the software is expected to occur in the second quarter of the 2022/23 fiscal year. This implementation will mark a significant milestone in the company's digital transformation journey, streamlining operations, improving efficiency, and enhancing overall service delivery.

6.4. Update on Purchase of Plot of Land

The acquisition of a 1,800m2 plot of land, which was started in 2019 for the purpose of establishing a vehicles wreck yard, has been successfully finalized. This development signifies an important step towards the realization of the company's plans for the site.

The construction of the building and the cleaning of the compound are expected to be completed by the fourth quarter of the 2023/24 fiscal year. This timeline sets the stage for the utilization of the plot for its intended purpose, contributing to the efficient management and disposal of vehicles in need of wrecking.

Once the construction and cleaning processes are finalized, the company will be able to fully utilize the facility, further enhancing its operations and supporting its objectives in the vehicles wreck yard management.

6.5. Mid-Term Strategy Plan Revision

The previously developed five-year strategy plan, which was initially developed in 2020/21, was set to undergo review during the mid-term, specifically in 2022/23. However, in light of the significant and unforeseen changes within the country's business environment, it has been determined that the existing strategic plan is outdated and no longer aligned with the current circumstances. Consequently, the board has made the decision to embark on the development of a completely new five-year strategy plan, encompassing the period from 2024/25 to 2028/29. The process of formulating this new plan will be concluded by the second quarter of 2023/24.

6.6. Increase of Company's Capital

Following the resolution passed during the 14th Extraordinary Shareholders' Meeting to increase the Company's paid-up capital from Birr 200 million to Birr 690 million by Birr 490 million the Board has developed a comprehensive implementation plan to execute the capital increase. The process of selling the additional capital commenced in May 2023 and has been progressing actively. In order to adhere to the resolution of the aforementioned Extraordinary Meeting and meet the minimum paid-up capital requirement set by the NBE, the Board has placed significant emphasis on this matter. The execution of the action plan will be closely monitored in the subsequent financial years.

7. THE WAY FORWARD

The current Board of Directors is delighted to witness the company's consistent growth in several key areas, including market share, investment income, profitability, and digital transformation of operations, as well as the expansion of branch offices and other achievements.

The Board is particularly pleased with the progress made in various ongoing initiatives. The implementation of the core insurance software, the finalization of acquiring the vehicles wreck yard process, and the implementation of prudent risk management practices are all in their final stages. These initiatives are crucial for the company's future success and are expected to contribute significantly to its overall performance and sustainability.

The Board's active involvement in these important matters demonstrates its commitment to driving the company's success and ensuring its long-term growth and prosperity.

8. VOTE OF THANKS

We, the Board of Directors of the Company, would like to sincerely thank our esteemed customers for their unwavering trust in our company. Their support in choosing us to safeguard their lives, property, and liability risks has been truly remarkable, and we are deeply grateful for it.
We also extend our heartfelt appreciation to all insurance intermediaries and re-insurers for the strong and profitable relationships we have maintained throughout the 2022/23 fiscal year. Their support has played a vital role in our success, and we highly value the partnership we have forged.

Furthermore, we would like to acknowledge the regulatory body for their unwavering support in helping us to achieve our goals. Their guidance and cooperation have been invaluable, and we are indebted to them for their assistance.

Lastly, we express our deep gratitude to our dedicated front-line and support staff, as well as the management team. Their unwavering commitment to the company's success is evident in the professional and friendly services they provide to the public. Their hard work and dedication have not gone unnoticed, and we are truly grateful for their contributions.

Once again, thank you to all our stakeholders for your continued support. We eagerly anticipate a prosperous future together.

With best regards,

Hailu Alemu
Chairperson, Board of Directors
ELiG, December 2023
Addis Ababa, Ethiopia

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ETHIO LIFE AND GENERAL INSURANCE S.C.

AUDITOR'S REPORT 2022/23

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

የነገን ደህንነት ዛሬ እናረጋግጥ !

Securing The Future Today!

Directors (as of 30 June, 2023)

Ato Hailu Alemu Mamuye	Chairman
Eng. Abate Gidafe Ketema	Member
GOH Betoch Bank(Ato Moges Abayneh Bekele)	Member
DR. Eyasu Mekonnen Jember	Member
Ato Beshada Gemechu Gudeta	Member
Eng. Rahel Kore Guracha	Member
Eng. Welday Berhe Desalegne	Member
Dr. Mariyamawit Yonatan	Member
Ato Belayneh Yilma Tarekegne	Member

Executive management (as of 30 June 2023)

Ato Shimelese G/Giorgis	Chief Executive Officer
Ato Solomon Yehalashet	D/CEO- Operation
Ato Wondwosen Gelaw	D/CEO- Corporate Service
Ato Daniel Terefe	Under Writing and Reinsurance Dep't Manager
Ato Mehari Minas	Claims Mgt. Dep't Manager
W/ro Meaza Kiros	Finance and Investment Dep't Manager
Ato Demisse G/Michael	HR & Property Admin. Dep't Manager
Ato Nebiyu Ephrem	IT Dep't Manager
Ato Sisay Denekew	Risk Management and Compliance Service Manager
Ato Goitom Abreham	Audit & Inspection Service Manager
Ato Abdulhamid Mustefa	Legal Service Manager
Ato Tilahun Meles	Engineering Service Manager
Ato Yilkal Mekonnen	Manager, Head Quarter Branch

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 Reinsurance
Sirius Internaional Insurance Corporation

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)
Member Firm of HLB International
THE GLOBAL ADVISORY AND ACCOUNTING NETWORK
HLB Ethiopia
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 2023, and the statement of profit or loss and othercomprehensive 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 2023, and its financial performance andits cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs),

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Management for the Financial Statements

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

In preparing the financial statements, Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of the board of directors and the proposal for distribution of profit submitted by the directors so far as it related to these financial statements and pursuant to Article 349 of the Commercial Code of Ethiopia and 1243/2021, and hence we recommend approval of the financial statements.

Taf, Sh; & Ay

Tafesse,Shisema and Ayalew(TMS Plus)Certified Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)
Addis Ababa
21-Sep-23

ETHIO LIFE AND GENERAL INSURANCE

Consolidated Statement of Profit or Loss & Other Comperhensive Income
For the Year Ended 30 June 2023

	Notes	30 June 2023 Birr'000 General Business	30 June 2023 Birr'000 Long Term Business	30 June 2023 Birr'000 Total	30 June 2022 Birr'000
Gross written premiums	5a	404,805	124,855	529,660	346,955
Premiums ceded to reinsurers	5c	114,801	20,190	134,991	108,540
Change in unearned premium	5b	61,722	-	61,722	23,145
Net earned premiums		**228,282**	**104,665**	**332,947**	**215,270**
Fees and commission income	6	34,854	8,304	43,158	39,326
Net underwriting income		**263,136**	**112,969**	**376,105**	**254,596**
Net claims and loss adjustment expense	7	137,596	68,527	206,122	**125,813**
Underwriting expense	8	26,617	12,466	39,084	26,994
Total underwriting expense		**164,213**	**80,993**	**245,206**	**152,807**
Underwriting profit		**98,923**	**31,976**	**130,899**	**101,789**
Investment income	9	36,945	11,324	48,269	29,969
Other operating income	10	4,563	992	5,555	4,744
Net income		**140,431**	**44,292**	**184,723**	**136,502**
Employee benefit and other administrative expense	11	98,364	16,204	114,568	87,817
Impairment on receivables arising out of reinsurance arrangements		-		-	-
Transfer to Life fund	26		18,028	18,028	6,522
Profit before income tax		**42,067**	**10,060**	**52,127**	**42,163**
Income tax expense	12	1,875	951	2,826	4,358
				-	-
Profit for the year		**40,193**	**9,109**	**49,301**	**37,805**
Other comprehensive income				-	-
Items that will not be subsequently reclassified into profit or loss:				-	-
Remeasurement gain/(loss) on retirement benefits obligation	27c	(145)	-	(145)	(445)
Total comprehensive income for the year		**40,047**	**9,109**	**49,156**	**37,360**
Basic and diluted Earning Per Share(ETB)	13			**245.63**	**215.16**
Basic and diluted Earning Per Share(%)				**24.56%**	**21.52%**

ETHIO LIFE AND GENERAL INSURANCE

Consolidated Statement of Profit of Financial Position

For the Year Ended 30 June 2023

		30 June 2023 Birr'000			30 June 2022 Birr'000
		General Business	Long Term Business	Total	
ASSETS	**Notes**				
Cash and Bank Balances	14	333,969	84,779	418,748	268,525
Investment Securities:					
- Available for Sale	15.1	63,212	19,938	83,150	68,638
- Loans and Receivables	15.2	2,596	3,074	5,670	-
Due from Reinsurers and Co-insurers	16	69,711	8,266	77,977	61,720
Reinsurance Assets	17	143,724		143,724	103,604
Deferred Acquisition Cost	18	21,141		21,141	14,726
Deffered Tax Asset	12	-		-	-
Other Assets	19	50,434	6,400	56,835	43,713
Intangible Assets	21.2	4,893		4,893	-
Property, plant and Equipment	21	160,476	1,508	161,984	149,595
Investment Property	21.1		17,807	17,807	13,341
Statutory Deposit	20	30,466	2,261	32,727	28,323
Total assets		**880,622**	**144,035**	**1,024,657**	**752,186**
LIABILITIES					
Insurance Contract Liabilities	22	401,389	5,286	406,675	278,255
Due to Reinsurers	23	132,559	18,930	151,489	116,069
Other Payables	25	71,140	7,725	78,866	39,579
Deffered Comm. Income	24	14,419	-	14,419	13,787
Current Tax Payable	12c	822	2	824	2,677
Deferred Income Tax	12d	6,548	949	7,497	5,495
Retirement Benefit Obligations	27	2,634	-	2,634	2,059
Lease Libility	21.2	4,893		4,893	
Life Fund Reserve	26	-	78,161	78,161	60,134
Total liabilities		**634,404**	**111,054**	**745,458**	**518,054**
Equity					
Share Capital	28	203,108	15,074	218,182	188,817
Share Premium	29	1,191	-	1,191	1,248
Retained Earnings	30	35,523	8,199	43,722	32,893
Revaluation Reserve	30.2	(5,742)	-	(5,742)	(5,742)
Legal Reserve	31	12,138	9,708	21,846	16,916
Total Equity		**246,219**	**32,981**	**279,200**	**234,132**
Total Equity and Liabilities		**880,622**	**144,035**	**1,024,657**	**752,186**

Ato Hailu Alemu
Chairperson, Board of Directors

Ato Shimelese G/Giorgis
Chief Executive Officer

TMS Plus
Tafesse, Shisema & Ayalew Certified Audit Partnership

ETHIO LIFE AND GENERAL INSURANCE

GENERAL BUSINESS STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2023

	Notes	Share capital	Share premium	Retained earnings	Legal reserve	Revaluati on Reserve	Total Birr'000
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	31			(1,730)	1,730		-
Additional share issued	28	30,118	923				**31,041**
Dividends declared and paid	30			(3,848)			**(3,848)**
Transfer to directors fees payable				(1,350)			**(1,350)**
Prior year adjustments	30			(511)			**(511)**
Other comprehensive income:							-
Re-measurement gains on defined benefit plans (net of tax)	27			(495)			**(495)**
As at 30 June 2022		**173,743**	**1,248**	**14,443**	**8,118**	**(5,742)**	**191,810**
As at 1 July 2022		**173,743**	**1,248**	**14,443**	**8,118**	**(5,742)**	**191,810**
Profit for the year a/tax				40,193			40,193
Transfer to legal reserve	31			(4,019)	4,019		-
Additional share issued	28	29,365	(56)				29,309
Dividends declared and paid	30			(13,713)			(13,713)
Transfer to directors fees payable				(1,350)			(1,350)
Prior year adjustments	30			(329)			(329)
Other comprehensive income:							-
Re-measurement gains on defined benefit plans (net of tax)	27			300			300
As at 30 June 2023		**203,108**	**1,191**	**35,524**	**12,137**	**(5,742)**	**246,219**

ETHIO LIFE AND GENERAL INSURANCE

Long Term Business Statment of Changes in Equity

For the Year Ended 30 June 2023

	Notes	Share capital	Share premium	Retained earnings	Legal reserve	Revaluation Reserve	Total Birr'000
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	31			(2,050)	2,050		-
Additional share issued	28						-
Prior year adjustments	30						-
Dividends declared and paid				(15,300)			**(15,300)**
Transfer to directors fees payable							-
Other comprehensive income:							-
Re-measurement gains on defined benefit plans (net of tax)	27						-
						-	-
As at 30 June 2022		**15,074**	**-**	**18,451**	**8,797**	**-**	**42,322**
As at 1 July 2022		**15,074**	**-**	**18,451**	**8,797**	**-**	**42,322**
Profit for the year				9,109			9,109
Transfer to legal reserve	31			(911)	911		-
Additional share issued	28						-
Prior year adjustments	30						-
Dividends declared and paid				(18,450)			(18,450)
Transfer to directors fees payable							-
Other comprehensive income:							-
Re-measurement gains on defined benefit plans (net of tax)	30.1						-
						-	-
As at 30 June 2023		**15,074**	**-**	**8,199**	**9,708**	**-**	**32,981**

ETHIO LIFE AND GENERAL INSURANCE

Statment of Cash Flows

For the Year Ended 30 June 2023

	Notes	30 June 2023 General Business	Long Term Business	Birr'000 Total	30 June 2022 Birr'000
Cash flows from operating activities					
Cash generated from operations	32	126,265	30,416	156,681	51,944
Income tax paid in advance		(2,677)		(2,677)	-
Net cash (outflow)/inflow from operating activities		**123,588**	**30,416**	**154,004**	**51,944**
Cash flows from investing activities					
Purchase of investment securities	15	(17,921)	3,409	(14,512)	(14,576)
Purchase of Bond	15.2	(2,596)	(3,074)	(5,670)	
Purchase of intangible assets/lease		(87)		(87)	-
Purchase of property, plant and equipment	21	(26,061)	(25)	(26,086)	(10,123)
Purchase of Investment Property(reclassification)	21.1	18,181	(18,181)	-	-
Increase in statutory deposit	20	(4,405)	-	(4,405)	(4,528)
Proceeds from sale of PPE	32a	1,893	-	1,893	1,306
Dividend received	9	7,438	1,591	9,029	6,743
Interest Income	9	29,508	9,733	39,240	23,226
				-	
Net cash (outflow)/inflow from investing activities		**5,950**	**(6,548)**	**(598)**	**2,048**
Cash flows from financing activities					
Proceeds from issues of shares	28	29,365	-	29,365	30,118
Increase in share premium	29	(56)	-	(56)	923
Dividend paid	30	(13,713)	(18,450)	(32,163)	(19,148)
Bank borrowing net (Repayment)/ Received				-	(21,717)
Over looked Income / (Expenses)/ prior year adj.	30	(329)		(329)	**1,311**
				-	
Net cash (outflow)/inflow from financing activities		**15,267**	**(18,450)**	**(3,183)**	**(8,514)**
Net increase/(decrease) in cash and cash equivalents		**144,805**	**5,418**	**150,223**	**45,478**
Cash and cash equivalents at the beginning of the year		189,164	79,361	**268,525**	**223,047**
Cash and cash equivalents at the end of the year		**333,969**	**84,779**	**418,748**	**268,525**

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:

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.

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	5%
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.

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.

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.

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.

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 cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

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

2.15 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 as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

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

ii. Life insurance contracts

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

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

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.

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Ethio Life and General Insurance S.C.

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.

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.

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.

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.

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.

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.

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.

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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.

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:

- 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	
		2023	2022
Mortality/ Longevity	10%	5,099	3,579
Lapse and surrenders rate	20%	(68,612)	(73,520)
Investment Return	10%	(65,891)	(32,415)
Expenses	10%	88,215	79,452
Mortality/ Longevity	-10%	(4,913)	(3,462)
Lapse and surrenders	-20%	73,361	79,941
Investment Return	-10%	72,246	35,391
Expenses	-10%	(80,436)	(75,186)

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 2023	Gross liabilities	Reinsurance liabilities	Net liabilities
			Birr'000
Motor	218,165	18,203	199,962
Marine	9,079	2,259	6,821
Fire	14,066	8,848	5,218
GPA	6,360	720	5,640
Engineering	21,709	13,481	8,228
Liability	10,873	2,519	8,354
Work mens	3,532	222	3,310
Pecuniary	100,028	86,329	13,699
Travel	2,772	1,207	1,566
Others	12,459	9,936	2,523
Total non life insurance	**399,045**	**143,724**	**255,321**
30 June 2022			
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	**275,055**	**103,604**	**171,451**

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 2023**	**30 June 2022**	**30 June 2021**
				Birr'000
Average claim cost	+10%	4,013	3,178	2,245
Average number of claims	+10%			
Decrease in gross liabilities:				
Average claim cost	-10%	(4,013)	(3,178)	(2,245)
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 2023:

Accident year	2020	2021	2022	2023 Birr'000
Outstanding claims notified	124,755	162,104	104,515	154,400
Claims incurred but not reported	19,072	22,448	31,535	40,130
Ultimate Claims Projected	**143,827**	**184,552**	**136,050**	**194,530**

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
	132,332	**143,827**	**184,552**	**136,050**

Ultimate Claims Projected

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

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
Ultimate Claims Projected	**119,568**	**132,332**	**143,827**	**184,552**

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:

	Available-For-Sale	**Loans and receivables**	**Total**
30 June 2023			**Birr'000**
Financial assets			
Government securities		2,596	2,596
Unquoted investments	63,212	-	63,212
Other receivables	-	14,385	14,385
Loans and receivables to staff	-	6,025	6,025
Receivables arising out of reinsurance arrangements	-	69,711	69,711
Receivables -technical reserve of reinsurance share	-	143,724	143,724
Deposits with financial institutions and cash and bank balance	-	333,969	333,969
Total financial assets	**63,212**	**570,410**	**633,622**
30 June 2022			
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 balance	-	189,164	189,164
Total financial assets	**45,291**	**357,511**	**402,803**

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

30 June 2023	
Creditors arising from Reinsurance arrangement	132,559
creditors arising from insurance contract	401,389
Long term loan	-
Other Payable	71,140
Total financial Liability	**605,088**
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**

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

(b) Credit quality of trade and other receivables

30 June 2023	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Insurance receivables				
Due from reinsurers	37,765	31,946	-	**69,711**
Due from agents, brokers and intermediaries				-
	37,765	**31,946**	**-**	**69,711**
Other loans and receivables				
Other receivables	7,280	7,105	-	**14,385**
Staff debtors	6,025	-	-	**6,025**
Gross amount	**13,305**	**7,105**	**-**	**20,410**
30 June 2022				
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**

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 2022 and 30 June 2023. The Company concentrates all its financial assets in Ethiopia.

	Public enterprise	Private	Others	Total
30 June 2023				**Birr'000**
Cash and bank balances		333,969		**333,969**
Investment		-	-	**-**
- Available for	-	63,212	-	**63,212**
- Loans and receivables		2,596	-	**2,596**
Trade and other receivables	-	69,711	-	**69,711**
Reinsurance assets	-	143,724	-	**143,724**
				-
	-	**613,212**	**-**	**613,212**
30 June 2022				
Cash and bank balances		189,164		**189,164**
Investment		-	-	**-**
- Available for	-	45,291.35	-	**45,291**
- Loans and			-	**-**
Trade and other receivables	-	52,041	-	**52,041**
Reinsurance assets	-	103,604	-	**103,604**
				-
	-	**390,101**	**-**	**390,101**

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.

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 2023					**Birr'000**
Insurance contract liabilities	401,389	-	-	-	**401,389**
Insurance payables	132,559	-	-	-	**132,559**
Long term liability		-			
Other liabilities	71,140	-	-	-	**71,140**
Total financial liabilities	**605,088**	**-**	**-**	**-**	**605,088**
30 June 2022					
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**

4.6 Market risk

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

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

4.6.1 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 2023	Fixed	Non-interest bearing	Total
			Birr'000
Assets			
Cash and bank balances	418,748	-	418,748
Investment securities	-	83,150	83,150
Trade and other receivables	-	99,263	99,263
Reinsurance assets	-	143,724	143,724
Total	**418,748**	**326,136**	**744,885**
Liabilities			
Insurance contract liabilities	-	406,675	406,675
Insurance payables	-	151,489	151,489
Other payables	-	77,047	77,047
Total	**-**	**635,211**	**635,211**
30 June 2022			
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**	**247,082**	**515,607**
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**

(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 2023	30 June 2022
(A) Admissible		
Cash and cash equivalents	333,969	189,164
Investment securities		
- Available for	63,212	45,291
'- Loans and receivables	2,596	-
Trade and other receivables	69,711	52,041
Reinsurance assets	143,724	103,604
Deferred income tax	-	-
Statutory Deposit	30,466	26,061
Property plant and equipment	160,476	161,210
	804,154	**577,373**
(B) Admissible liabilities		
Insurance contract liabilities	401,389	276,731
Deferred income tax Liabilities	6,548	5,495
Re-insurance payables	132,559	100,446
Other payables	71,140	38,563
	611,636	**421,236**
(C) Excess (admitted capital)- (A-B)	**192,518**	**156,137**

(D) Net premium	153,489	118,158
(E) Technical provision	401,389	276,731
Solvency Margin		
(F) Limit of net premium i.e. 20% of net premium .	30,698	23,632
(G) Limit of technical provision i.e. 25% of technical provision	100,347	69,183
(H) **Minimum paid up capital**	**60,000**	**60,000**

Since C > G, Solvency Margin is Positive.

	30 June 2023	**30 June 2022**
(ii) Life Business		
(A) Admissible		
Cash and cash equivalents	84,779	79,361
Investment securities		
- Available for sale	19,938	23,347
- Loans and receivables	3,074	-
Trade Receivables	10,960	12,082
Deferred income tax	-	-
Statutory Deposit	2,261	2,261
Property plant and equipment	19,315	1,726
	140,328	**118,777**
(B) Admissible liabilities		
Insurance contract liabilities	5,286	1,524
Deferred income tax Liabilities	-	-
Taxes payable	-	-
Insurance payables	18,930	15,623
Life Fund	78,161	60,134
Other payables	7,725	1,016
	110,103	**78,296**
(C) Excess (admitted capital) - (A-B)	**30,225**	**40,481**
(D) Technical provision	78,161	60,134
Solvency Margin		
(E) Limit of Technical provision i.e. 10%	7,816	6,013
(F) Minimum paid up capital	15,000	15,000

Since C > F, the Solvency Margin is Positive.

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.

Life and non life business

	30 June 2023		30 June 2022		30 June 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
						Birr'000
Financial assets						
Cash and bank balances	418,748	418,748	268,525	268,525	223,047	223,047
Investment securities		-		-	-	-
- Available for sale	83,150	83,150	68,638	68,638	54,063	54,063
- Loans and receivables	5,670	5,670	-	-	-	-
Trade and other receivables	99,263	99,263	74,840	74,840	63,461	63,461
Reinsurance assets	143,724	143,724	103,604	103,604	167,866	167,866
Total	**750,555**	**750,555**	**515,607**	**515,607**	**508,437**	**508,437**
				-		
Financial liabilities				-		
Insurance contract liabilities	406,675	406,675	278,255	278,255	307,018	307,018
Re-insurance payables	151,489	151,489	116,069	116,069	100,566	100,566
Other liabilities	77,047	77,047	37,594	37,594	29,976	29,976
Total	**635,211**	**635,211**	**431,918**	**431,918**	**437,560**	**437,560**

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.

		30 June 2023			30 June 2022	
			Birr'000			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	-	3,373	**3,373**	-	1,921	**1,921**
Group Life	-	46,838	**46,838**	-	32,234	**32,234**
Individual Medical	-	1,376	**1,376**	-	1,664	**1,664**
Group Medical	-	73,268	**73,268**	-	37,096	**37,096**
Motor	244,077		**244,077**	147,979		**147,979**
Marine	11,159		**11,159**	9,654		**9,654**
Fire	26,945		**26,945**	18,690		**18,690**
GPA	8,873		**8,873**	6,949		**6,949**
Engineering	20,620		**20,620**	20,806		**20,806**
Liability	12,633		**12,633**	8,586		**8,586**
Work mens	4,663		**4,663**	4,754		**4,754**
Bond	55,789		**55,789**	38,890		**38,890**
Travel	5,240		**5,240**	4,162		**4,162**
Others	14,805		**14,805**	13,570		**13,570**
Total gross premiums	**404,805**	**124,855**	**529,660**	**274,041**	**72,915**	**346,955**
b Change in unearned premium provision	**61,722**		**61,722**	**23,145**		**23,145**
c Premiums ceded to reinsurers						
Individual Life		1,456	**1,456**		646	**646**
Group Life		15,118	**15,118**		8,889	**8,889**
Individual Medical		-	-		-	-
Group Medical		3,616	**3,616**		1,598	**1,598**
Motor	17,101		**17,101**	13,142		**13,142**
Marine	5,292		**5,292**	4,736		**4,736**
Fire	18,989		**18,989**	14,119		**14,119**
GPA	1,141		**1,141**	1,300		**1,300**
Engineering	12,794		**12,794**	14,307		**14,307**
Liability	2,921		**2,921**	2,551		**2,551**
Work mens	228		**228**	238		**238**
Bond	41,604		**41,604**	32,230		**32,230**
Travel	2,371		**2,371**	2,007		**2,007**
Others	12,361		**12,361**	12,777		**12,777**
Total premiums ceded to reinsurers	**114,801**	**20,190**	**134,991**	**97,407**	**11,133**	**108,540**
Net premium	**228,282**	**104,665**	**332,947**	**153,489**	**61,782**	**215,270**

6 Fee and Commission income

	General Business	Long Term Business	Total	General Business	Long Term Business	Total
Reinsurance Commission Income	31,456	5,331	**36,787**	27,875	2,724	**30,600**
Change in Deffered Commission Income	(632)	-	**(632)**	273	-	**273**
Profit Commission	4,030	2,973	**7,003**	6,694	1,759	**8,453**
Total Commission Income	**34,854**	**8,304**	**43,158**	**34,842**	**4,483**	**39,326**

	30 June 2023			30 June 2022 Birr'000		
	General Business	Long Term Business	Total	General Business	Long Term Business	Total
7 Net benefits and claims						
Claims expenses						
Claims paid	148,153	68,116	**216,269**	183,597	38,763	**222,360**
Recoverable from Reinsurance	33,374	3,352	**36,726**	106,015	2,886	**108,902**
Total claims paid	**114,779**	**64,764**	**179,543**	**77,582**	**35,877**	**113,459**
Gross change in contract liabilities						
Change in insurance contract:						
Outstanding Claims Provision	16,722	3,763	**20,485**	7,604	(1,351)	**6,253**
IBNR provision	5,426	-	**5,426**	6,495	-	**6,495**
Unallocated loss adjustment	668	-	**668**	(394)	-	**(394)**
Total gross change in contract liabilities	**22,816**	**3,763**	**26,579**	**13,705**	**(1,351)**	**12,354**
Net Claims and Loss adjustment expense	**137,596**	**68,527**	**206,122**	**91,287**	**34,526**	**125,813**

	30 June 2023			30 June 2022 Birr'000		
8 Underwriting expenses	General Business	Long Term Business	Total	General Business	Long Term Business	Total
Commission paid	33,032	12,466	**45,499**	23,780	8,254	**32,034**
Changes in deferred acquisition cost (DAC)	(6,415)		**(6,415)**	(5,040)		**(5,040)**
Other acquisition cost	-		-	-		-
Total Under writing expense	**26,617**	**12,466**	**39,084**	**18,740**	**8,254**	**26,994**

	30 June 2023			30 June 2022 Birr'000		
9 Investment income	General Business	Long Term Business	Total	General Business	Long Term Business	Total
Dividend Income on equity investment	7,438	1,591	**9,029**	5,552	1,191	**6,743**
Interest income on cash and short tem deposits	27,208	9,715	**36,924**	14,003	7,199	**21,202**
Interest on government bond	2,299	17.29	**2,317**	2,024	-	**2,024**
Total investment income	**36,945**	**11,324**	**48,269**	**21,579**	**8,390**	**29,969**
10 Other operating income						
Gain on Disposal	1,785	-	**1,785**	919	312	**1,231**
Office Rent Income	2,631	991	**3,623**	3,124	-	**3,124**
Sundry Income	147	0.42	**147**	387	3	**389**
Total other operating income	**4,563**	**992**	**5,555**	**4,429**	**315**	**4,744**
	41,509	**12,315**	**53,824**	**26,008**	**8,705**	**34,713**

		30 June 2023			30 June 2022 Birr'000		
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
11	**Other operating and administrative expenses**						
	Board Allowance	1,202	274	**1,476**	1,099		**1,099**
	Employee benefits expense (note 11.1)	60,041	9,879	**69,919**	51,287	3,682	**54,970**
	Rent & Utility	8,240	1,478	**9,719**	7,129	937	**8,066**
	Depreciation & Amortization(note 21&21.1)	8,592	617	**9,210**	7,561	168	**7,730**
	Advertising & Publicity	2,343	520	**2,863**	2,181	17.26	**2,199**
	Donation and Sponsorship	1,366	312	**1,678**	1,150	-	**1,150**
	Financial Exp. & Charges	432	125	**557**	2,858	7.14	**2,866**
	Penalty	24	-	**24**	10	-	**10**
	Repair & Maintenance	895	190	**1,085**	747	8.43	**755**
	Telephone & Postage	791	97	**888**	854	27.64	**882**
	Stationary, Printing & Supplies	3,985	667	**4,652**	1,992	6.09	**1,998**
	Fuel	1,322	148	**1,469**	485	41.70	**527**
	Other Motor V. Exp.	3,307	514	**3,821**	1,809	83.67	**1,893**
	Premium & Travelling Exp.	1,054	201	**1,254**	371	8.27	**380**
	Consultation & Professional Fee	363	271	**634**	399	140.16	**539**
	Audit Fee	95	-	**95**	97	-	**97**
	Entertainment & Off. Refreshment	1,214	243	**1,457**	394	23.90	**418**
	Property Insurance Exp.	1,324	300	**1,624**	782	-	**782**
	Other Admin. Exp.	1,775	368	**2,144**	1,442	16	**1,458**
	Total Expense	**98,364**	**16,204**	**114,568**	**82,649**	**5,168**	**87,817**
11.1	**Employee benefits expense**						
	Short term employee benefits:						
	Salaries and wages	34,974	8,816	**43,790**	33,983	2,516	**36,500**
	Staff allowances	5,559	548	**6,107**	3,822	294	**4,116**
	Other staff expenses	13,699	233	**13,932**	9,233	864	**10,097**
	Pension costs	-	-	-	-	-	-
	Defined contribution plan	4,501	283	**4,784**	3,719	8	**3,727**
	Defined benefit plan expense (Note 28)	1,308	-	**1,308**	531	-	**531**
		60,041	**9,879**	**69,919**	**51,287**	**3,682**	**54,970**

12 COMPANY INCOME TAX AND DEFFERED TAX

		30 June 2023			30 June 2022
12A	**CURRENT INCOME TAX EXPENSE (NOTE 12B)**			Birr'000	Birr'000
		General Business	Long Term Business	Total	
	Company income tax (12B)	821.70	2.24	823.94	2,676.54
	Deferred income tax/(credit) to profit or loss (12B)	1,053.01	949.22	2,002.23	1,682.49
	Total charge to profit or loss	**1,874.71**	**951.46**	**2,826.18**	**4,359.03**

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 2023			30 June 2022
	General Business	Long Term Business	Total	Birr'000
Profit before tax	**42,067**	**10,060**	**52,127**	**42,163**
Add: Disallowed Expense				
Entertainment	1,214	243		418
Penalty	24	-		10
Donation	150			-
Severance Exp.	875			49
Depreciation for accounting purpose	8,505	617		7,060
Other (prior year adjustment)				1,311
Total Disallowable	**10,768**	**860**	**11,628**	**8,848**
Less: Allowed				
Profit from sale of PPE				
Prior year adjustment				
Depreciation for tax purpose	13,151	1,304		12,120
Rent Income net of depereciation	1,728	7		
Dividend income taxed at source	7,438	1,591		6,743
Interest income taxed at source	29,508	9,732.59		23,226
Total Allowed Expense	**51,824**	**12,635.64**	**64,460**	**42,089**
Taxable profit	**1,011**	**(1,715.67)**	**(704)**	**8,922**
Income tax at 30%	**303**	-	**303**	**2,677**
Deferred tax (asset) / Liab.	1,053	949	2,002	1,682
Income tax expense /(credit) to be recognized in PL	**1,356**	**949.22**	**2,306**	**4,358**
<u>**Rent Income tax**</u>				
Rent Income	2,631	991	3,623	
Depreciation	904	984	1,887	
Net income	**1,728**	**7**	**1,735**	
Income tax at 30%	**518**	**2.24**	**521**	
Total Tax Expense	**1,875**	**951.46**	**2,826**	

12C Current income tax liability

	30 June 2023			30 June 2022
	General Business	Long Term Business	Total	Birr'000
Balance at the beginning of the year				-
Charge for the year:				
Income tax expense payable current year (12B)	821.70	2.24	**823.94**	2,676.54
Withholding tax advance paid (19.2)	2,930.99	2,348.15	**5,279.13**	3,515.36
Payment during the year	-	-	-	-
Net Payable / (Receivable) at the end of the year	**(2,109.28)**	**(2,345.90)**	**(4,455.19)**	**(838.82)**

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	30 June 2023 General Business	Long Term Business	Total	30 June 2022
Assets/(liabilities) is as follows:				**Birr'000**
To be recovered after more than 12 months	6,548	949	**7,497**	5,495
To be recovered within 12 months	-	-	-	-
	6,548	**949**	**7,497**	**5,495**

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 2022	(Credit) / charge to profit or loss	(Credit) / charge to RE	30 June 2023
	General Busienss			
				Birr'000
Property, plant and equipment	4,877	881		**5,758**
Post employment benefit obligation	618	172		**790**
Total deferred tax Liability / (Asset)	**5,495**	**1,053**	-	**6,548**
	Long Term Busienss			
Property, plant and equipment	-	949		**949**
Post employment benefit obligation	-	-		-
Total deferred tax Liability / (Asset)	-	**949**	-	**949**

i Temporary Difference

	General Business	Long Term Business	Total
Carrying value for reporting purpose	149,288	19,315	168,603
Carrying value for tax purpose	130,095	16,151	146,246
Temporary difference	**19,193**	**3,164**	**22,357**
Severance pay - carrying amount	2,634	-	2,634
Severance pay - tax base	-	-	-
Severance pay temporary difference	**2,634**	-	**2,634**
Deferred tax @ 30% Liability / (Asset)	**6,548**	**949**	**7,497**

ii Deprecation for Tax Purpose - General Business

	Balance at 01/07/2022	Additions	Reclassification	Disposal	Prior year adjustment	Balance at 30/06/2023
Cost						
Computer	5,807	2,464	-	-	-	8,270
Building	126,954	-	(19,677)	-	-	107,278
Other Assets	45,738	19,688	-	(876)	-	64,550
	178,499	**22,152**	**(19,677)**	**(876)**	-	**180,098**
Accumulated Deprecation						
Computer	3,435	1,147	-	-	-	4,581
Building	14,463	5,364	(3,771)	-	-	16,056
Other Assets	22,726	6,640	-	-	-	29,366
	40,623	**13,151**	**(3,771)**	-	-	**50,003**
Net Book Value	**137,876**					**130,095**

iii Deprecation for Tax Purpose - Life Busienss

	Balance at 01/07/2022	Additions	Reclassification	Disposal	Prior year adjustment	Balance at 30/06/2023
Cost						
Computer	126	-	-	-	-	126
Building	-	-	19,677	-	-	19,677
Other Assets	2,570	25	-	-	-	2,595
	2,696	**25**	**19,677**		-	**22,398**
Accumulated Deprecation						
Computer	118	2	-		-	120
Building	-	984	3,771		-	4,755
Other Assets	1,054	318	-		-	1,372
	1,172	**1,304**	**3,771**		-	**6,247**
Net Book Value	**1,525**					**16,151**

13 Earnings Per Share

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 2023	30 June 2022 Birr'000
Profit attributable to ordinary share holders(ETB)		49,301	37,805
Weighted average number of share out standing during the year	200,714		
Basic and diluted earnings per ordinary share (ETB)		245.63	215.16
Basic and diluted earnings per ordinary share %		24.56%	21.52%

14 Cash and cash equivalents

	30 June 2023			30 June 2022		Birr'000
	General Business	Long Term Business	Total	General Business	Long Term Business	Total
Cash on hand and at bank	88,525	9,977	**98,502**	52,393	4,478	**56,871**
Time deposit	245,444	74,802	**320,246**	136,771	74,883	**211,654**
	333,969	**84,779**	**418,748**	**189,164**	**79,361**	**268,525**
Maturity analysis						
Current			**418,748**			**268,525**
Non- current			-			-
			418,748			**268,525**

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 2023			30 June 2022		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	18,744	-	**18,744**	12,317	-	**12,317**
Ethiopian Reinsurance	9,436	-	**9,436**	8,388	-	**8,388**
Addis Int'l Bank S.C	15,234	9,938	**25,172**	12,795	8,347	**21,142**
Nib international bank	8,053	-	**8,053**	6,547	-	**6,547**
Goh Bethoch Bank S.C	10,000	10,000	**20,000**	5,000	15,000	**20,000**
Goh Property and Dev	1,000		**1,000**			
Natinal Finance Acadamy	500	-	**500**	-	-	-
	63,212	**19,938**	**83,150**	**45,291**	**23,347**	**68,638**
15.2 Loans and receivables:						
Ethiopian Government Bonds	2,596	3,074	**5,670**	-	-	-
	65,808	**23,012**	**88,820**	**45,291**	**23,347**	**68,638**
Maturity analysis						
Current			-			-
Non-Current			**88,820**			**68,638**
Total			**88,820**			**68,638**

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.

		30 June 2023			30 June 2022		Birr'000
16	**Trade receivables**	**General Business**	**Long Term Business**	**Total**	**General Business**	**Long Term Business**	**Total**
	Due from re-insurers	60,952	8,266	**69,218**	46,908	9,679	**56,587**
	Due from policy holders	-	-	-	-	-	-
	Due from co-insurers	8,759	-	**8,759**	5,133	-	**5,133**
		69,711	**8,266**	**77,977**	**52,041**	**9,679**	**61,720**
	Less: impairment allowance	-		-	-		-
		69,711	**8,266**	**77,977**	**52,041**	**9,679**	**61,720**
17	**Reinsurance assets**						
	Reinsurers' share of out standing claims	86,150		**86,150**	52,988		**52,988**
	Reinsurance share of IBNR claims	9,470	-	**9,470**	6,301	-	**6,301**
	Reinsurer's share of unearned premium	48,103	-	**48,103**	44,316	-	**44,316**
		143,724	-	**143,724**	**103,604**	-	**103,604**

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.

		30 June 2023			30 June 2022		Birr'000
18	**Deferred acquisition cost**	**General Business**	**Long Term Business**	**Total**	**General Business**	**Long Term Business**	**Total**
	Motor	8,886	-	**8,886**	4,699	-	**4,699**
	Marine	660	-	**660**	607	-	**607**
	Fire	1,962	-	**1,962**	1,145	-	**1,145**
	GPA	828	-	**828**	659	-	**659**
	Engineering	1,135	-	**1,135**	2,129	-	**2,129**
	Liability	549	-	**549**	631	-	**631**
	Work mens	292	-	**292**	347	-	**347**
	Bond	6,551	-	**6,551**	4,272	-	**4,272**
	Travel	71	-	**71**	49	-	**49**
	Others	206	-	**206**	189	-	**189**
		21,141	-	**21,141**	**14,726**	-	**14,726**

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
The movement in deferred acquisition costs is as follows:		
As at 1 July	14,726	9,686
Movement during the year	6,415	5,040
As at 30 June	**21,141**	**14,726**

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Tafesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership

E·LiG
Ethio Life and General Insurance S.C.

19 Other assets

19.1 Financial assets

	30 June 2023 General Business	30 June 2023 Long Term Business	30 June 2023 Total Birr'000	30 June 2022 General Business	30 June 2022 Long Term Business	30 June 2022 Total Birr'000
Staff loan	6,025	496	6,521	763	219	981
Receivable from branches	-	1,819	1,819	-	1,985	1,985
Dividend receivable	-	-	-	-	-	-
Tax receivable	3,702	-	3,702	2,953	-	2,953
Salvage	2,210	-	2,210	3,721	-	3,721
Other Receivable	8,473	379	8,852	5,265	199	5,464
Gross amount	20,410	2,694	23,105	12,702	2,403	15,105
Less: Specific impairment	-		-	-		-
	20,410	2,694	23,105	12,702	2,403	15,105

19.2 Non-Financial assets

	30 June 2023 General Business	30 June 2023 Long Term Business	30 June 2023 Total Birr'000	30 June 2022 General Business	30 June 2022 Long Term Business	30 June 2022 Total Birr'000
Prepayments	6,017	1,358	7,375	5,623	439	6,061
Prepaid operating lease	-	-	-	-	-	-
Advance profit tax paid	2,931	2,348	5,279	2,114	1,402	3,515
Prepayment for IT Project	21,076	-	21,076	19,032		19,032
	30,024	3,706	33,730	26,768	1,841	28,609
			-			-
Net amount	50,434	6,400	56,835	39,470	4,243	43,713

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	56,835	43,713
Non- current	-	-
	56,835	43,713

	30 June 2023 General Business	30 June 2023 Long Term Business	30 June 2023 Total Birr'000	30 June 2022 General Business	30 June 2022 Long Term Business	30 June 2022 Total Birr'000
20 Statutory deposits	30,466	2,261	32,727	26,061	2,261	28,323

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.

ETHIO LIFE AND GENERAL INSURANCE
Notes to The Financial Statement
For the Year Ended 30 June 2023

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 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)				**(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**
As at 1 July 2022	**112,516**	**31,611**	**7,068**	**2,133**	**5,807**	**2,107**	**2,819**	**164,060**
Additions		16,578	2,590	521	2,464		-	**22,152**
Disposals		(870)		(6.10)				**(876)**
Prior year adjustment								**-**
Reclassification	(5,238)							**(5,238)**
As at June 30, 2023	**107,278**	**47,318**	**9,658**	**2,647**	**8,271**	**2,107**	**2,819**	**180,099**
Accumulated depreciation								
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**
As at 1 July 2022	**4,444**	**11,165**	**3,063**	**893**	**3,035**	**541**	**329**	**23,470**
Charge for the year	2,038	4,195	782	233	879	200	179	**8,505**
Disposals		(768)		(0.17)				**(768)**
Prior year adjustment								**-**
Reclassification	(397.96)							**(398)**
As at June 30, 2023	**6,084**	**14,591**	**3,845**	**1,126**	**3,914**	**741**	**508**	**30,810**
Net book value								
As at 30 June 2022	**108,072**	**20,446**	**4,005**	**1,239**	**2,772**	**1,566**	**2,489**	**140,590**
As at 30 June 2023	**101,194**	**32,727**	**5,813**	**1,521**	**4,357**	**1,366**	**2,311**	**149,288**

Construction in Progress	30 June 2023 General Business	30 June 2022 Birr'000
As at 1 July,	7,279	**7,279**
Addition	3,909	
Reclassification		
As at 30 June,	**11,188**	**7,279**
Total net book value		
PPE	149,288	**140,590**
Construction in Progress	11,188	**7,279**
	160,476	**147,869**

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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 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**
As at 1 July 2022	-	2,143.8	276.7	149.3	125.7	-	-	2,696
Additions	-		**25**		-	-	-	**25**
Disposals	-			-	-	-	-	-
Reclassification	-	-			-	-	-	-
Prior year adjustment					-			-
As at June 30, 2023	-	**2,144**	**302**	**149**	**126**	-		**2,721**
Accumulated depreciation								
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**
As at 1 July 2022	-	**641**	**193**	**15**	**121**	-	-	**970**
Charge for the year	-	204	21	15	4	-	-	**243**
Disposals	-					-	-	-
Reclassification	-					-	-	-
Prior year adjustment	-					-	-	-
As at June 30 2023		**845**	**214**	**29**	**125**	-		**1,213**
Net book value								
As at 30 June 2022	-	**1,503**	**84**	**135**	**5**	-	-	**1,726**
As at 30 June 2023	-	**1,299**	**88**	**120**	**1**	-	-	**1,508**

c) Investment Property

	30 June 2023		
	General Busienss	Life Business	Birr'000 Total
Cost			
As at 1 July 2021	14,439		**14,439**
Additions	-	-	-
Disposals	-	-	-
Reclassification	-	-	-
As at 30 June 2022	**14,439**		**14,439**
As at 1 July 2022	**14,439**	-	**14,439**
Additions	-	-	-
Disposals	-	-	-
Reclassification to Investment		5,238	**5,238**
Reclassification to Life	(14,439)	14,439	-
As at 30 June 2023	-	**19,677**	**19,677**
Accumulated depreciation			
As at 1 July 2021	824		**824**
Charge for the year	274		**274**
Disposals	-	-	-
Prior year adjustment	-	-	-
As at 30 June 2022	**1,098**	-	**1,098**
As at 1 July 2022	**1,098**	-	**1,098**
Charge for the year	-	374	**374**
Disposals	-	-	-
Reclassification to Investment		398	**398**
Reclassification to Life	(1,098)	1,098	-
Prior year adjustment	-	-	-
As at 30 June 2023	-	**1,870**	**1,870**
Net book value			
As at 30 June 2022	**13,341**	-	**13,341**
As at 30 June 2023	-	**17,807**	**17,807**

21.2 Intangable Asset

a) Land lease hold - Kality

Cost	4,980.53
Amortization	87.38
Net	**4,893.15**

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		30 June 2023			30 June 2022 Birr'000		
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
22	**Insurance contract liabilities**						
	IBNR	40,130		40,130	31,535		31,535
	Outstanding Claims	154,400	5,286	159,686	104,515	1,524	106,039
	Provision for unearned premium	204,514		204,514	139,005		139,005
	Unallocated loss adjustment	2,344		2,344	1,676		1,676
				-			-
	Total insurance liabilities, gross	**401,389**	**5,286**	**406,675**	**276,731**	**1,524**	**278,255**
	Maturity analysis						
	Current			**406,675**			**278,255**
	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 2023			30 June 2022 Birr'000		
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
23	**Creditors arising from reinsurance**						
	Due to re-insurers	132,559	18,930	151,489	100,446	15,623	116,069
				-			-
		132,559	**18,930**	**151,489**	**100,446**	**15,623**	**116,069**

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.

24	**Differed commission income**	30 June 2023			30 June 2022 Birr'000		
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
	Motor	848		848	467		467
	Marine	470		470	581		581
	Fire	2,536		2,536	1,873		1,873
	GPA	230		230	293		293
	Engineering	1,494		1,494	2,233		2,233
	Liability	622		622	559		559
	Work mens	40		40	42		42
	Bond	6,602		6,602	5,987		5,987
	Travel	478		478	465		465
	Others	1,098		1,098	1,286		1,286
		14,419	**-**	**14,419**	**13,787**	**-**	**13,787**

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

	30 June 2023	30 June 2022 Birr'000
The movement in deferred commission income is as follows:		
As at 1 July	13,787	14,061
Movement during the year	632	(273)
As at 30 June	**14,419**	**13,787**

25 Other Liabilities	30 June 2023 General Business	Long Term Business	Total	30 June 2022 Birr'000 General Business	Long Term Business	Total
Due to Co-insurers	1,860		1,860	1,906	-	1,906
Commission Payable	4,992	2,824	7,815	4,603	284	4,886
Annual Leave	4,503		4,503	3,396	-	3,396
Income Tax payable	1,157		1,157	908		908
Withholding Tax Payable	405	-	405	451		451
VAT Payable	284	-	284	105		105
Pension Contribution Payable	716	-	716	573.53		574
Cost Sharing	0.92		0.92			
Share holder payable	270	-	270	145.67	-	146
Revenue Stamp Payable	75	-	75	58.51	-	59
Audit Fee	94	-	94	96.05	-	96
Payable to branches	1,819		1,819	1,984.95	-	1,985
Deferred office rent income	2,118	-	2,118	3,256.33	-	3,256
Trade Creditors	7,507	1,210	8,716	951	-	951
Dividend Payable	14,365	-	14,365	9,777	-	9,777
Bonus accrual	8,197	-	8,197	4,617	517	5,134
Bank with cr bal	20,254	3,686	23,940			
Other Payables	2,524	5.95	2,530	5,734	216	5,950
	71,140	**7,725**	**78,866**	**38,563**	**1,016**	**39,579**

Maturity analysis	30 June 2023	30 June 2022 Birr'000
Current	78,866	39,579
Non- current	-	-
	78,866	**39,579**

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		30 June 2023	30 June 2022 Birr'000
26	**Life Fund**		
	Long Term Business		
	As at 1 July 1,	60,134	53,611
	Addition	28,088	27,022
		88,222	80,634
	Transfer to P or L	10,060	20,500
	As at 30 June	**78,161**	**60,134**
	Transfer to Life Fund (78,161 - 60,134)	**18,028**	**6,522**

		30 June 2023 Birr'000	30 June 2022 Birr'000
27	**Retirement benefit obligations**		
	Defined benefits liabilities:		
	– Severance pay (note 28a)	2,634	2,059
	Liability in the statement of financial position	**2,634**	**2,059**
	Income statement charge included in personnel expenses:		
	– Severance pay (note 28b)	430	99
	Total defined benefit expenses	**430**	**99**
	Remeasurements for:		
	– Severance pay (note 28c)	(1,431)	(863)
		(1,431)	**(863)**

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 2023 Birr'000	30 June 2022 Birr'000
Current	2,006	1,407
Non-Current	628	652
	2,634	**2,059**

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.

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
A Liability recognised in the financial position	2,634	2,059
B Amount recognised in the profit or loss		
Current service cost	1,703	1,199
Interest cost	302	208
	2,006	1,407
C Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from participants	145	445
Benefit and expense paid	(1,576)	(1,308)
	(1,431)	(863)
The movement in the defined benefit obligation over the years is as follows:		
At the beginning of the year	2,059	1,515
Current service cost	1,703	1,199
Interest cost	302	208
Remeasurement (gains)/ losses	145	445
Benefits paid	(1,576)	(1,308)
At the end of the year	**2,634**	**2,059**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2023	30 June 2022
Discount Rate (p.a)	14.30%	14.25%
Future increase in salary(p.a)	12.30%	12.25%
Average Rate of Inflation (p.a)		

ii) Mortality in Service

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

	Mortality rate	
Age	**Male %**	**Female %**
20	0.111	0.111
25	0.112	0.111
30	0.116	0.113
35	0.132	0.120
40	0.188	0.147
45	0.333	0.231
50	0.599	0.420
55	1.035	0.750
60	1.720	1.272

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 2023		30 June 2022 Birr'000	
	Change in assumption	Impact of an increase	Impact of a decrease	Impact of an increase
Discount rate	14.30%	2,634	14.25%	2,059
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 2023			30 June 2022		Birr'000
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
28	**Ordinary share capital**						
	Authorized						
	690,000 ordinary shares ordinary shares of Birr 1000 each	590,000	100,000	**690,000**	184,926	15,074	**200,000**
	Issued and fully paid:						
	Ordinary shares of Birr 1000 each	203,108	15,074	**218,182**	173,743	15,074	**188,817**
29	**Share premium**	1,191	-	**1,191**	1,248	-	**1,248**

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

		30 June 2023			30 June 2022		Birr'000
		General Business	Long Term Business	Total	General Business	Long Term Business	Total
30	**Retained earnings**						
	At the beginning of the year	**14,887**	**18,451**	**33,338**	**5,022**	**15,301**	**20,323**
	Profit/ (loss) after tax for the year	40,193	9,109	**49,301**	17,305	20,500	**37,805**
	Transfer to legal reserve	(4,019)	(911)	**(4,930)**	(1,730)	(2,050)	**(3,780)**
	Dividend declared and paid	(13,713)	(18,450)	**(32,163)**	(3,848)	(15,300)	**(19,148)**
	Transfer to Directors fee	(1,350)	-	**(1,350)**	(1,350)	-	**(1,350)**
	Tax Temporary Difference		-	-		-	-
	Prior year adjustments	(329)	-	**(329)**	(511)		**(511)**
	Opening Bal difference			-			-
				-			-
	At the end of the Year	**35,669**	**8,199**	**43,867**	**14,887**	**18,451**	**33,338**
30.1	**Other comprehensive income**						
	At the beginning of the year	**(445)**	**-**	**(445)**	**50**	**-**	**50**
	Additions for the year	300	-	300	(495)	-	(495)
	Sub total	**(145)**	**-**	**(145)**	**(445)**	**-**	**(445)**
	Total Retained Earning and OCI at the end of the Year 2023	**35,523**	**8,199**	**43,722**	**14,442**	**18,451**	**32,893**
30.2	**Revaluation Reserve**						
	At the beginning of the year	(5,742)	-	(5,742)	(5,742)	-	(5,742)
	Additions for the year	-	-	-	-	-	-
		(5,742)	-	(5,742)	(5,742)	-	(5,742)
31	**Legal reserve**						
	At the beginning of the year	8,118	8,797	16,916	6,388	6,747	13,135
	Transfer (from) / to retained earnings	4,019	911	4,930	1,730	2,050	3,780
	Prior year adjustment	-	-	-	-	-	-
	At the end of the year	**12,138**	**9,708**	**21,846**	**8,118**	**8,797**	**16,916**

	30 June 2023 General Business	30 June 2023 Long Term Business	30 June 2023 Total	30 June 2022 Birr'000
32 Cash generated from operating activities				
Profit before tax	42,067	10,060	52,127	42,163
Interest expense			-	2,750
Interest Income	(29,508)	(9,733)	(39,240)	(23,226)
Dividend Income	(7,438)	(1,591)	(9,029)	(6,743)
Gain on disposal	(1,785)	-	(1,785)	(1,231)
Directors remuneration	(1,350)	-	(1,350)	(1,350)
Adjustments for non- cash items:			-	
Depreciation of property, plant and equipment	8,505	617	9,122	7,060
Amortisation of intangible assets	87		87	-
Provision for employee benefit	875		875	49
			-	-
Movements in statement of financial position items:			-	
Decrease / (Increase) in Trade receivables	(17,670)	1,413	(16,257)	(5,832)
Decrease / (Increase) in Reinsurance asset	(40,119.33)	-	(40,119)	64,262
Decrease / (Increase) in Deferred acquisition costs	(6,414.98)	-	(6,415)	(5,039.60)
Decrease / (Increase) in other Assets	(10,963.99)	(2,157)	(13,121)	(22,633.83)
Increase / (Decrease) in Insurance contract liabilities	124,658	3,763	128,420	(28,763)
Increase / (Decrease) in trade payable	32,113	3,307	35,420	15,503
Increase / (Decrease) in Deferred commission income	632	0	632	(273)
Increase / (Decrease) in other payable	32,576	6,710	39,286	8,727
Increase / (Decrease) in life fund	-	18,028	18,028	6,522
	126,265	**30,416**	**156,681**	**51,944**

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

	30 June 2023 General	30 June 2023 Long Term	30 June 2023 Total	30 June 2021 Birr'000
32a Proceeds on disposal	1,893	-	1,893	1,305.82
Net book value of property, plant and equipment disposed (Note 21)	108	-	108	75.07
Gain/(loss) on sale of property, plant and equipment	**1,785**	-	**1,785**	1,230.75

33 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 2023 Birr'000	30 June 2022 Birr'000
33a Transaction with related party		
Loans and advance to Key management personnel	1,349	479

33b 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 is shown. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2023.

	30 June 2023	30 June 2022 Birr'000
Directors allowance (non executive directors')	**1,476**	**1,099**
Salaries and other short-term employee benefits	7,692	6,641
Representation allowance	344	310
Other expenses	1,151	866
	9,187	**7,817**
	10,663	**8,916**

34 Directors and employees

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

	30 June 2023 Number	30 June 2022 Number
Professional and high level supervisory	152	141
Semi professional and clerical	39	50
Technicians and skilled	31	37
Manual and Custodian	33	-
	255	228

35. Dividends

The directors propose the payment of dividend of ETB 42,341,395 for the year ended 30th June 2023. 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.

36. Contingent liabilities

The Company's contingent liabilities as at the date of this report 30 June 2023 is NIL

37. Commitments

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

38. 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 2023 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

actserv
Actuarial Consultants

Appendix V: Actuary's Certificate

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 2023:

A. 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;

B. That necessary steps as required were taken; and

C. That I am satisfied that 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

25 September 2023
Date

ACTUARIAL SERVICES E.A. LIMITED
P.O.BOX 10472-00100
NAIROBI
ACTSERV

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

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ETHIO LIFE AND GENERAL INSURANCE S.C.

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Staff Day 2022/23


Happy Staff Happy Customer


Award to best Performing Branch offices 21/22

Customers and Brokers Thanksgiving Event 2022/23

Customers & Broker's Thanksgiving Event 2022/23

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Notes

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Securing The Future Today!