HIBRET INSURANCE

ANNEX

Annex

- Annex A: Corporate Directory for registered Branches
- Annex B: Third-Party Information References
- Annex C: Historical Financial Information

Annex A: Corporate Directory for Registered Branches

#	Branch Name	Location (Sub-city, Woreda)	Physical Address	Telephone	Mobile	P.O. Box
1	Addis Ketema	Addis Ketema, 05	Malawi St., Autobus Tera, Keremela Bldg. 2nd Floor	0112762575	0966215848	183091
2	Addisu Gebeya	Gullele, 08	Addisu Gebeya, Jambo Building 2nd Floor	0111546158	0914540697	1156
3	Arada	Arada, 02	Waivel Rd., Around Churchill, Country Tower Bldg. 3rd Floor	0111558787	0966216356	25869
4	Arat-Kilo	Arada, 09	Arat Kilo, Dinksera Building, 1st Floor	0111561162	0947336363	1156
5	Ayer Tena	Kolfe Keranio, 01	Libya St., Ayer Tena, Zewditu Bldg. 1st Floor	0113471798	0904031571	1156
6	Beklo Bet	Kirkos, 02	Debrezeit Rd., Lancia, Tegene Bldg. 1st Floor	0114655225	0911236520	17340
7	Beshale	Bole, 08	Gurd Shola, 4L Building, First Floor	0116683262	0929097759	1156
8	Bole	Bole, 03	Wello Sefer, Garad Business Center, 3rd Floor	0116504737	0929319578	1156
9	Bole Bulbula	Bole, 12	93 Mazoriya, Kidus Bezuayehu Bldg. 1st Floor	0114629242	0953948968	1156
10	Bole M/Alem	Bole, 03	Namibia St., Next to Edna Mall, Hibret Bldg. G/F	0116625799	0966215854	1156
11	Convention Center	Yeka, 13	CMC, Next to Tsehay Real	0116606092	0923525918	1156

#	Branch Name	Location (Sub-city, Woreda)	Physical Address	Telephone	Mobile	P.O. Box
			Estate, 1st Floor			
12	Genet	Kirkos, 05	Mexico, on the way to Genet Hotel, EM Bldg. 1st Floor	0115584908	0912036765	1156
13	Gerji	Bole, 06	Gerji Mebrat Haile, Next to Vision Fund, G/F	0116394699	0929319579	1156
14	German Adebabay	N. Silk Lafto, 02	Mekanisa Taxi Tera, Infront of Sida Building	0113699682	0912047758	1156
15	Gofa	N. Silk Lafto, 06	Mauritius St., Gofa, VCC Building G/F	0114703917	0966215867	1156
16	Gotera	Kirkos, 03	Ethio-China Rd., Gotera, Ludi Tower	0114672211	0911254887	1156
17	Gullele	Arada, 05	Mali St., Infront of Yohannes Church, Fekadu Zeleke Bldg.	0111559986	0929499116	183091
18	Jemo	N. Silk Lafto, 01	Jemo 1, Delina Mall 2nd Floor	0114713786	0929319580	1156
19	Kality	Akaki Kality, 05	Kality ZH House G/F (end of railway)	0114423917	0966216359	1156
20	Kality Gebriel	Akaki Kality, 07	Sheger Building 1st Floor, Kality prison area	0114715917	0966215849	1156
21	Kazanchis	Kirkos, 17/18	Zewditu St., Glory Building 1st Floor	0115585047	0929319577	1156
22	Kera	Kirkos, 05	Around Kera, Lidiya Building,	0113692315	0914537763	1156

#	Branch Name	Location (Sub-city, Woreda)	Physical Address	Telephone	Mobile	P.O. Box
			G/F			
23	Kirkos	Kirkos, 06	From Mexico to Kera, Metamen Bldg. 1st Floor	0115502956	0966216347	42285
24	Lancia	Kirkos, 04	Lancia, AlPaulo Building G/F	0114671935	0929499112	1156
25	Legehar	Kirkos, 07	Chad St., AN Business Center Mezzanine Floor	0115506052	0935986942	1156
26	Lemi Kura	Lemi Kura	Ayat, Khalid Plaza, First Floor	0116390599	0912336509	1156
27	Lideta	Lideta, 04	Chad St., Alsam Chelelek Bldg. 1st Floor (near ECX)	0115545756	0966216364	40045
28	Lion	Kirkos, 01	Africa Ave., Omedad Building 2nd Floor	0115515656	0911254889	661/1110
29	Megenagna	Yeka, 08	Kenenisa Ave., Infront of Zefmesh Grand Mall	0116180223	0966215859	1156
30	Mesalemia	Addis Ketema, 06	Kenya St., The former City Hotel	0112755268	0966215857	50118
31	Meskel Flower	Kirkos, 02	Gabon St., SAM House Building 1st Floor	0114702028	0912856365	1156
32	Millennium	Bole, 03	Africa Ave., Bole, Dabi Complex Bldg. 3rd Floor	0116505795	0966215868	1156
33	Misrak	Yeka, 02	Hailegebresellasie Rd., Haile Alem Bldg. 1st Floor	0116628121	0966215866	10164

#	Branch Name	Location (Sub-city, Woreda)	Physical Address	Telephone	Mobile	P.O. Box
34	Sarbet	Lideta, 03	Adot Building 2nd Floor	0113852091	0912043102	1156
35	Sengatera	Lideta, 07	Senga Tera, Hibret Bank HQ Bldg. 1st Floor	0115574187	0966216362	1156
36	Shalla	Bole, 03	Djibouti St., 22 Mazoriya	0116358059	0966216365	1156
37	T/Haymanot	Addis Ketema, 01	Uganda St., Leyla Building 2nd Floor	0112766608	0966215858	1156
38	Wingate	Addis Ketema, 05	Around Wingate School, Ayham Trading Bldg.	0112737136	0917649613	1156
39	Zafu Premium Branch	Arada, 02	Tewodros Square, UNIC-ETHIOPIA Building	0111263434	0966216350	1156

Up-Country Branches

#	Branch Name	Region	Location	Physical Address	Telephone	Mobile	P.O. Box
1	Adama	Oromia	Lugo Subcity	Around Franco, AB Building G/F	0221113426	0922061112	896
2	Asela	Oromia	Kebele 04	Next To Dashen Bank, Yasin Building	0222387687	0923680874	-
3	Bahir Dar	Amhara	Sefere Selam Subcity	Infront of Meskel Square, Hibret Bldg. G/F	0582201777	0918760209	1082
4	Bale Robe	Oromia	Kebele 04	Infront of Wako Gutu Square, 2nd Floor	0222440017	0966216354	126

Up-Country Branches

#	Branch Name	Region	Location	Physical Address	Telephone	Mobile	P.O. Box
5	Bishoftu	Oromia	Adea Woreda, 05	Infront of Bishoftu Menaharia, 1st Floor	0114371634	0935986941	1357
6	Bonga	South West	Mehal Ketema 02	To the left of Coffee Land	0473312440	0917825486	1308
7	Dessie	Amhara	Piassa Subcity	At Piazza Fasika Building 1st Floor	0331111128	0966215861	1185
8	Debre Markos	Amhara	Abma, 01	Dr. Yilkal Eye Clinic Bldg. 1st Floor	0581788686	0988730303	-
9	Dire Dawa	Eastern Ethiopia	Kebele 04	Megalla Area, GARAD Building	0251110280	0966215865	2199
10	Furi	Oromia	Sheger City, Furi	Furi Bajaj Tera, Welabu General Trading	0113871729	0966216349	-
11	Gefersa	Oromia	Burayu City	Geferessa Nano Kebele, Shaka Mall, 3rd Floor	0112320146	0943051766	-
12	Gondar	Amhara	Medhanialem Subcity	Piassa, Around Atse Bekafa Hotel, G/F	0581114626	0935983424	39
13	Harar	Harari	Abokir, 13	Abdi Feki Mohammed Bldg. 2nd Floor	0254663604	0912386320	-
14	Hawassa	Sidama	Menaharia Subcity	Piassa, Infront of Pina Hotel, 2nd Floor	0462206610	0966215864	931
15	Hossaena	Cent. Ethiopia	SuchDuna Subcity	Handa Mall 3rd Floor	0465552151	0966215863	419
16	Jimma	Oromia	Mercato Hermata	Hibret Building 2nd Floor	0471119440	0966215862	1308

Up-Country Branches							
#	Branch Name	Region	Location	Physical Address	Telephone	Mobile	P.O. Box
17	Mekelle	Tigray	Kedamay Weyane	Around Desta Romanat Square, Timber Bldg.	0344403934	0966215847	1395
18	Modjo	Oromia	-	-	-	0910780401	-
19	Semera	Afar	Logia	Around Semera Hotel, Next to Awash Bank	0333667815	0913153082	186
20	Shashemene	Oromia	Burqa Gudina	Abosto, Next to Hibret Bank	0462110819	0929499114	-
21	Woldiya	Amhara	Etege Taitu Bitul	Woldiya Piazza, Fentaw Asefa Hotel 1st Floor	0334310647	0966216357	368
22	Woliso	Oromia	Woliso Woreda	Ejersa Kebele, Harowonchi Bldg. 1st Floor	0113664276	0943051764	-
23	Ambo	Oromia, Kebele 01	Gimbi Business Bldg. 1st Floor		0112609434	0925780404	

3. Contact Offices

#	Office Name	Location	Physical Address	Telephone	Mobile	P.O. Box
City (Addis Ababa)						
1	Bole Michael	Bole Sub City	-	-	0913115006	1156
2	Kality Stadium	Akaki Kality Subcity	Infront of Kality Stadium, Hibret Bldg. 1st Floor	0114626425	0919313955	1156
3	Lambert	Yeka Subcity	-	0116731003	0920711912	1156
4	Lebu	N. Silk Lafto, 01	Orient Furniture PLC Building 2nd Floor	0114628839	0912726624	1156

#	Office Name	Location	Physical Address	Telephone	Mobile	P.O. Box
City (Addis Ababa)						
5	Migbar	Bole Subcity	-	-	0921017415	1156
6	Nefas Silk	N. Silk Lafto Subcity	Mulga Building B1 Floor	0114399303	0915628870	1156
7	Piassa	Arada Subcity	Estifanos Building 2nd Floor	0111128224	0960850187	1156
8	Sebatenga	Addis Ketema Subcity	Hajjer Business Center 2nd Floor	-	-	1156
9	Signal	Yeka Subcity	LEVI Building	-	-	1156
Up-Country						
10	Burayu Ketta	Oromia, Burayu Subcity	Infront of Ketta Woreda	0112625572	0927575667	-
11	Debre Birhan	Amhara, Kebele-Debre Iba	Selassie Center 1st Floor	0116376552	0910670065	22
12	Dilla	South Ethiopia Region	-	-	0910658899	-
13	Wolita Sodo	South Ethiopia Region				
14	Adama Boset	Oromia Region, Adama				
15	Bahirdar(II)	Amhara Region				

Annex B: Third-Party Information Reference

The following documents, laws, regulations and reports referenced in the preparation of this prospectus and serve as the basis for the information provided herein.

- *All macroeconomic and insurance industry data in this prospectus is sourced from the National Bank of Ethiopia (NBE) Financial Stability Report (March 2026), which incorporates data and projections from the International Monetary Fund (IMF) and NBE internal databases. Company-specific figures are derived from internal financial records.*
- *Deloitte.2024. Insurance Outlook Report (East Africa), February 2024.*
- *NBE. March 2026.Financial Stability Report*
- *UNDP. 4 March 2024. Addressing the need for a paradigm shift in the insurance industry in Ethiopia,*

Annex C: Historical Financial Information

The annual financial statements of Hibret Insurance S.C.., together with the accompanying notes and the external auditor's audit reports are included. The annual financial statements have been reproduced verbatim and without adjustment from the Company's audited annual reports.

ANNUAL REPORT 2023/24

30 ዓመታት YEARS

SINCE 1994

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UNITED FOR EXCELLENCE

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HIBRET INSURANCE

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30 Years of Successful Journey

Three decades have gone by since establishment of the Company. As those three decades did not pass just as shadows of time and in vain, the Company is celebrating its 30th Anniversary by refelecting on its journey through the past three decades.

Throughout its 30 years journey, thanks to the valuable contributions of its customers, proper guidance of the Board of Directors, absolute commitment and passion of its management and employees, the Company is now standing taller and grown remarkably.

ሕብረት ኢንሹራንስ®
HIBRET INSURANCE

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ANNUAL REPORT

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2023/24

VISION

Hibret Insurance aims to be the best insurer in Ethiopia that is committed to a high standard of excellence.

MISSION

To provide complete insurance covers at economic rates, honest, prompt, and courteous claims services, through the aid of state-of-the-art technology to fully satisfy its constituencies: Customers, Employees, Shareholders, Society, and the Environment.

CORE VALUES

Customer Supremacy

We shall treat the customer as a "King" and/or "Queen". We will ensure that the environment in which service is delivered is conducive and make the service delivery experience memorable.

Honesty and Integrity

We shall strive to promote a culture of honesty and integrity and adhere to a set of high moral standards and uphold ethical values.

Teamwork

We recognize that the team shall always be greater than the individuals. While taking personal responsibility for our work, we shall promote teamwork to achieve our corporate goals.

Dynamism

We shall embrace an organizational culture that encourages professionalism, keenness, enthusiasm, creativity, innovation and a sense of urgency so that we are responsive to the dynamics of the internal and external environment in which we operate.

Fairness

We wish to be the Best Equal-Opportunity Employer in the country. And strive to undertake actions that are just, equitable, and fair that have a positive impact on the lives of our customers, employees, shareholders and the society at large.

We uphold the value of fair Competition: Level Playing Field and Same Rule of the Game.

Social Responsibility

In all our undertakings, we shall behave in a socially responsible and acceptable manner.

Introducing our new brand mark

FAIR & SQUARE

Step into our world

Welcome to the realm of insurance excellence.

A world where your peace of mind is our priority, and your needs are met with care and compassion. Step into our world, where insurance isn't just a service, but a commitment to your well-being. From safeguarding your home to securing your tomorrow, we are here every step of the way, guiding you towards a brighter and more secure tomorrow.

Hibret Insurance, with its name meaning "United", embodies the very essence of insurance philosophy which is unity. The visual identity is inspired by the Hibret initial Amharic letter "ሀ" with a square motif to signify our world of protection signifying our dependability, stability and reliability. It is your shield against the unexpected. Our three pillars symbolize collaboration, diversity, progress, excelling new heights and moving forward together to make things happen. Our visual also embodies a small "h" and "i" which represents the initials for Hibret Insurance.

... Step into our world and experience insurance excellence like never before. Together, we can secure a better tomorrow that stands the test of time. Because in our world, your peace of mind is our greatest priority.

Discover more: www.hibretinsurance.com

UNITED FOR EXCELLENCE

HIBRET® INSURANCE

PERFORMANCE HIGHLIGHTS 2023/24

ETB
1,962,166,000
GROSS WRITTEN PREMIUM (GWP)

ETB
611,793,000
PROFIT BEFORE-TAX

ETB
519,724,000
PROFIT AFTER-TAX

ETB
635,311,000
UNDERWRITING PROFIT

69
MARKET OUTLETS

ETB
396,591,000
INVESTMENT INCOME

47.91 %
LOSS RATIO

52.73 %
EARNINGS PER SHARE (EPS)

ETB
1,068,175,000
PAID-UP CAPITAL

563
WORKFORCE

ETB
4,519,165,000
TOTAL ASSETS

ETB
2,518,182,000
TOTAL LIABILITIES

TABLE OF CONTENTS

Notice of Annual General Meeting.....8

Chairperson's Statement 9

Report of the Board of Directors.....11

Statement of Directors' responsibilities.....23

Corporate Information.....24

Auditors' Report 25

Statement of profit or loss and other comprehensive income .28

Statement of financial position.....29

Statement of changes in equity 30

Statement of cash flows.....31

Notes to the financial statements 32

Actuary's Certificates 112

BOARD OF DIRECTORS

Ato Wondwossen Teshome
Chairperson

W/rt Teguest Yilma
Vice Chairperson

Ato Amare Gashaw
Director

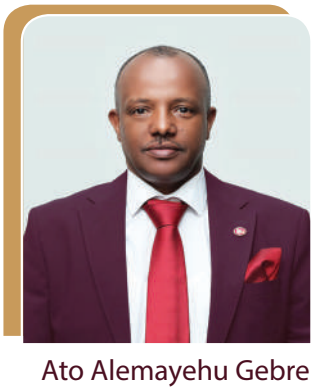
W/ro Maryamawit Getamesay
Director

Negussie Aberra (Eng.)
Director

Ato Ermias Andarge
Director

Ato Asrat Arega
Director

Ato Ayalew Alemu
Director



Ato Alemayehu Gebre
Director

Ato Yinebeb Derseh
Company Secretary

EXECUTIVE MANAGEMENT

W/ro Meseret Bezabih
Chief Executive Officer

W/ro Azalech Yirgu
DCEO-Operations, Long Term Insurance

Ato Tesfaye Desta
DCEO-Operations, General Insurance

W/rt Bethlehem Mekbib
Director-U/W & Tech. Services

Ato Dereje Demessie
Director-Claims & Eng.

Ato Tilahun Tadesse
Director-Business Dev. and Marketing

Ato Engida Kassaye
Director-Finance and Investments

Ato Gizie Alemu
Director-HC & Prop. Management

Ato Yealemayn H/Mariam
Manager, Internal Audit

Ato Aron Kassaye
Director, Legal Services

Ato Aliye Mohammed
A/Director, Information Sys. Management

NOTICE OF THE 30TH ORDINARY ANNUAL GENERAL AND 14TH EXTRA ORDINARY MEETINGS OF SHAREHOLDERS

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 366 (1), 367 (1), 393 AND 394 OF THE 2021 COMMERCIAL CODE OF ETHIOPIA, NOTICE IS HEREBY GIVEN TO ALL SHAREHOLDERS THAT THE 30TH ORDINARY ANNUAL GENERAL AND 14TH EXTERA ORDINARY MEETINGS OF SHAREHOLDERS OF HIBRET INSURANCE WILL BE HELD AT ADDIS ABABA SHERATON ADDIS HOTEL ON THE 7TH OF NOVEMBER 2024 FROM 8:00 A.M TO TRANSACT THE FOLLOWING BUSINESS;

1. Agenda of the 30th Ordinary Annual General Meeting of Shareholders

1.1. To Consider and Approve the Agenda Items of the Meeting;

1.2. To Approve the Sale and/or Transfer of Shares Made Upto and Including November 6, 2024;

1.3. Notification of the detail list of existing Shareholders who increased their shares with the increased share amount using their priority right to acquire shares as per the decision during the 13th Extra Ordinary General Meeting of Shareholders;

1.4. To consider the 2023/2024 Financial Year Annual Report of the Board of Directors and approve the report;

1.5. To Consider the External Auditors' Report for the 2023/2024 Financial Year and approve the report;

1.6. To decide on the Allocation and Distribution of the Company's Profit for the 2023/2024 Financial Year to Shareholders;

1.7 To nominate External Auditors and decide on their remuneration;

1.8. To Consider and Approve Annual Board of Directors' remuneration for the 2023/2024 Financial Year and their Monthly Transport Fee For the 2024/2025 Financial Year;

1.9. To hear the report of Nomination and Election Committee of Board of Directors;

1.10. To hold the election of Board of Directors;

1.11. To decide on the service fee of Nomination and Election Committee of Board of Directors.

2. Agenda of the 14th Extra Ordinary General Meeting of Shareholders

2.1 To Consider and Approve the Agenda Items of the Meeting;

2.2 To amend the Company's Articles of Association.

By order of the Board

Sisay Shihunegn

Secretary to the Company

Dated 7th day of November, 2024

Addis Ababa

NOTE: A shareholder entitled to attend and vote at the General meeting may appoint a PROXY in his/herstead. A PROXY need not be a shareholder of the Company. To be valid, the enclosed PROXY FORM mustbe completed and presented to the Secretary of the Company at or before the General Meeting.

A PROXY or Shareholder must hold original and copy of renewed identity card, passport or yellow card for foreign nationals of Ethiopian origin.

CHAIRPERSON'S LETTER TO SHAREHOLDERS

It is my honor to welcome you all, on behalf of the Board of Directors and myself, to the THIRTIETH ANNUAL GENERAL MEETING of Shareholders of Hibret Insurance Share Company, formerly known as The United Insurance Company SC or <UNIC-ETHIOPIA> for short. The Annual Report of the Board of Directors is presented in compliance with the provisions of the laws and the Memorandum of Association and Articles of Association of the Company.

It is with great pride and gratitude that I address you as we approach the 30th Anniversary of Hibret Insurance. Over the past three decades, the Company has made remarkable strides, thanks to the unwavering support of our customers, the guidance of the Board of Directors, and the dedication of our management and employees. As we celebrate this milestone starting November 2024, we reflect on our journey and the achievements that have shaped us into the strong, thriving Company we are today.

The event marks the celebration of success for all of us: the founders, shareholders, esteemed customers, former and sitting directors, the dedicated management team and entire staff of Hibret Insurance including other stakeholders who brought us here and made the Company a standout performer in the marketplace.

Our journey over the past three decades has been marked by unwavering commitment to excellence, innovation, and customer-centricity. While the journey has been punctuated by challenges, the Company's resilience and strategic acumen have propelled it to a position of prominence within the Ethiopian insurance landscape.

The last decade, in particular, had been a period of significant transformation for Hibret Insurance. Despite navigating a complex and dynamic economic landscape, we have continued to achieve remarkable milestones. Through strategic investments in technology, talent acquisition and product development we have strengthened our market position, expanded our reach, and enhanced our service delivery.

The Company had successfully completed a year-long rebranding project and colorfully inaugurated its newly revamped brand identity in a landmark launching ceremony held on September 09, 2024. This was one of the Company's historic events and a milestone that is believed to transform it to the highest level of service excellence. Our 30 years old brand is now replaced by the new one that will take us through to the next decade.

We have signed a contract with a vendor for acquisition of Core Insurance System. The proposed system will enhance the provision of customer services, improve management information system and reinforce the overall integration of operational activities of the Company. As per our plan, the new system will be fully implemented in the year 2025.

We are proud that our CEO was recognized as African CEO OF THE YEAR at the 50th Conference and Annual General Assembly of the African Insurance Organization (AIO) held in Windhoek, Namibia on the 3rd of June 2024.

As we approach our 30th Year Anniversary, a profound sense of optimism permeates the Company. We have the conviction that we will continue our journey of success in the years ahead by embracing our tagline 'United for Excellence'. Hibret Insurance recognizes the importance of unity and understands the power of coming together. When we come together, we are stronger.

Congratulations to you all for being part of this significant milestone for our Company. It has been a wonderful journey we have shared together.

I feel very privileged and deeply honored to present you the Directors' Report for the year ended June 30, 2024 at the time when we are introducing our newly developed brand identity and preparing to celebrate the 30th Anniversary of the Company.

In line with the customary practice of the Company, the Board of Directors had decided to have the Annual Report printed and presented at the Annual General Meeting with the strict understanding that it will not be shared with third parties until its approval by the Shareholders at the Annual General Meeting.

As in previous years, the year under report presented more challenges than opportunities. Challenges dominated the landscape of the Company's operations. Social tensions and conflicts in parts of the country limited free movements and adversely affected the overall economic activities. The rising inflation, continued depreciation of the Ethiopian Birr (ETB) against major currencies, acute shortage of foreign exchange, a significant slowdown in investment, liquidity problems and limited access to bank loans were some of the key challenges that contributed to the overall economic slowdown and reduced business activities during the year under report. The ever worsening competition mainly characterized by premium undercutting and unethical business practices were additional challenges encountered. The increasing cost of doing business in general and the continuously rising prices of spare parts, labor costs and medical expenses further compounded the problem. Moreover, the ever skyrocketing office rental prices and a shortage of skilled and experienced manpower posed challenges on market outlets expansion and the filling of key positions.

In spite of the numerous challenges, the year 2023/24 was a year of success for our Company. I am pleased to report that

the Company attained most of the targets set at the beginning of the year and registered another round of success in the year under report.

Hibret Insurance concluded the financial year ended on June 30, 2024 with yet another sets of commendable results. Life and Non-Life businesses combined, Gross Written Premium (GWP) for the year ended June 30, 2024 grew to ETB1,962,166,000 as compared to ETB1,507,209,000 in 2022/23. While ETB1,729,776,000 was generated from Non-Life business, Life insurance produced ETB232,390,000 during the reporting year. The combined GWP of the Company grew by about 30.19% in 2023/24 while the insurance industry registered an average growth rate of about 23.72% during the year under report.

The consolidated net claims incurred (Life and Non-Life) had increased by about 49.57% to reach ETB 693,299,000 in 2023/24 as compared to the previous year of ETB 463,543,000. Corporate Loss Ratio slightly increased to about 47.91% in 2023/24 as compared to 47% in 2022/23. Nevertheless, the Company's loss ratio was by far lower than the industry's average of 53.03% for the year 2023/24.

During the financial year under report, Corporate Underwriting Profit (Life and Non-Life combined) had witnessed a robust growth of 46.59%, a sizable increase to ETB 635,311,000 in 2023/24 from ETB433,403,000 in the preceding year.

The Company's Profit Before Income Tax for the reporting year registered a remarkable growth of about 56.58% to reach ETB 611, 793,000 from ETB390,721,000 in 2022/23. The After-Tax Profit also considerably grew by about 58.92% from ETB 327,025,000 in 2022/23 to ETB 519,724,000 for the reporting year (2023/24). Income tax expense for the year was computed to be ETB 92,069,000 as compared to the last year's figure of ETB 63, 696,000.

Following the decision made at the Thirteenth Extraordinary General Meeting of Shareholders held on November 10, 2022 to increase the Company's capital to ETB1,500,000,000, the paid-up capital had grown by about 27% to reach ETB1,068,175,000 from ETB840,596,000 of the previous year.

The consolidated result for the reporting year was found to be remarkable given such a robust capital growth and the very tough economic environment the country had been witnessing in the year just ended. The basic earnings per share (EPS) significantly grew from 47.99% of the preceding year (2022/23) to 52.73% (2023/24), showing a respectable growth of about 10% (or nearly 5 percentage points higher).

The Company's board of directors have recommended to the General Assembly of Shareholders that ETB467,751,928 to be distributed as dividend payment subject to approval by the shareholders.

The Board held monthly regular meetings over the reporting period, passed key strategic decisions and had taken pertinent actions. It had 15 regular meetings during the year under review from July 01, 2023 to June 30, 2024 and deliberated and taken decisions on institutional affairs of the Company including annual business plan and budget as well as different policy documents and working manuals and resolved on matters of strategic importance.

Although the economic challenges have the power to constrain the growth of the insurance industry, the positive developments taking place in the macroeconomic environment are expected to create a supportive business environment for the industry to thrive and grow. The Board and Management are committed to actively work on market growth and expansion to stave off market-slippage, improve the Company's market share and competitive position. We will continue expanding the Company's operations into new geographic areas by opening new market outlets. We will also continue exerting maximum efforts to improve the quality of customer services in all areas of operations.

Despite the apparent challenges, we trust the future of our Company will be brighter than current realities may portend and we are optimistic to emerge successful in the year ahead. We will do our level best to get our fair share from the market in the upcoming budget year.

The Financial Statements of the Company were prepared in line with the International Financial Reporting Standards (IFRS) and other applicable laws. In accordance with Article 3(4) of the Company's Articles of Association as amended by the First Annual General Meeting of Shareholders held on October 12 1995, as well as in compliance with Directives issued by the Supervisory Authority, the National Bank of Ethiopia (NBE), this Report of the Directors and Audited Accounts cover the financial year ended June 30, 2024.

In accordance with Articles 393 and 394 of the Commercial Code of Ethiopia (Proclamation No. 1243/2021) and Article 3(4) of the Company's Articles of Association, I present, for your consideration and approval, as appropriate, the Report of the Directors, the Audited Financial Statements together with the Report of the External Auditors for the Financial Year ended June 30, 2024.

Finally, allow me to take this momentous occasion to express my sincere appreciation and gratitude to our esteemed Customers who have continued to vest great trust in and shown loyalty by insuring with us throughout the year; our Shareholders, fellow Directors, the Management and the entire Staff of Hibret Insurance who made this success happen; the National Bank of Ethiopia (NBE) for its support and guidance; and, our reinsurers, insurance intermediaries and other partners for their continued support.

Thank you all and I wish the Company many more years of success.

WONDWOSSEN TESHOME
Chairperson, Board of Directors and
The Annual General Meeting

REPORT OF THE BOARD OF DIRECTORS

In line with the Company's long-established tradition, the Thirtieth Annual Report of the Directors gives a brief review of the trading landscape with specific mention of the main events and elements with significant effects on the performance of the industry, the Company's operations and results for the period under report as well as the prospects for the future.

1. THE BUSINESS ENVIRONMENT

1.1 The Country's Economic Overview

Consistent with the Federal Democratic Republic of Ethiopia (FDRE) Ministry of Planning and Development and National Bank of Ethiopia (NBE) Annual Report, real GDP growth of 7.2% was registered during the financial year 2022/23, compared with the 6.4% expansion a year ago. However, the International Monetary Fund (IMF) reported that the Ethiopian economy grew by 6.1% in 2023 and is expected to grow by 6.2% in 2024. As stated in the NBE's Financial Stability Report of April 2024, over the last five years, Ethiopia's economy has registered high growth, which is projected to continue in the coming years. Real GDP growth at above 6.0% remains higher than the average growth for Sub-Saharan Africa (projected at 3.3% for 2023 and 4.0% for 2024).

At the time of writing this report, the actual official data for the year 2023/24 was yet to come out. However, according to Trading Economics global macro models and analysts expectations, Ethiopia's economy is expected to have grown by 7.9% in 2023/24 and is expected to reach 8.4% by the end of 2024.

Based on the aforementioned reports, the GDP growth was attributed to 7.9% increase in services sector, 6.9% growth in industry and 6.3% expansion in agriculture sector. The share of services in GDP increased slightly from 40.0% in 2022 to 40.3% in 2023. The share of industry decreased slightly from 28.9% in 2022 to 28.8% in 2023. The share of agriculture declined steadily from 33.3% in 2019 to 32.1% in 2023.

The agriculture sector has shown improvement in growth rates to reach 6.3% in 2022/23 when compared to the 2021/22 growth rate of 6.1%. The agricultural sector growth performance is largely attributed to the expansion of crop production and the growth registered in the livestock sub-sector.

The industry sector also registered improved growth from 4.9% in 2021/22 to 6.9% in 2022/23. The growth in the industry sector is mainly attributed to the higher growth rate of electricity and water.

The service sector has also shown improved performance in 2022/23 registering 7.9% growth compared to the 7.6% in 2021/22. The growth in the service sector is attributed to the growth of the transport and communication sector which is mainly due to better performance of air transport and telecommunication.

The reports also looked at the structural transformation statistics over the past eight years since the base year 2015/16. The share of agriculture in the total GDP has declined from 37.5% in 2015/16 to 32.1% in 2022/23. The share of the industry sector has increased from 23.7% in 2015/16 to 28.8% in 2022/23. The share of the services sector has remained almost similar at 39.7% in 2015/16 and 40.3% in 2022/23. It can be seen from the statistics that a major shift in the structure of the economy has not been registered, there is still an apparent improvement in the share of industry while that of agriculture has been declining over the past eight years.

Furthermore, the nominal GDP per capita during 2022/23 was estimated at USD1,549 as compared to USD1,218 in 2021/22. Per capita GDP has shown an increasing trend from USD815 in 2015/16 to USD1,549 in 2022/23.

The Ethiopian Economics Association (EEA) Quarterly Report (April 20024) indicates that Ethiopia's public sector debt stock stood at USD63.2 billion, representing 38.7% of the GDP as of September 30, 2023. In terms of composition, it was made up of USD35.5 billion in domestic debt (21.7% of GDP) and USD27.7 billion (17% of GDP) in external debt. Per capita debt burden of the average Ethiopian was USD588.5.

According to the FDRE Ministry of Planning and Development, export of goods and services at current market prices during the 2022/23 was estimated at ETB575.1 billion. Similarly, imports of goods and services at current market prices during the 2022/23 was estimated at ETB1,220.5 billion. The overall balance of payments registered ETB645.4 billion deficit in 2022/23.

Consistent with NBE's Financial Stability Report (April 2024), the country level average annual rate of inflation fell from 34.0% in 2022 to 29.3% in 2023. The annual inflation saw a spike in December 2021 at 35.1%; and the rate hardly changed in 2022, standing at 33.8 % in December 2022. But it is expected to drop to 18.5 % by the end of 2024.

According to data made available by the Central Statistical Agency of Ethiopia, the year-on-year, general inflation rate (annual percentage change) in the country stood at 28.8% for the month of July 2023, down from 29.3% registered in June 2022. A year earlier (in July 2022), the rate stood at 33.5%. The country level food inflation has showed 27.3% increase in July 2023 as compared to the one observed in July 2022. The non-food inflation rate also rose by 31.1% in the same period.

Inflation was the major threat for macroeconomic stability during the last year and is presumed to remain as one of the major challenges in the years to come as well. The continuous depreciation of the Ethiopian Birr owing to implementation of the new foreign exchange system, increased taxation and the ever rising fuel prices may further exacerbate the inflationary situation. High inflation drives up claims costs and expenses while dampening demand as customers become more price sensitive.

The Ethiopian government had embarked on a comprehensive economic reform agenda to ensure macroeconomic stability of the country. The reform included, among others, liberalizing the foreign exchange market, introducing capital market, and opening up of the banking sector including retail and wholesale businesses for foreign capital. The government is also in the process of privatizing considerable number of the state-owned businesses and moving more and more toward a market-oriented economic regime.

The Ethiopian Securities Exchange (ESX) is on the verge of launching its real time trading platform in the coming months, making a momentous milestone for the country's capital market.

The country adopted a free floating foreign exchange regime beginning 29 July 2024, after a long period of the managed float exchange rate system. Accordingly, the exchange rate for the Ethiopian Birr was allowed to move as factors of supply and demand dictate.

This landmark decision 'dubbed unification' was a historic move that sought to align the official exchange rate with the parallel market. Furthermore, the decision to allow the currency's value to be determined by the market was intended to address the severe foreign exchange shortages.

The most immediate impact of the reform was the rapid depreciation of the Ethiopian Birr against the major currencies. The foreign currency auction at the NBE on August 7, 2024 fetched a weighted average price of around ETB107.6 against the US dollar. After an initial jump, prices against the dollar were swaying between 116 and 120 Birr for a dollar. It is to be recalled that the official exchange rate for a dollar was around ETB58.0 immediately before the reform.

Ethiopia's decision to fully liberalize its foreign exchange market is a significant shift in its economic policy. This move is expected to have profound implications for the country's economy. One of its likely positive impacts is to make exports more competitive and attract foreign direct investment (FDI). The structural transformation was claimed to be necessary to increase foreign currency reserves. It is also expected that a unified exchange rate will gradually eliminate the widening gap between the official and parallel market exchange rates that had persisted over the past several years. However, the change in the exchange rate may cause price hikes thereby exacerbating the existing inflationary situation. While the long-term goals of floating the currency could be promising, the immediate effects are expected to be characterized by volatility and uncertainty. If successful, this bold move could open up unprecedented economic opportunities. But, we have to wait and see.

As a significant step towards further liberalization of the country's economy, the Government has also passed a decision to grant licenses to forex bureaus. In addition to increasing the availability of foreign exchange within the country, this decision is also anticipated to play crucial role in facilitating remittances from Ethiopian's living abroad. This could boost foreign exchange inflows and support economic growth.

According to UNCTAD's World Investment Report 2023, Foreign Direct Investment (FDI) inflows to Ethiopia decreased to USD3.6 billion in 2021, down from USD4.2 billion the previous year. However, the total stock of FDI remained substantial at USD35.2 billion, representing around 29.3% of the country's GDP. Despite the political instability in some parts of the country, Ethiopia attracted USD3.4 billion in FDI in the fiscal year 2022/23. Consistent with the Ethiopian Investment Commission's report, Ethiopia attracted USD3.0 billion in FDI during the first 10 months of 2023/24 fiscal year.

As part of a major government reorganization program, Ethiopia is in the process of improving the performance of its portfolio of state-owned enterprises through initiatives including performance improvement, better commercialization of services, and (partial) privatization. Accordingly, several state-owned enterprises are expected to be on the list of the upcoming Ethiopian Securities Exchange (ESX), and some of these groups will be transferred to private sector players.

The Government's intention to issue the third telecom license to the private sector will certainly make the industry more competitive. In addition to modernizing the telecom sector through technology transfer, further opening up of the market will also create additional employment opportunities besides expansion and improvement in connectivity and the quality of services.

The Government's privatization plan to sell some sugar factories to reduce reliance on state funding is also said to be under way. Furthermore, as noted from various reports, the Government is evaluating modalities on how to reform and privatize the railways.

Generally, government's privatization program can benefit private insurers due to increased competition and improved performance.

1.2 The Insurance Industry Performance

According to the data obtained from NBE, the number of insurance companies remained at 18 as at 30 June 2024, of which 17 were private and one state-owned. Out of the 18 insurance companies operating in Ethiopia, 13 were composite insurers and 5 general insurers. No new insurance company joined the industry during the year under report.

The companies continued to expand their market outreach by opening new market outlets. In that regard, insurers in the industry expanded their market outlets to 799 in 2023/24 from 741 in 2022/23, up by nearly 8%. Of the total branches, about 56.5% were located in Addis Ababa (NBE Second Quarter Report 2023/24).

There were three reinsurers in the market including the national reinsurer, Ethiopian Reinsurance Company SC (Ethio Re), and two others functioning through representative offices in Addis Ababa, namely, Africa Re (Africa Reinsurance Corporation) and ZEP-Re (PTA Reinsurance Company).

The total assets of the insurance industry grew by nearly 28% to reach ETB65.790 billion in 2023/24 from ETB51.460 billion a year ago. The total assets for Life business increased to ETB4.435 billion from ETB3.637 billion of the previous year. Similarly, the Non-Life business's total assets grew to ETB61.355 billion from ETB47.823 billion of the preceding year.

Registering a growth rate of about 31%, the industry's total paid-up capital rose to ETB11.716 billion in 2023/24 from ETB8.965 billion in 2022/23. The total paid up capital for Life business increased to ETB849 million from ETB557 million of the previous year. Similarly, the Non-Life business's paid up capital grew to ETB10.867 billion from ETB8.408 billion of the preceding year.

Market Gross Written Premiums (GWP), Life and Non-Life combined, grew by about 24% to reach ETB28.360 billion at the year ended on June 30, 2024 from ETB22.923 billion in 2022/23. Life business increased from ETB1.463 billion in 2022/23 to ETB1.935 billion in 2023/24, registering a considerable growth of about 32%, while Non-Life grew by about 23% to reach ETB26.425 billion in the current year from ETB21.460 billion of the preceding year.

Accounting for about 93%, Non-Life insurance business continued to take the lion's share of the premium portfolio, ETB26.425 billion against ETB1.935 billion from Life business for the reporting year. The share of Non-Life business was nearly 94% last year.

The industry's loss ratio in respect of Non-Life insurance markedly decreased to 51% in the year under report from 58% a year before, while the loss ratio of Life business significantly increased to 77% in 2023/24 from 63% in 2022/23.

The Ethiopian insurance industry is characterized by unhealthy competition which is primarily based on premium undercutting. There is also stiff competition on trained manpower. Almost all insurance companies in the industry sell standardized (similar) products, i.e. there is no product differentiation and innovation as such. The market demand is fragmented among small buyers and these small buyers have strong bargaining power because there are relatively many competitors in the market. The buyers have sufficient bargaining leverage to obtain price concessions and other favorable terms and conditions of sale. Where the products of competitors are virtually indistinguishable, the price is the sole basis for competition. As a matter of fact, the Ethiopian insurance customers are highly price sensitive.

1.3 Status Report on Matters Having Impact on the Insurance Industry

The country has continued to make legal reforms in the last couple of years in general and particular attention was also given to reforms in the financial industry's legal framework.

As usual, the Company's Annual Report of Directors attempts to indicate pertinent and significant issues impacting the insurance industry in one way or the other.

We continue reporting on such issues until appropriate measures are taken by the concerned organs even if it may sound redundant.

About three new insurance directives were drafted by the National Bank of Ethiopia (NBE) during the year under report and distributed to all stakeholders for comments. We have submitted our comments and suggestions on the directives in the making and hope that our recommendations will be considered and included in the directives to be issued.

The Board of Directors wishes to seize this opportunity to pay special tribute to the National Bank of Ethiopia (NBE), for its effective administration, supervision, and control of insurance business. While strictly complying with the laws of the land and all the directives issued by the regulator, we would like to reveal particular concerns and make some recommendations on the following for consideration by the concerned government organs and the NBE.

1.3.1 Income Tax Proclamation No. 979/2016 and Directive No. 7/2011 (2019) : Dividend Tax and Increase of Capital.

As per Article 61 of the Income Tax Proclamation No. 979/2016 and as per Directive No. 7/2011 (2019), the law allows companies to utilize their dividends for capital increases without incurring dividend taxes. Unfortunately, Ministry of Revenue is enforcing dividend tax payments with interest and penalties on many financial institutions, including Hibret Insurance, despite our compliance with the intent of the laws.

We believe that the original framework of the proclamation and the directive was designed as an incentive mechanism to encourage companies to raise capital and rekindle shareholders to reinvest earned dividends with the view to grow their companies' operations. However, the recent actions taken by the Ministry of Revenue undermine this objective, creating significant financial burdens for institutions that are attempting to comply with the law while simultaneously fostering growth and investment.

As a result of these enforcement actions, our company finds itself embroiled in litigation, which diverts valuable resources and attention away from our core business activities. This situation not only hampers our ability to expand and innovate but also negatively impacts the broader economic landscape by discouraging companies from pursuing similar capital-raising strategies.

We respectfully urge the Ministry of Finance and Ministry of Revenue to reconsider this stance and work towards a resolution that aligns with the original intent of the law and to allow companies to utilize their dividends for capital increases without facing punitive taxation, so that we can stimulate investment and drive economic growth. In addition, we respectfully request the Ministry of Revenue to reconsider the administrative hurdles and procedures required for license renewal and capital updates related thereto.

1.3.2 The Value Added Tax Proclamation No. 1341/2024: VAT on General Insurance Business.

The Value Added Tax Proclamation No. 1341/2024 has been enacted by the House of Peoples' Representatives.

One of the key changes includes the introduction of Value Added Tax (VAT) on insurance premium, claim payments and subrogation processes. While we fully support the government's efforts to enhance the country's revenue, we believe this new policy may inadvertently undermine the very objectives it seeks to achieve.

First and foremost, the proclamation has generated considerable ambiguity, with even the lawmakers and executive organs expressing differing opinions on its implementation. To address this confusion, we have actively engaged with the relevant authorities, sharing our insights and suggestions through emails, letters and meetings. We also presented our concerns directly to the Ministers of Ministry of Finance and Ministry of Revenue.

The imposition of VAT on insurance premiums could lead to increased costs for consumers, potentially discouraging them from purchasing insurance altogether. Many individuals and businesses may find themselves unable or unwilling to bear the additional financial burden, which could result in a significant reduction in premium income and insurance coverage across our communities and the insurance sector. This outcome not only jeopardizes individual financial security but also poses risks to public property protection. The Ethiopian insurance industry is small and underdeveloped. The insurance penetration rate is also very low so that adding additional burden in such situations is not totally advisable.

Moreover, the taxation of compensation payments raises further concerns. Insured individuals expect prompt and full compensation in times of need or at time of claims; introducing a VAT on these payments could diminish their rightful claims, leading to dissatisfaction and distrust in the insurance system. This could further discourage people from seeking necessary coverage, ultimately resulting in an increase in uninsured properties and assets. Taxation of Subrogation payments and commencement day of the obligation to calculate attachable VAT are also posing big problems. We believe that it would not be equitable to retroactively impose VAT on previous claims and non-VAT registered individuals.

We, therefore, respectfully request lawmakers to reevaluate this ambiguous proclamation and consider its long-term implications on both consumers and the insurance industry. A balanced approach that ensures government revenue while promoting public trust and participation in insurance is essential for sustaining a healthy economy.

We would also like to emphasize once again that while Proclamation No. 1341/2024 needs further clarity and revision, our commitment to ensuring the implementation of this Proclamation remains steadfast.

1.3.3 Directive No. SIB/52/2020: Amendment to Investment of Insurance Funds.

This Directive came into force as of the 4th day of August 2020. The amended Directive requires insurance companies to invest not less than 60% of their total admitted assets in treasury bills and bank deposits. The Directive reduced the limit from 65% to only 60%. This may expose the companies to higher financial risks and endanger the safety of their investments. We are of the opinion that the investment limit in treasury bills and bank deposits should further be decreased to a reasonable level considering the interest of the policyholders and the insurance industry.

The Directive further requires insurers not to invest more than 10% of their total assets in the purchase or construction of buildings exclusively or predominantly used for rent (real estate) and capital appreciation. In this regard, no change was made to the threshold indicated in the previous Directive in spite of the strong expectation of the industry to increase the limit to a reasonable level. More investment in real estate would be difficult due to the restrictions imposed by this Directive.

We, therefore, continue appealing to the NBE for revision of the amended Directive in light of economic realities of the country, experience of the insurance industry and protection of the rights of policyholders.

1.3.4 Directive No. FCP/01/2020: Financial Consumer Protection.

This Directive came into force as of the 25th day of August 2020. The primary objective of the Directive is to build trust and confidence of financial consumers which in turn promote financial inclusion, healthy financial transactions, and stimulate growth, stability, ethical innovation and efficiency in the financial system. It established financial consumer protection regulation, supervision, complaint handling and dispute resolution mechanisms. Among others, the Directive prohibits the financial service providers from requiring their customers to take out insurance policies from a particular insurer. And yet, consumers are still being pressurized unduly to get insurance covers from a given insurer.

We are of the opinion that the Directive has not been strictly implemented. Therefore, strong and persistent monitoring is required from the concerned organs for proper enforcement of this vital Directive.

1.3.5 Directive No. SIB/54/2021: Investing in Development Bank Bond.

The Directive entered into force as of the 1st day of September 2021. It requires insurers to invest an amount equivalent to a minimum of 15% of their net income (profit after tax) in Development Bank Ethiopia's (DBE) Bond within 90 days after the close of each financial year.

The Directive further states that DBE shall pay a bond rate at least 2 percentage points higher than the minimum interest rate paid on saving deposit at the time of issuance. However, the proposed rate is not attractive owing to the existing high

inflationary situation on the one hand and is very low compared to the better rates existing in the market on the other.

We call upon all concerned to either put the Directive aside as ineffective or increase the applicable interest rate to at least average market lending rate so that insurers could be able to earn reasonable returns on the resources they helped to generate in order for them to meet obligations as it falls due.

1.3.6 Directive No. SIB/57/2022: Minimum Paid-Up Capital for Insurance Companies.

The Directive that sets a limit on the minimum paid-up capital for an insurance company was issued effective from the 15th day of September 2022. The minimum paid-up capital required to obtain both general and long-term insurance businesses license was increased to Birr500 million from Birr75 million. All existing composite insurers whose paid-up capital, on the effective date of this Directive, was below Birr500 million are supposed to raise their paid-up capital to the stated level within five years. An insurance company that is unable to meet the minimum paid-up capital requirement may undertake voluntary merger or acquisition transactions with another insurance company before the lapse of the stated period.

We are of the view that the minimum paid-up capital requirement is still on the low side owing to the continuous depreciation of the Birr on the one hand and ever growing inflationary pressure on the other. We thus recommend that the paid-up capital be increased to the level that matches up with economic realities of the country.

1.3.7 Directive No. SIB/60/2023: Motor Insurance Minimum Premium Rate.

The long awaited Directive that set minimum premium rate for Motor Own Damage Insurance was issued on 24th day of August 2023. The rate is net of all discounts and rebates and applicable to all categories of motor vehicles.

We are extremely grateful to the National Bank of Ethiopia for the practical and sound actions it has taken to improve the regulatory environment in general and the introduction of minimum premium rate for motor insurance in particular. The Directive may ease, to some extent, the existing unhealthy competition based primarily on premium undercutting.

However, we would like to point out that the minimum premium rate set by the regulatory body, NBE, is neither adequate nor commensurate with the risks proposed for insurance. The rate is not only inequitable but also insufficient to cover the ever escalating motor claim costs.

Therefore, we strongly appeal to the National Bank of Ethiopia to reconsider its decision and set a more equitable minimum premium rate mutually beneficial to all stakeholders on the basis of actuarial study conducted under the auspices of the Association of Ethiopian Insurers (AEI) and submitted to NBE by AEI for this purpose.

Furthermore, as far as the information we have goes, the Directive is not being strictly implemented by most insurers and thus call for strong and persistent monitoring from the NBE for proper enforcement of this vital piece of law (the Directive).

1.3.8 The Need for an Independent Regulatory and Supervisory Body

We have been always pointing out that the Ethiopian insurance sector needs a highly qualified separate insurance regulatory body that gives high emphasis and focus to the insurance industry.

While appreciating the Government's decision to establish an independent regulatory and supervisory body for the insurance sector, we continue appealing to the National Bank of Ethiopia to expedite the process of setting up a capable regulatory body that is operationally independent on the one hand and accountable in the exercise of its functions and powers on the other.

The separate insurance regulatory authority or commission to be established needs to have a clear legal framework, structure and composition to ensure the sustainable growth and stability of the Ethiopian insurance industry. We believe that this would create a fair, safe and stable insurance market by ensuring a level playing field for all players. Expeditious action by all concerned is highly sought for in this regard.

1.3.9 Lack of Level Playing Field

Hibret Insurance has never faltered to point out the uneven nature of the industry's playing field and its role in distorting the market environment. We had openly expressed our concerns and continue to do so that some entities still receive preferential treatments thereby depriving all the other players of the single most important benefit of a market-oriented economic regime - that of "fair competition". While entities receiving favors of one form or the other become dependent on such "indirect subsidies", the others are deprived of their legitimate right to fair treatment under the law.

We hope that the Government will take appropriate measures to uphold the principle and value of fair competition: "Level Playing Field and Same Rules of the Game".

1.3.10 Consolidation of Insurance Services

Insurance services such as pension fund administration, social health and credit life are fragmented among different institutions. There are no compulsory insurances except motor third party insurance. It is expected that the government will take additional measures with the view to support and further strengthen the Ethiopian insurance industry by bringing it more onboard.

2 THE COMPANY'S PERFORMANCE

2.1. OPERATIONAL AND FINANCIAL PERFORMANCE AND RESULTS

2.2.1 Gross Written Premium and Underwriting Result (Combined)

Life and Non-Life businesses combined, Gross Written Premium (GWP) for the year ended June 30, 2024 grew to ETB1,962,166,000 as compared to ETB1,507,209,000 in 2022/23. While ETB1,729,776,000 was generated from Non-Life business, Life insurance produced ETB232,390,000 during the reporting year. The combined GWP of the Company grew by about 30.19% in 2023/24. The insurance industry registered an average growth rate of about 23.72% during the year under report.

The consolidated net claims incurred (Life and Non-Life) had increased by about 49.57% to reach ETB693,299,000 in 2023/2024 as compared to the previous year of ETB463,543,000. Corporate Loss Ratio slightly increased to about 47.91% in 2023/24 as compared to 47% in 2022/23. Nevertheless, the Company's loss ratio was by far lower than the industry's average of 53.03% for the year 2023/24.

The Company continued to make positive Underwriting (operational) Profit, one of the vital performance indicators for insurance companies. Accordingly, the Company's combined Underwriting Profit from Life and Non-Life businesses grew to ETB635,311,000 in 2023/24 from ETB433,403,000 in 2022/23 registering a growth of about 46.59%. The growth in net earned premiums on the one hand and enhanced efficiency in claims management on the other were the major explanations for the good result achieved in respect of this performance indicator.

2.2.2 NON-LIFE BUSINESS

Gross Premiums Written

As at June 30 2024, the Company's Non-Life premium reached ETB1,729,776,000 registering a commendable growth of about 27.82% over the previous year of ETB1,353,272,000, higher than the industry's average growth rate of about 23.14%. All classes of business recorded growth during the financial year under report with the exception of a decline by 36% in Pecuniary Insurance for the reason much traceable to the new collateral requirements for Bonds. The highest growth of 81% had occurred in the Aviation class of business. The Miscellaneous class of businesses comprising of insurance products with small premiums grew by 61%; followed successively by Marine which grew by 60%; Engineering by 54%; Accident & Health by 42%; Liability by 39% and Motor by 26%. The least growth was recorded by Fire and General Accident i.e. 18%.

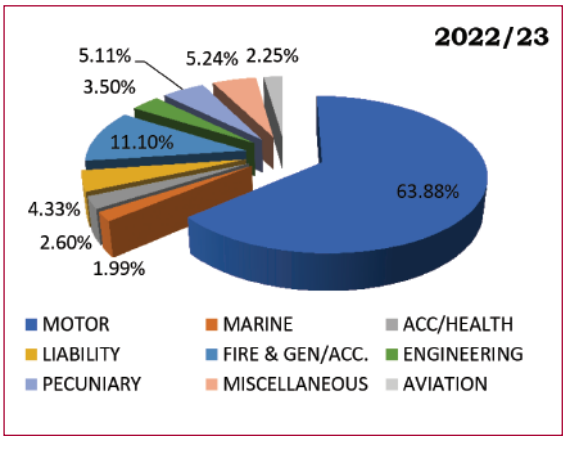
The Company attained commendable results in premium income in spite of the multiple challenges faced during the year.

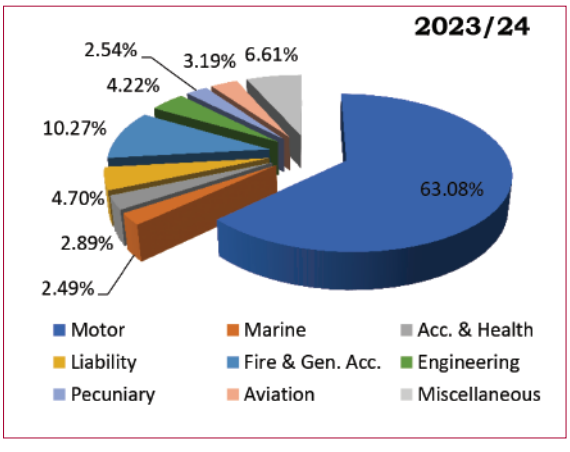
Portfolio Mix

As in the previous years and as anticipated, Motor class of business had continued to take the lion's share of the Company's total premium portfolio accounting for 63.08% as at 30 June 2024, which was almost equal to the preceding year of 63.88%.

Fire and General Accident class of business became a very far second with a share of 10.27% followed by Miscellaneous class of business at 6.61%. Liability accounted 4.70%; Engineering took 4.22% and Aviation 3.19%. Accident & Health took 2.89% and Pecuniary 2.54%. It was Marine class of business that contributed the least to total GWP, about 2.49%.

COMPARATIVE PREMIUM STRUCTURE /PORTFOLIO MIX





Claims and Profitability – Loss Ratio and Underwriting Surplus/Deficit

The Company's overall claims ratio for Non-Life business was computed to be 48.08% for the year that ended on June 30, 2024 which was almost equal to the previous year of 48%. The Loss Ratio of Non-Life Business for the year was also lower than the industry's average of 51%.

Claims normally grow along with increase in written premiums. Fortunately, claim costs of this reporting period were contained; primarily because of prudent underwriting combined with sound claims management. The loss ratio remained on the low side against the backdrop of the unhealthy competition

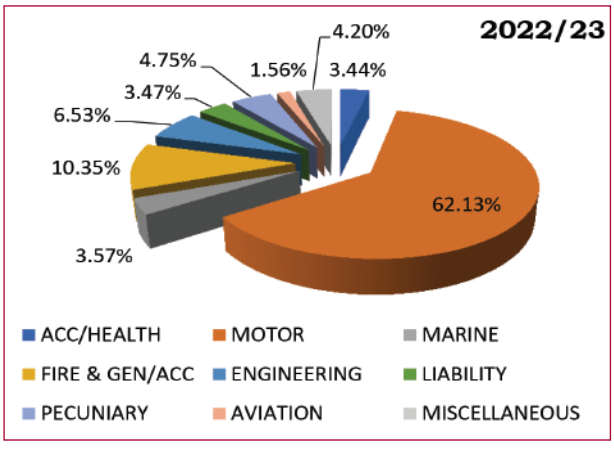
based on premium undercutting, upsurge in the frequency and severity of road accidents and the escalating motor repair costs due to the ever rising inflation.

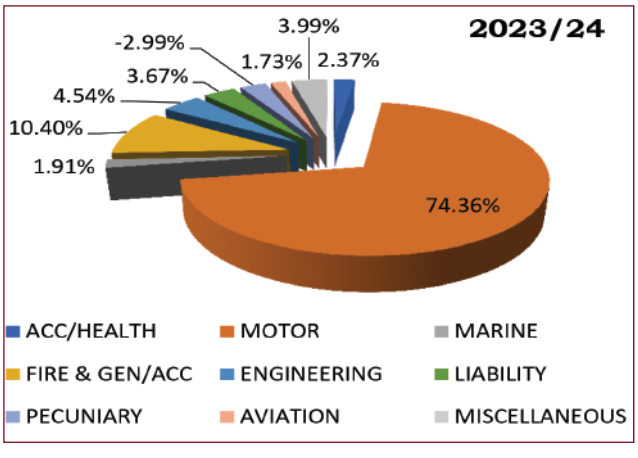
With robust growth of about 49.05%, the total Non-Life Underwriting Profit for the year 2023/24 shot up to ETB622,686,792 from the previous year of ETB417,773,000. It should be noted that all classes of business underwritten during the year under report yielded positive contribution to the Company's Underwriting Profit except Pecuniary class of business. Pecuniary registered underwriting deficit mainly because of the relatively less production performance in Bond business which in turn attributable to the new collateral requirements.

As was in the preceding years, Motor class of business was the largest contributor to the current year's Underwriting Surplus.

Constituting about 63.08% of the Company's total premium portfolio, Motor contributed about 74.36% to this year's surplus against 62.13% of the last year. This was followed by a very far second contribution of Fire and General Accident class to the Underwriting Profit by about10.40%; Engineering 4.54%; Miscellaneous and Liability 3.99% and 3.67% respectively. Accident and Health 2.37%, Marine and Aviation 1.91% and 1.73% respectively and Pecuniary declined by 2.99%.

COMPARATIVE UNDERWRITING SURPLUS/DEFICIT





2.2.3 LIFE & MEDEXIN – PREMIUM GROWTH AND OVERALL PERFORMANCE

At the close of the financial year on June 30, 2024 and as per the latest actuarial valuation undertaken following the closing date, the Company's long-term business (Life Insurance) registered a growth of nearly 51%, generating a GWP of ETB232,390,000 during the reporting year as compared to ETB153,937,000 in the preceding year. The loss ratio for the year was about 46.50%, far below the industry's average of 77%. This was an exceptional achievement attributable to the underwriting prudence and skills of our Life Department which deserve appreciation.

The Company submitted Financial Statements of the Long-Term business for the year ended June 30, 2024 to an external actuarial firm for valuation in compliance with Insurance Business Proclamations and NBE Directives. Accordingly, an actuarial valuation of the Company's Life Fund as at June 30, 2024 was carried out by Kenya based consulting actuaries, Zamara Actuaries, Administrators and Consultants Limited. The actuarial valuation of the Company's Life Fund had revealed an actuarial surplus of ETB50 million. The actuarial firm recommended that the entire surplus of ETB50 million revealed at the valuation be made available to shareholders.We are very grateful to the consulting firm for the professional valuation it carried out as well as for promptly availing the relevant certificate thereon.

2.2.4 CONSOLIDATED RESULTS: PROFIT – LIFE AND NON-LIFE

As can be seen from the IFRS Financial Statements for the year ended June 30, 2024, corporate Underwriting Profit (Life and Non-Life combined) had witnessed a robust growth of 46.59%, a sizable increase to ETB635,311,000 in 2023/24 from ETB433,403,000 in the preceding year. Similarly, Profit Before Income Tax for the reporting year registered a tremendous growth of about 56.58% to reach ETB611,793,000 from ETB390,721,000 in 2022/23. The After-Tax Profit also considerably grew by about 58.92% from ETB327,025,000 in 2022/23 to ETB519,724,000 for the reporting year (2023/24). Income tax expense for the year was computed to be ETB92,069,000 as compared to the last year's figure of ETB63,696,000.

The consolidated result for the reporting year was remarkable given such a robust capital growth and the challenging economic environment the country witnessed during the year just ended. The basic earnings per share (EPS) significantly grew from 47.99% of the preceding year (2022/23) to 52.73% (2023/24), showing a respectable growth of nearly 5 percentage points or about 10%.

2.3 Investments Consolidated (Life and Non- Life)

Income generated from the rent of our four buildings grew by 7% from ETB55,535,000 of the previous year to ETB59,542,000 of the current period (2023/24) but slightly below the budget of ETB60,732,000 by 2% which was mainly attributable to the unoccupied spaces on Kality building.

Interest Income accrued to the Company from bank fixed time deposit, saving account and interest on bonds grew by 73% from ETB162,635,000 of the previous year to ETB282,125,000 of the current year.

Dividend income from Hibret Bank SC and Ethio-Re grew by 47% from ETB37,434,000 of the previous year to ETB54,924,000 of the reporting year.

The Company's overall investment income grew by 55% from ETB255,604,000 of the previous year to ETB396,591,000 in 2023/24.

2.4 Human Resource Development

On June 30, 2024, the Company's total number of staff stood at 563 employees. Out of the total, 282 (50%) were female and 281 (50%) were male. The gender mix remained almost the same as in the preceding year. The total number of staff was 493 last year.

The total staff was composed of 539 (nearly 96%) regular employees and 24 (about 4%) contract workers as at 30 June 2024. The proportion of contract workers decreased to 4% for the reporting year from 7% in the preceding year.

In terms of education, out of the total, 380 staff were degree holders (60 having second degree while 320 holding first degree), 102 had Diplomas while 81 held Certificates or pre-college papers.

During the year under review, 124 new staffs were employed and 54 employees have resigned making employee turnover rate to be about 7% while it was nearly 17% last year same period. The employee attrition rate significantly decreased by about 10 percentage points or by about 59%.

Various trainings were given to 474 staff members including senior management and board of directors during the year under report. Of the total, 446 staffs attended short-term local trainings on various topics and 28 staffs participated in overseas training. Total staff training cost for the year 2023/24 stood at ETB8,717,676 which is slightly above the budget of ETB8,397,756 by 3.8%.

2.5 Market and Business Development

The total market outlets (Branches and Contact Offices) of the Company reached 69 as at June 30, 2024. Out of the 69 outlets, 34 branches were found in Addis Ababa and 17 in upcountry. The remaining 18 were contact offices (10 in Addis Ababa and 8 in upcountry).

Thirty two (32) new Insurance Sales Agents were recruited, trained, licensed and deployed to the market during the year under report. The annual target was to train 25 new sales agents. Furthermore, refreshment training was given to 20 existing sales agents against the annual plan of 15.

The major challenge for the period was the ever skyrocketing office rental prices of the existing branches as well as for new market outlets expansion.

2.6 Information Technology Development

Security enhancements, protecting the Company's resources and data are top priorities of information systems management. Therefore, a number of hardware and software tools were deployed to better secure the technology infrastructure of the Company during the past year.

2.6.1 Firewall Infrastructure

The Company took a huge step towards improving data security by implementing Firewall protection at its main datacenters infrastructure. This enabled the Company to monitor traffic, block threats, ensure data privacy, facilitate secure remote access and block unauthorized users from Company's resource access.

2.6.2 Disaster Recovery (DR) Site Implementation

Companies are required to implement DR sites to regain access and functionality to their IT infrastructure after events like natural disasters, cyber-attack, or business disruptions related to pandemics.

In addition to compliance to regulatory requirements putting recovery plan in place enhances confidence and peace of mind among stakeholders, including employees, customers, and investors.

In this regard, the Company had completed DR site hardware procurement, onsite equipment deployment and software installation during the year just ended.

2.6.3 New System Implementation

The Company has been working hard to replace the existing core insurance system by new all in one customer centric core solution. Accordingly, our Company has signed an agreement with a vendor to implement the stated solution (new software). As per our plan, the new system will be fully implemented in the year 2025.

This job will change our core system into an engine of business growth and maximize the possibility of aligning software solutions with business. The proposed system will enhance the provision of customer services, improve management information system and reinforce the overall integration of operational activities of the Company.

3. CORPORATE GOVERNANCE

The Board held monthly regular meetings over the reporting period, passed key strategic decisions and had taken pertinent actions. It had 15 regular meetings during the year under review from 01 July 2023 to 30 June 2024 and deliberated and taken decisions on institutional affairs of the Company including annual business plan and budget as well as different policy documents and working manuals and resolved on matters of strategic importance.

In addition, the Board had been thoroughly assessing the monthly performance of the Company based on the reports presented to it by Management and gave strategic directions and guidance to Management of the Company.

The Board had also been strictly following-up the implementation of findings and recommendations of the on-site examination and off-site surveillance reports of the NBE, the External Auditors as well as reports by the Internal Audit, Risk Management and Compliance Officer of the Company. It further ensured that appropriate and timely actions were taken to address the regulatory and supervisory concerns.

The Board had also ensured that effective internal audit system, staffed with qualified personnel to perform internal audit functions was put in place. The Board had also been overseeing the operational and administrative affairs of the Company in light of the emerging risks and opportunities.

The Board has four Sub-Committees, i.e., Audit Sub-Committee, Risk Management and Compliance Sub-Committee, Human Resource Affairs Sub-Committee and Business Development Sub-Committee. All the Sub-Committees except Business Development had been meeting monthly and functioning effectively throughout the year in line with the Corporate Governance Directive of the National Bank of Ethiopia.

Following the decision of the Thirteenth Extraordinary General Meeting of Shareholders held on November 10, 2022 to increase the Company's paid-up capital to ETB1,500,000,000 until November 2027, the paid-up capital reached ETB1,068,175,000 at the close of business on 30 June 2024.

During the reporting year, seven Board of Directors had taken training on Advanced Board Strategy and Digital Governance in compliance with NBE's Directive which requires the Directors to take training at least once a year.

Generally, the Board ensured that the operations of the Company had been running prudently, and in accordance with relevant laws, regulations and directives, and Company policies and procedures.

4. FUTURE PROSPECTS

As in previous years, the year under report presented more challenges than opportunities. Challenges dominated the landscape of the Company's operations. Social tensions and conflicts in parts of the country limited free movements and adversely affected the overall economic activities. The rising inflation, continued depreciation of the Ethiopian Birr (ETB) against major currencies, acute shortage of foreign exchange, a significant slowdown in investment, liquidity problems and limited access to bank loans were some of the key challenges that contributed to the overall economic slowdown and reduced business activities during the year under report. The ever worsening competition mainly characterized by premium undercutting and unethical business practices were additional challenges encountered. The increasing cost of doing business in general and the continuously rising prices of spare parts, labor costs and medical expenses further compounded the problem. Moreover, the ever skyrocketing office rental prices and a shortage of skilled and experienced manpower posed challenges on market outlets expansion and the filling of key positions.

We are highly optimistic that the national dialogue under process could end the long and difficult period in Ethiopian politics by drawing together the various political interests thereby bringing about sustainable peace, socio-economic and political stability in the country. We hope that the economy may thrive and grow owing to revival of business activities and investments.

At the time of writing this report, the actual official data for the year 2023/24 was yet to come out. However, according to Trading Economics global macro models and analysts expectations, Ethiopia's economy is expected to have grown by 7.9% in 2023/24 and is expected to reach 8.4% by the end of 2024.

Government's privatization and liberalization programs and possible opening up of the banking sector including retail and wholesale businesses for foreign capital may create business opportunities for insurers. The increase in the number of banks and loan disbursements increase the demand for various insurance covers.

A more supportive regulatory environment may be created by establishment of an independent regulatory and supervisory body for the insurance sector in the year to come. Establishment of capital market further supports the national economy through capital mobilization, promoting financial innovation, and sharing investment risks. The Ethiopian Securities Exchange (ESX) is on the verge of launching its real time trading platform making a momentous milestone for the country's capital market.

Government's strategic direction to expand information communication technologies in general and the expansion of electronic payment systems in particular would promote digital insurance services.

The country has adopted a free floating foreign exchange regime since July 29, 2024, after a long period of the managed float exchange rate system. This landmark decision was a historic move that sought to align the official exchange rate with the parallel market. The decision to allow the currency's value to

be determined by the market was also intended to address the severe foreign exchange shortages. The Government's strategy to fully liberalize the country's foreign exchange market was a significant shift in its economic policy. This move is expected to have profound implications for the country's economy. While the long-term goals of floating the currency could be promising, the immediate effects are expected to be characterized by volatility and uncertainty. If competently implemented, this bold move could open up unprecedented economic opportunities to the country.

As a significant step towards further liberalization of the country's economy, the Government has also passed a decision to grant licenses to forex bureaus. In addition to increasing the availability of foreign exchange within the country, this decision is also anticipated to play crucial role in facilitating remittances from Ethiopian's living abroad. This could boost foreign exchange inflows and support economic growth.

While the economic challenges would have the power to constrain the growth of the insurance industry, the positive developments taking place in the macroeconomic environment are expected to create supportive business environment for the industry to thrive and grow.

In spite of the numerous challenges, the year 2023/24 was a year of success for our Company. I am pleased to report that the Company attained most of the targets set at the beginning of the year and registered another round of success in the year under report.

It is encouraging that the Company has recorded remarkable growth in the year 2023/24 both in General and Long Term Insurance businesses. Such a remarkable achievement has been gained through the support and proper guidance of the Board of Directors, determination and absolute commitment of the management and entire staff of the Company.

The Company has signed a contract with a vendor for acquisition of Core Insurance System. The proposed system will enhance the provision of customer services, improve management information system and reinforce the overall integration of operational activities of the Company. As per our plan, the new system will be fully implemented in the year 2025.

Our CEO was recognized as African CEO OF THE YEAR at the 50th Conference and Annual General Assembly of the African Insurance Organization (AIO) held in Windhoek, Namibia on the 3rd of June 2024. This special award provides a competitive edge for the Company and further promotes its credibility. The award also boosts employee morale and productivity.

The Company had successfully completed a year-long rebranding project and colorfully inaugurated its newly revamped brand identity in a landmark launching ceremony held on September 09, 2024. This was one of the Company's historic events and a milestone that is believed to transform it to the highest level of service excellence. Our 30 years old brand will be replaced by the new one that will take us through to the next decade. In this regard, organized promotional and advertising campaigns shall be conducted throughout the year to effectively communicate the Company's new brand. These campaigns would help us reposition the new brand in the minds of the existing and target customers by enhancing brand visibility.

Three decades have gone by since establishment of Hibret Insurance, formerly known as The United Insurance Company SC or <UNIC-ETHIOPIA> for short. As those three decades did not pass just as shadows of time and in vain, we are set to celebrate the 30th Anniversary of the Company beginning from November 2024 by reflecting on its journey through the past three decades. Throughout its 30 years journey, thanks to the valuable contribution of its customers, proper guidance of the Board of Directors, absolute commitment and passion of its management and employees, the Company is now standing taller and grown remarkably.

Human resource development is one of the top priorities of our Company. Accordingly, the Company will effectively implement its human resource strategy by focusing on staff development and capacity building at all levels. Furthermore, the newly revised management succession planning framework will also be implemented.

The Company is committed to achieving its strategic goals through effective performance management system. Thus, the newly developed performance management system of the Company will be fully implemented in the year 2024/25. The Company's performance shall be objectively evaluated against established goals and targets.

The Company has planned to develop a real estate on the extra open space found behind its Bole Medhanealem building. It has also a plan to start construction of a building at the additional space found at the back of its recovery wreck yard in Akaki Kality Sub City.

We have been approached by different firms to make equity investments. After conducting the required feasibility study on our side, we have invested in the newly established Ethiopian Securities Exchange Share Company (ESX). Such investments will continue to expand and grow our business based on our capacity and viabilities of the projects. After appraisal of feasibilities of the projects, we will expand our investment in compliance with NBE's Directives.

We have finalized the feasibility study to launch sharia compliant insurance product (Takaful) and filed our application to the National Bank of Ethiopia for a license. The product will be launched after we secure the required license. We continue conducting studies and market researches to develop new insurance products in response to specific needs and expectations of customers. We will further improve our product enhancement and enrichment capacity and make tailor-made insurance products available to the market by offering wider product selection to customers.

We reiterate that we will strongly work on market growth

and expansion to stave off market-slippage, improve the Company's market share and competitive position. We continue expanding the Company's operations into new geographic areas by opening new market outlets. We will continue exerting maximum efforts to improve the quality of customer services in all areas of operations.

Despite the apparent challenges, we trust the future of our Company will be brighter than current realities may portend and we are optimistic to emerge successful in the year ahead. We will do our level best to get our fair share from the market in the upcoming budget year.

5. VOTE OF THANKS

The Board of Directors, Management and Staff of Hibret Insurance wish to express their deepest gratitude to all the esteemed Customers of the Company for their continued support and patronage. All shareholders of the Company also deserve special recognition for their wise investment and persistent backing.

The Board and Management also wish to record their appreciation for the association the Company enjoys with its reinsurers and the mutually advantageous business relations it has developed with both insurance and reinsurance brokers.

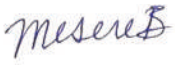
The Board and Management would like to accord sincere gratitude to the National Bank of Ethiopia for its good understanding, cooperation and all-round support.

A special gratitude is due to all its field officers who have played and continue to play a pivotal role in the Company's growth. They help it identify the needs of the insuring public on the one hand and they serve as its ambassadors on the other.

Last but not least, both on behalf of the Board of Directors and myself, I wish to confirm, once again, that the Company's Management and Staff demonstrated their commitment to the Company's continued strive for EXCELLENCE: in their professionalism and strong team spirit without which the commendable results achieved would have not been possible.

United For Excellence!

Wondwossen Teshome
Chairperson, Board of Directors
October 23, 2024



Meseret Bezabih
Chief Executive Officer
October 23, 2024

The directors submit their report together with the financial statements for the period ended 30 June 2024, to the shareholders of Hibret insurance SC. This report discloses the financial performance and state of affairs of the Company .

Incorporation and address

Hibret Insurance SC was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Birr 25 million and an initial paid up capital of Birr 8.073 million. Following the merger with Lion Insurance Company SC in 2002, the Company is currently owned by more than 711 shareholders. As a result of the merger and the decision of the Eleventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Birr 1.5 billion. The paid up capital is now Birr1.07 billion.

Principal activities

The principal activities of the Company is the transaction of general insurance business (non - life) and life insurance business.

Results and dividends

The Company's results for the year ended 30 June 2024 are set out on page 28 .The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2024 Birr'000	30 June 2023 Birr'000
Net Underwriting Income	1,434,807	972,205
Profit before income tax	611,793	390,721
Income tax expense	(92,069)	(63,696)
Profit for the year	519,724	327,025
Other comprehensive income net of taxes	(847)	(1,222)
Total comprehensive income for the year	518,877	325,802

Directors

The directors who held office during the year and to the date of this report are set out on page 24.

Meseret Bezabih
Chief Executive Officer
October 23, 2024

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

Hibret Insurnce
Statement of Directors' Responsibilities
For the year ended 30 June 2024

In accordance with the financial reporting proclamation No. 847/2014 and Insurance Business proclamation No. 746/2012, all reporting entities established in accordance with the Ethiopian law or operating in Ethiopia are to prepare financial statements in line with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB").

The Company's board of directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1243/2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company is required to keep such records as are necessary to:

a. Exhibit clearly and correctly the state of its affairs;

b. Explain its transactions and financial position; and

c. Enable the Accounting and Audit Board of Ethiopia to determine whether the Insurance company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Company's board of directors accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Insurance Business Proclamation, Commercial code of 1243/2021 and the relevant Directives issued by the National Bank of Ethiopia.

The board of directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

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

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Wondwossen Teshome
Chairperson Board of Directors
October 23, 2024

Meseret Bezabih
Chief Executive Officer
October 23, 2024

Chartered Certified Accountants (UK)
Audit Work partnership

Hibret Insurnce
Directors,Professional Advisors and registered office
For the year ended 30 June 2024

Company registration number

KK/AA/3/0006590/2006 E.C (Ethiopian Calendar)

License number

LBB/019/12 G.C (Gregorian Calendar)

Directors *(as of 30 June, 2024)*

		Date of Appointment
Wondwossen Teshome (Ato)	Chairperson	*31/01/2023*
Teguest Yilma (W/t)	Member	*31/01/2023*
Asrat Arega (Ato)	Member	*20/04/2022*
Negussie Aberra (Eng.)	Member	*20/04/2022*
Omedad PVT.LTD.Co. represented by Maryamawit Getamessay (W/ro)	Member	*20/04/2022*
Enat Bank represented By Ermias Andarege (Ato)	Member	*20/04/2022*
Amare Gashaw (Ato)	Member	*20/04/2022*
Ayalew Alemu (Ato)	Member	*20/04/2022*
Alemayehu Gebre (Ato)	Member	*20/04/2022*

Executive management *(as of June 30, 2024)*

Meseret Bezabih (W/ro)	Chief Executive officer	*25/10/2011*
Tesfaye Desta (Ato)	D/CEO - Operations, General Insurance	*01/09/2016*
Azalech Yirgu (W/ro)	D/CEO - Operations, Long Term Insurance	*01/07/2010*
Gizie Alemu (Ato)	Director, Human Capital & Prop. Managment	*30/05/2018*
Bethlehem Mekbib (W/t)	Director, U/W & Technical Services	*01/03/2015*
Dereje Demessie (Ato)	Director, Claims and Engineering	*08/11/2021*
Engida Kassaye (Ato)	Director, Finance & Investments	*01/03/2015*
Aliye Mohammed (Ato)	A/Director, Information System Management	*01/07/2023*
Tilahun Tadesse (Ato)	Director, Business Dev. and Marketing	*01/09/2021*
Yealemayn Hailemariam (Ato)	Manager, Internal Audit	*01/07/2023*
Aron Kassaye	Director,Legal Service	*01/07/2023*

Independent auditor

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia
Addis Ababa
Ethiopia

Corporate office

Hibret Insurance sc
Corporate Head Office: Tewodros Square, Hibret Insurance BLDG,Arada Subcity, Woreda 02, H.No. 220
Addis Ababa, Ethiopia

Principal Bankers

United Bank SC
Commercial Bank of Ethiopia
Bank of Abyssinia

Principal Reinsurers

Africa Re-insurers
Ethiopian Reinsurance Share company
Hannover Reinsurers
ZEP Reinsurers

Consulting Actuaries

General Business

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

Long Term Business

Zamara Actuaries, Administration and Consultant Limited
Lane Mark Plaza , 10th Floor Argwings Kodek Road
Po Box 524339
Nairobi, Kenya

AUDITORS' REPORT

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Kokeb & Melkamu Audit Work Partnership
Certified Accountants (UK) &
Authorized Auditors
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የተፈቀደላቸው ኦዲተሮች

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HIBRET INSURANCE S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hibret Insurance S.C. (the Company), which comprise the statement of financial position as of June 30, 2024, and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly the financial position of Hibret Insurance S.C. as of June 30, 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

During our audit, we noted that the Company did not apply IFRS 9 (Financial Instruments) and IFRS 17 (Insurance Contracts) in the preparation of its financial statements. The impact of this non-compliance on the financial statements is not determinable.

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 within the meaning of Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC), and we have fulfilled our other ethical responsibilities in accordance with these requirements

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards and the Insurance Business Proclamation No. 746/2012 and Directives and Circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible of assessing the Company's ability to continue as a going concern, disclosing as applicable matters related going concern and using the going concern basis of accounting.

Those charged with governance 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, whether the financial statements are properly prepared in accordance with IFRS, the relevant provisions of the Commercial Code of Ethiopia 2021 the Insurance Business Proclamation No. 746/2012, Insurance Business Amendment Proclamation No. 1163/2019 and to issue and auditor's report that includes our opinion.

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E-mail:kokmelk@gmail.com
Mobile Tel +251-911-20-37-78 & +251-911-51-61-46

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Kokeb & Melkamu Audit Work Partnership
Certified Accountants (UK) &
Authorized Auditors
ሠርተፋይድ አካውንታንትስ (የኬ) እና
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Report on other Legal and Regulatory Requirement

We have no comments to make on the report of your Board of Directors as it relates to the financial statements, and pursuant to Article 349 (1, 2 & 3) of the Commercial Code of Ethiopia 2021, we recommend the approval of the financial statements.

The Company's Board of Directors has recommended to the General Assembly of Shareholders that Birr 467,751,928 be distributed as dividend payments before board remuneration and applicable dividend taxes. Since the proposed dividends are subject to approval by the shareholders, we have no reservations regarding the proposal.

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia

Addis Ababa
October 17, 2024

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Hibret Insurance
Statement of Profit or Loss and Other Comprehensive income
For the year ended 30 June 2024

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Gross written premiums	6	1,962,166	1,507,209
Change in unearned premium reserve	6	(143,604)	(241,413)
Gross earned premiums		**1,818,562**	**1,265,796**
Less: Premiums ceded to reinsurers	6	508,510	390,577
Net earned premiums		**1,310,053**	**875,219**
Commission income	7	124,754	96,987
Net underwriting income		**1,434,807**	**972,205**
Claims and policy holder benefits incurred	10	764,841	541,930
Less : claims recoveries from reinsurers	10	(71,542)	(78,387)
Net claims and benefits		**693,299**	**463,543**
Underwriting expenses	12	106,198	75,259
Total underwriting expenses		**799,496**	**538,802**
Underwriting profit		**635,311**	**433,403**
Investment income	8	396,591	255,604
Other income	9	3,391	4,443
Net income		**1,035,293**	**693,451**
Operating and other expense	11	414,181	299,807
Impairment on insurance receivable	11a	8,351	1,980
		612,761	**391,664**
Finance (income) / costs	13	969	944
Profit before income tax		**611,793**	**390,721**
Income tax expense	31	(92,069)	(63,696)
Profit for the year		**519,724**	**327,025**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain/(loss) on retirement benefits obligations	33	(1,210)	(1,746)
Deferred tax (liability)/asset on Re-measurement gain or loss		363	524
Total comprehensive income for the year		**518,877**	**325,802**
Basic earnings per shares (in Birr)	35	**527.29**	**479.85**

Wondwossen Teshome
Chairperson, Board of Directors
October 23, 2024

Chartered Certified Accountants (UK)
Tsegab&Melkamu Audit Work Partnership

Meseret Bezabih
Chief Executive Officer
October 23, 2024

Hibret Insurnce
Statement of Financial Position
For the year ended 30 June 2024

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
ASSETS			
Property, plant and equipment	14	410,449	370,188
Investment properties	15	273,170	278,387
Intangible assets	16	11,514	3,686
Right-of-use assets	32	22,004	19,047
Investment securities :			
Available for sale	17	286,374	221,500
Loans and receivables	17	81,526	28,686
Statutory deposits	18	166,548	130,314
Reinsurance receivables	19	8,449	8,164
Insurance receivables	20	11,250	6,261
Reinsurance assets	21	596,984	333,789
Policy holder loans	22	87	97
Deferred acquisition costs	23	54,234	45,584
Salvage property held for sale	24	19,302	31,640
Other assets	25	54,035	31,478
Deposits with financial institutions	26	2,377,817	1,685,260
Cash and cash equivalents	26	145,423	96,240
Total assets		**4,519,165**	**3,290,324**
LIABILITIES			
Insurance contract liabilities/Gross/	27	1,928,443	1,370,568
Deferred reinsurance commission	28	50,908	43,007
Insurance Payables	29	203,013	123,467
Other liabilities	30	190,461	149,551
Current income tax liabilities	31	64,046	37,928
Lease Liabilities	32	11,856	10,265
Defined benefit obligations	33	9,496	6,905
Deferred income tax	31	59,960	53,374
Total liabilities		**2,518,182**	**1,795,065**
EQUITY			
Share capital	34	1,068,175	840,596
Share premium	36	15,202	21,717
Retained earnings	36	467,752	294,322
IFRS Adoption Re-measurement Reserve	36	65,940	65,940
Legal reserve	37	198,151	146,178
Life fund reserve	38	189,178	129,074
Other reserve	39	(3,415)	(2,569)
Total equity		**2,000,983**	**1,495,259**
Total equity and liabilities		**4,519,165**	**3,290,324**

The financial statements and notes to the financial statement shown on pages 28 to 111 were approved and authorized for issue by the board of directors on October 23, 2024 and were signed on its behalf by:

Wondwossen Teshome
Chairman, Board of Directors
October 23, 2024

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

Meseret Bezabih
Chief Executive Officer
October 23, 2024

Hibret Insurnce
Statement Of Changes in Equity
For the year ended 30 June 2024

	Notes	Share capital	Share premium	Retained earnings	IFRS Adoption Re-measurement Reserve	Legal reserve	Life fund reserve	Other reserves	Total
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2022		**499,278**		**163,403**	**65,940**	**113,476**	**83,262**	**(1,347)**	**858,072**
Profit for the year	36			327,025		-	-	-	327,025
Transfer to legal reserve	37			(32,703)		32,703			-
Transfer to capital		341,318							341,318
Transfer to life fund	38						45,812	-	45,812
Premium availed for distribution			21,717						21,717
Transaction with owners in their capacity as owners:									-
Dividends declared and paid				(163,404)					(163,404)
Other comprehensive income:									-
Re-measurement gains on defined benefit plans (net of tax)								(1,222)	(1,222)
Total comprehensive income for the year		341,318	21,717	130,918	-	32,703	45,812	(1,222)	571,245
As at 30 June 2023		**840,596**	**21,717**	**294,322**	**65,940**	**146,178**	**129,074**	**(2,569)**	**1,495,259**
As at 1 July 2023		**840,596**	**21,717**	**294,322**	**65,940**	**146,178**	**129,074**	**(2,569)**	**1,495,259**
Profit for the year				519,724					522,867
Deferred tax accounted for in un-distributable profit									-
Share Premium paid Tax			(6,515)						(6,515)
Transfer to legal reserve				(51,972)		51,972			-
Transfer to capital		227,579		-					227,579
Transfer to life fund				-			60,104		60,104
Transaction with owners in their capacity as owners									-
Contribution of equity net of transaction costs									-
Dividends declared and paid				(294,322)					(294,322)
Other comprehensive income:									-
Re-measurement gains on defined benefit plans (net of tax)								(846)	(846)
									-
Total comprehensive income for the year		**227,579**	**(6,515)**	**173,430**	**-**	**51,972**	**60,104**	**(846)**	**505,724**
As at 30 June 2024		**1,068,175**	**15,202**	**467,752**	**65,940**	**198,151**	**189,178**	**(3,415)**	**2,000,983**

Wondwossen Teshome
Chairman, Board of Directors
October 23, 2024

Meseret Bezabih
Chief Executive Officer
October 23, 2024

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

Hibret Insurnce
Statement Of Cash Flows
For the year ended 30 June 2024

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Cash flows from operating activities			
Cash generated from operations	40	994,940	757,743
Interest income	8	(279,679)	(162,635)
Dividend income	8	(54,924)	(37,434)
Income tax paid	31(d)	(59,364)	(27,717)
Rent income	8	(59,542)	(55,534)
Net cash inflow from operating activities		**541,429**	**474,421**
Cash flows from investing activities			
Purchase of investment securities	17	(64,874)	(5,124)
Investment in Fixed time deposit	26	(692,558)	(823,210)
Purchase of investment property	15	(1,151)	(145)
Right of use assets	32	(5,417)	(6,169)
Purchase of intangible assets	16	(8,890)	(2,660)
Purchase of property, plant and equipment	14	(65,389)	(37,750)
Proceeds from sale of property, plant and equipment	40	622	1,150
Dividends received		54,924	37,434
Proceeds from policy loans		10	4
Rent income received		59,542	55,534
Interest income received		279,679	162,635
Increase in statutory deposit	18	(36,234)	(52,505)
Net cash (outflow)/inflow from investing activities		**(479,734)**	**(670,804)**
Cash flows from financing activities			
Dividends paid		(294,322)	(163,404)
Proceeds from issues of shares		227,579	363,036
Repayment of lease liability		(5,872)	(4,419)
increase in life fund		60,104	46,231
Net cash (outflow)/inflow from financing activities		**(12,511)**	**241,442**
Net increase in cash and cash equivalents		**49,184**	**45,059**
Cash and cash equivalents at the beginning of the year	26	96,239	51,180
Cash and cash equivalents at the end of the year	26	**145,423**	**96,239**

Chartered Certified Accountants (UK)
Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

1. General information

Hibret Insurance SC, was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Br 25 million and an initial paid up capital of Br 8.073 million. Following the merger with Lion Insurance Company SC in 2002, the Company is currently owned by more than 711 shareholders. As a result of the merger and the decision of the Eleventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Br 1.5 billion. The paid up Capital is now Br1.07 billion.

The Company's registered office is at:

Hibret Insurance SC
Corporate Head Office: Tewords Square, Hibret Insurance BLDG, Armada Sub city, Worde 02,House No:220 ,Addis Ababa, Ethiopia.

The Company is principally engaged in the business of non life and life insurance services and other ancillary business activities to clients in Ethiopian Market.

2. Summary of significant accounting policies

2.1. Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2. Basis of preparation

The financial statements for the year ended 30 June 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year ended 30 June 2024.

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

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2.1. Going concern

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

2.2.2 Changes in accounting policies and disclosures

(I) New Standards, amendments and interpretations applied in financial year ended.

Effective July 1, 2023, the Company has adopted the following new or amended accounting standards that became effective during the current fiscal year. While several new standards, interpretations, and amendments to existing standards were published, the Company assessed their relevance to its operations and only adopted those that were applicable. Unless otherwise noted, the adoption of these new standards did not have a material impact on the Company's operations.

Amendments to IAS 1 Presentation of financial statements

Amendments to IAS 1, Presentation of financial statements" effective for annual periods beginning on or after 1 January 2024. These amendments clarify that liabilities are classified as either current or non current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The Company is currently assessing the impact of these amendments.

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Disclosure of accounting policies (Amendments to IAS 1, presentation of financial statements, and IFRS practice statement2,making materiality judgments)

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarifying that entities are required to disclose their "material" rather than "significant" accounting policy, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

Amendments to IAS 8, accounting policies, change in accounting estimates and errors-definition of accounting estimate.

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. earlier application is permitted. Entities are required to apply the amendments prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

Amendments to IAS 12, income taxes. " deferred tax related to assets and liabilities arising from a single transaction"

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Entities should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

IFRS 17 & IFRS 9

Globally, IFRS 17 and IFRS 9 became effective for the insurance sector on January 1, 2023. While our company initially intended to adopt these standards in July 2023, our financial year's alignment with this deadline and various internal challenges has led us to postpone their implementation until the 2024/2025 fiscal year. This decision is primarily motivated by the substantial complexity and costs associated with these new standards. We believe this approach will facilitate a smoother transition, minimizing disruptions to our operations and financial reporting

(ii) New Standards, amendments and interpretations applicable in future financial years.

Several new accounting standards and amendments became effective for annual periods beginning after June 30, 2023. These changes were not applied in preparing these financial statements. The Company expects that none of these new standards will have a material impact on its financial statements.

Amendments to IAS 1-Non current Liabilities with covenants

Amendments to IAS 1- Non - current liabilities with covenants. These amendments clarify how conditions with an entity must comply within twelve months after the reporting period affect the classification of liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. Published January 2020 and November 2022, with effect date annual periods beginning on or after 1 January 2024. The adoption is not expected to have a material impact on the Insurance's financial statements.

IFRS S1 General Requirements for Disclosure of sustainability - related Financial Information

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. An entity is required to apply IFRS S for annual reporting periods beginning on or after January 2024.

IFRS S2-Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. An entity is required to apply IFRS S2 for annual reporting periods beginning on or after 1 January 2024.

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

IFRS 18

The objectives of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 applies to all financial statements that are prepared and presented in accordance with International Financial Reporting Standards (IFRS).

IFRS 18 replaces IAS 1 and responds to investor demand for better information about an entity's financial performance. IFRS 18 sets out the general and specific requirements for the presentation of financial statements and for disclosures in the notes. The new requirements of the standard include:

- Required totals, subtotals and new categories for all income and expenses included in the statement of profit or loss.
- Disclosure about management -defined performance measures.

- Enhanced guidance on the grouping and location of information (aggregation and disaggregation)

Limited, but widely applicable, amendments have been made to other IFRS accounting standards, most notably IAS7, IAS33 and IAS34. Some requirements previously included in IAS 1 have been moved to IAS8, and that standard has also been renamed. IFRS 18, and the consequential amendments to other standards, are effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements along with specified reconciliations for certain comparative periods.

Amendment to IFRS 16- Leases on sale and leaseback

The amendments to IFRS 16 introduce a new accounting model for variable lease payments in sale-and-leaseback transactions. This new model requires seller-lessees to reassess and potentially restate these transactions entered into since 2019. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Key points of the amendments include:

New accounting model for variable lease payments: The amendments introduce a new model that simplifies the accounting treatment of variable lease payments in sale-and-leaseback transactions.

Retrospective application: Seller-lessees will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16, potentially resulting in the need to restate their financial statements.

Potential impact on financial statements: The amendments may have a significant impact on the financial statements of entities that have entered into sale-and-leaseback transactions due to the potential need to restate prior periods.

Amendment to supplier Finance arrangements (IAS7 and IFRS7)

The amendments introduce two new disclosure objectives-one in IAS7 and another in IFRS7- for a Company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the Company's liabilities and cash flows, and the Company's exposure to liquidity risk.

Amendments to IAS 21 Lack of exchangeability (Amendments to IAS 21)

The amendments to IAS 21 (The Effects of Changes in Foreign Exchange Rates) regarding the lack of exchangeability of foreign currency provide clearer guidance on how entities should account for foreign exchange transactions in situations where the foreign currency is not readily convertible into other currencies.

Key Implications:

Lack of Exchangeability: When a foreign currency is not readily convertible, it is considered to be "lacking exchangeability." This could be due to various reasons, such as government restrictions or market limitations.
Functional Currency: The functional currency of an entity is the currency in which the entity primarily generates and expends cash. If the functional currency is different from the currency in which transactions are denominated, the entity needs to translate those transactions into the functional currency.

Translation Adjustments: When translating foreign currency transactions into the functional currency, entities may need to recognize translation adjustments. These adjustments are recognized in other comprehensive income (OCI).

Lack of Exchangeability and Translation Adjustments: The amendments clarify that when a foreign currency lacks exchangeability, entities should not recognize translation adjustments for transactions denominated in that currency. This is because there is no reliable exchange rate available to translate the transactions.

Disclosure Requirements: Entities are required to disclose the reasons for the lack of exchangeability of a foreign currency and the impact on the financial statements.

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work Partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Detailed Summary:

1. **Identify Lack of Exchangeability:** Entities need to assess whether a foreign currency is readily convertible. If it is not, the currency is considered to lack exchangeability.

2. **Determine Functional Currency:** The functional currency of the entity is the primary currency used for generating and expending cash.

3. **Translate Transactions:** Transactions denominated in foreign currencies are translated into the functional currency using appropriate exchange rates.

4. **Recognize Translation Adjustments:** When translating transactions, entities may need to recognize translation adjustments in OCI.

5. **No Translation Adjustments for Lack of Exchangeability:** If a foreign currency lacks exchangeability, entities should not recognize translation adjustments for transactions denominated in that currency.
6. **Disclosure Requirements:** Entities must disclose the reasons for the lack of exchangeability and the impact on the financial statements.

Overall, the amendments to IAS 21 provide clearer guidance on the accounting treatment of foreign exchange transactions in situations where the foreign currency lacks exchangeability. This helps to ensure that financial statements accurately reflect the impact of foreign exchange fluctuations.

The above standards are not expected to materially affect the Company's financial statements.

2.3 . Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate . Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share of profit of an associate and a joint venture' in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in income statement.

2.4. Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

2.5. Property, plant and equipment

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

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

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

Asset class	Depreciation rate (years)	Residual value (%)
Buildings	50	5%
Lifts	15	1%
Office and other equipment	7	1%
Furniture and fittings	10	1%
Computer equipment	7	1%
Motor vehicle	10	5%
Fence and recovery improvements	10	1%

The Company commences depreciation when the asset is available for use. Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.
An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. 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 derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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.

Subsequent expenditure is capitalized 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 derecognized.

Earned rental income is recorded in profit or loss for the year within (other operating income). Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately. Investment properties are de-recognised when they have been disposed. Where the insurance disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of changes in net assets available for benefit.

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

2.7 Intangible assets

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

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

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

Intangible assets class	Useful lives (years)	Residual value (%)
Computer software	8	0%

2.8 Deferred acquisition costs (DAC)

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

DAC is subsequently amortized over the life of the contracts as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortized over the terms of the policies as premium is earned;
- For long-term insurance contracts with fixed and guaranteed terms, DAC is amortized in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and
- For long-term insurance contracts without fixed terms and investment contracts with DPF, DAC is amortized over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts. The pattern of expected profit margins is based on historical and anticipated future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is charged to revenue.

2.9. 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 deposit is measured at cost.

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 unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

2.10.1 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.

2.10.2 Financial assets

2.10.2.1 Initial recognition and measurement

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

2.10.2.2 Subsequent measurement

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

- Loans and receivables

a) ***Loans and receivables***

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

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

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

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

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. 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 if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss. Refer to the information below under reclassification.

c) **'Day 1' profit or loss**

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

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

d) Reclassification of financial assets

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

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

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

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

e) 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 derecognized (i.e. removed from the Company's statement of financial position) when:

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

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

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

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

f) Impairment of financial assets

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

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

(i) Financial assets carried at amortized cost

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

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

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

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.
The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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

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

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

The amount of the loss recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

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

2.10.2 Financial liabilities

a) Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include customer's deposits, margin held on letter of credits, and other liabilities. Interest expenditure is recognized in interest and similar expense.

Chartered Certified Accountants (UK)
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Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

b) **Subsequent measurement**

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

c) **Financial liabilities at amortized cost**

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

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

d) **De-recognition of financial liabilities**

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

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

2.10.3 **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize 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.

2.11 **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 the following:

(a) ***Prepayments***

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

(b) ***Other receivables***

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received.

The Company's other receivables are rent receivables and other receivables from debtors.

2.12 **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 and restricted balances with National Bank of Ethiopia.

2.13 **Insurance and investment contracts**

Classification

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

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

Chartered Certified Accountants (UK)
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a) That are likely to be a significant portion of the total contractual benefits;
b) Whose amount or timing is contractually at the discretion of the Company; and
c) That are contractually based on:
. the performance of a specified pool of contracts or a specified type of contract;
. realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
. the profit or loss of the Company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders); the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the relevant local appointed actuary.

2.14 Insurance contracts and investment contracts with DPF

a) Recognition and Measurement

IFRS4p37(a) Insurance contracts and investment contracts with DPF are classified into four main categories, depending on the
duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts. Causality 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 (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

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

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

(ii) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration.
Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly

shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognized as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

(iii) Long-term insurance contracts without fixed terms and with DPF – unit-linked and universal life

These contracts insure human life events (for example, death or survival) over a long duration. However, insurance premiums are recognized directly as liabilities. These liabilities are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

The liability for these contracts includes any amounts necessary to compensate the Company for services to be performed

over future periods. This is the case for contracts where the policy administration charges are higher in the initial years

than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders.

This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Universal life contracts contain a DPF that entitles the holders to a minimum guaranteed crediting rate per annum (3% or 4%, depending on the contract commencement date) or, when higher, a bonus rate declared by the Company from the DPF

eligible surplus available to date. the Company has an obligation to eventually pay to contract holders at least 90% of the DPF eligible surplus (that is, all interest and realized gains and losses arising from the assets backing these contracts).

Any portion of the DPF eligible surplus that is not declared as a bonus rate and credited to individual contract holders is retained in a liability for the benefit of all contract holders until declared and credited to them individually in future periods. In relation to the unrealized gains and losses arising from the assets backing these contracts (the DPF latent surplus), the Company establishes a liability equal to 90% of these net gains as if they were realized at year-end.

Shareholders' interest in the DPF latent surplus (equal to 10%) is recognized in the equity component of DPF.
Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims incurred in the period are charged as expenses in the income statement.

(b) 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 in (a) above, long-term insurance contracts with fixed terms 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.

(c) Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.15 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

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

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

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement. the Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.9.

(d) Receivables and payables related to insurance contracts and investment contracts

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

The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.8.

(e) Salvage and subrogation reimbursements

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

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

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

f) Deferred income

Deferred income represents apportion 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.

2.15 Insurance contracts Liabilities

The recognition and measurement of insurance contracts have been set out under Note2.11. Insurance contract Liabilities arising from insurance contracts are determined as follows:

(a) Non- Life Insurance contracts

(i) Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported (" IBNR ") as at the balance sheet date. The IBNR is based on the liability adequacy test described in note 2.14.

(ii) Reserves for unearned premium and unexpired risk

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve.

At the end of each reporting period, proportions of net retained premium of the general insurance are provided to cover portions of risks which have not expired. The reserves are calculated on 1/24th method as prescribed by the directive of the National Bank of Ethiopia.

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

(iii) Reserve methodology

Data Segmentation: The data used for reserving is segmented into the following classes as per the NBE Directives:

. Accidents
. Fire
. Burglary and housebreaking and/or theft
. Engineering
. Employer's Liability
. Fire
. Goods in transit
. Liability
. Marine
. Medical Expense
. Motor
. Pecuniary and;
. Others

(b) Life Insurance contracts

This is made up of net liabilities on policies in force as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the Life insurance contracts are recognised in the statement of profit or loss. The reserves include incurred but not reported (IBNR) and unearned premium reserve (UPR).

Reserve methodology

Data segmentation: The data used for reserving is segmented into the following classes:

. Term
. Endowment
. Whole Life
. Permanent health
. Investment linked insurance and:
. Others

2.16 Recognition of income and expenses

Revenue is measured as the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of taxes or duty.

revenue is recognised at an amount that reflects the consideration to which the insurance expects to be entitled for performing its services for a customer. Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The insurance recognises income when it has fulfilled its obligation and the right to receive the related sum as assured.

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the insurance's activities. Income is recognised when it is probable that the economic benefits associated with transaction will flow to the insurance and the amount of income, and associated costs incurred or to be incurred can be measured reliably.

The insurance, earns income from written premium, Fees and commission, Investment and dividend.

a) Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized 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 recognized 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 recognized 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 on a daily pro rata basis. 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 recognized 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 recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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

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

c) **Fees and commission income**

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

d) **Investment income**

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

Investment income also includes dividends when the right to receive payment is established.

e) **Dividend income**

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

f) **Foreign exchange revaluation gains or losses**

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the income statement and it is further broken down into realized and unrealized portion.

The monetary assets and liabilities include financial assets within the foreign currencies deposits received and held on behalf of third parties.

2.17 **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.

2.18 **Reinsurance claims**

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

2.19 **Finance cost**

Interest paid is recognized 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.

2.20 **Employee benefits**

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post employment 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 Insurance operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively; with additional 3%

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Provident fund, funding for employees under pension scheme

ii) provident fund contribution, funding under this scheme is 6% and 14% by employees and the Company respectively based on the employees' salary

Once the contributions have been paid, the insurance 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 insurance's obligations are recognised in the profit and loss account.

(c) Defined benefit plan

The insurance operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in service of the insurance are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of gratuity benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation. Company's contributions to this scheme are charged to profit or loss in the year in which they relate. 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.

(d) Termination benefits

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

(e) Profit- sharing and bonus plan

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

2.21 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, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 4.7.1 and Notes 3
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
- Financial instruments (including those carried at amortized cost) Note 4.7.3

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

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

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

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

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

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

2.22 . Provisions

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

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

2.23 Insurance payable

Insurance payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.24 Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.25 Share capital

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

2.26 Earnings per share

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

Diluted EPS is determined by adjusting the profit of loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the efforts of all diluted potential ordinary shares.

2.27 Retained earnings

The net profits or losses from operations in current and prior periods are accumulated in retained earnings less distributions to equity holders.

2.28 Legal reserves

In accordance with article 22 sub article (1) and (2), of insurance Business Proclamation No. 746/2012,the Company, at the end of each financial year, transfers to its legal reserve to account a sum of not less than 10% of profit. When the legal reserve becomes equal to the paid up capital of the Company ,the amount of the legal reserve to be retained by the Company each year from its net profit shall be determined by The National Bank of Ethiopia's Directive.

2.29 Dividend

Dividends are recorded in equity in the period in which they are declared. Any dividend declared after the end of the reporting period and before the financial statements are authorized for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations.

2.30 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 recognised as expense when incurred, with the exception of acquisition costs which are recognised on a time apportionment basis in respect of risk.

2.31 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. If the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration- i.e. the customer has the rights to:

. obtain substantially all of the economic benefits from using the assets; and
. direct the use of the asset.

As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments and right-of use assets representing the right to use the underlying assets.

a) assets

The Company recognises right-of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any Re-measurement of lease liabilities. The cost of right-of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of use assets arising from a lease are initially measured on a present value basis and also subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest bearing finance lease liabilities.

c) Short term leases and leases of low value assets

The Company applies the short term lease recognition exemption to its short term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term.

As a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Lease income arising is accounted for on a straight line basis over the lease terms and is included in investment income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent rents are recognized as revenue in the period in which they are earned.

2.32 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 for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the

reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

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Notes to the financial statements
For the year ended 30 June 2024

3 Significant accounting judgments, estimates and assumptions

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

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

- Capital management Note 4.6
- Financial risk management and policies Note 4
- Sensitivity analyses disclosures Note 4.5.2

3.1 Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:
Determining the lease term of contracts with renewal and termination options - as a lessee
The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension option (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Operating lease commitments -Company as lessor

The Company has entered into lease of Land and its office building. 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 Land and office building, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.2 Estimates and assumptions

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

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

a) **Valuation of insurance contract liabilities**
Life insurance contract liabilities

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

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

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 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

b) ***Impairment losses on loans and receivables***

The Company assesses at the end of every reporting period whether there is any objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets

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that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cash flow from collateral obtained would arise within 24 months.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgment applied in the calculation of the Company's impairment charge on financial assets are set out in the Financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

c) ***Liabilities arising from insurance contracts***

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

d) ***Retirement benefit obligations***

the present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of severance pay obligations. The assumptions used in determining the net cost (income) include the discount rate , rate of return on assets, future salary increments and mortality rates.

The Company determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Other key assumptions for retirement benefit obligations are based in part on current market conditions.

e) ***Depreciation and carrying value of property, plant and equipment***

The estimation of the useful lives of assets is based on Management's judgment. The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. Property, plant and equipment is depreciated over its useful life. estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase expenses and decrease the carrying value of non-current assets.

f) ***Impairment of non- financial assets***

The Company reviews other non-financial assets for possible impairment if there are events or changes in circumstances that indicate that the carrying values of the assets may not be recoverable, or at least at every reporting date, when there is any indication that the asset might be impaired. The Company is of the opinion that there is no impairment indicator on its non-financial assets as at the reporting date.

g) ***Fair valuation of investment properties***

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value

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is determined by reference to observable market prices. The fair value of investment property does not reflect the related future benefits from this future expenditure. These valuations are performed by external appraisers. Assumptions are made about expected future cash flows and the discounting rates.

h) ***Fair value measurement of financial instruments***

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.7.2 for further disclosures.

i) ***Income taxes***

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

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

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4.1 Introduction

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

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 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 and compliance work unit is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the work Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company's overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board's Risk and Compliance Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management to ensure that procedures are compliant with the overall framework. The 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 and Investment work unit 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 as per the Company's approved investment and liquidity policy .

4.1.2 Risk Measurement and Reporting Systems

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statically model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected segments. In addition, the Company measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

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

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Risk management reports are presented by the risk management work unit based on the National bank of Ethiopia risk parameters and company's identified risks. The reports are discussed in the quarterly report of the Risk management and Compliance committee meetings. Control processes are also regularly reviewed at Business unit level and changes agreed with the Board.

4.2 Insurance Risk

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

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting policy and procedures as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation programmed. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is surplus treaty 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 are determined based on the company's reinsurance policy and 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.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Life Insurance Contracts

The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

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 diversification across industry sectors and geography, 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, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Keyassumptions

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:

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➢ **Mortality and morbidity rates**

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. 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. Assumptions are differentiated by sex, underwriting class and contract type. 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 and national tables, 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 shareholders.

➢ **Discountrate**

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

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

Sensitivities Analysis

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. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

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

		Change in liability			
		30 June 2024	30 June 2023	30 June 2022	30 June 2021
Change in assumptions		Birr'000	Birr'000	Birr'000	Birr'000
Mortality/morbidity rate	10%	3,692,588	851,527	225,440	214,743
Investment return	1%	(8,560,076)	(3,622,379)	(3,262,405)	(2,935,038)
Expenses	10%	7,341,633	4,326,667	3,876,287	3,461,677
Lapse and surrenders rate	10%	(992,074)	(1,216,347)	(402,003)	(297,595)

Chartered Certified Accountants (UK)
Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Change in assumptions		Change in liability 30 June 2024 Birr'000	30 June 2023 Birr'000	30 June 2022 Birr'000	30 June 2021 Birr'000
Mortality/morbidity rate	-10%	(3,708,931)	(852,613)	(215,169)	(208,762)
Investment return	-1%	9,453,407	3,939,916	3,511,490	3,171,649
Expenses	-10%	(7,341,117)	(4,298,415)	(3,869,431)	(3,454,189)
Lapse and surrenders rate	-10%	1,031,599	1,295,230	417,702	310,789

The above analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values; and change in lapses and future mortality.

Non- Life Insurance Contracts

The Company principally issues the following types of general insurance contracts: Property ,Personal and Liability insurance coverage to policyholders and are not guaranteed as renewable. Most of Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from Natural and Man-made clay mates. For longer tail claims that take some years to settle, there is also inflation risk.

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

30 June 2024	Claims reported Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Incurred but not reported Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Accident	1,357	654	703	1,615	428	1,187
Medical expense	1,449	85	1,364	839	226	613
W/c	4,585	225	4,360	1,996	100	1,896
Motor	418,724	44,401	374,323	103,171	11,308	91,864
Marine	2,441	227	2,215	2,043	123	1,920
Goods in transit	9,907	495	9,412	1,215	67	1,148
Aviation				4,772	4,533	239
Fire	25,575	18,998	6,578	23,206	19,415	3,791
Burglary and House breaking	294	43	251	1,693	1,308	385
Engineering	14,681	10,361	4,319	6,357	4,486	1,870
Liability	21,373	1,069	20,305	6,800	340	6,460
Pecuniary	282,171	272,273	9,897	6,670	6,436	234
Total	782,557	348,830	433,727	160,377	48,771	111,606

30 June 2023	Claims reported Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Incurred but not reported Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Accident	60	1	59	887	44	843
Medical expense	1,123	56	1,067	469	23	445
W/c	1,836	83	1,753	1,385	69	1,315
Motor	316,342	19,745	296,597	59,312	3,935	55,377
Marine	1,520	188	1,331	1,122	109	1,012
Goods in transit	775	38	737	612	60	552
Aviation				2,102	1,997	105
Fire	4,400	1,801	2,599	12,499	5,636	6,863
Burglary and House breaking	778	436	342	1,216	380	836
Engineering	21,036	14,245	6,791	2,819	1,968	851
Liability	14,504	685	13,819	5,030	251	4,778
Pecuniary	91,710	84,686	7,024	4,151	3,845	307
Total	**454,082**	**121,964**	**332,118**	**91,603**	**18,318**	**73,285**

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

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 judgments are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivity analysis

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.

The table below looks at how changes in in the claims cost affects the current liability. A 10% increase will lead to liability increase of ETB 16.22 million and a 10% decrease will lead to a liability decrease of ETB15.9 million.

a) A 10% increase will lead to a liability increase of ETB 16.22 million

		Change in liability	
	Increase in gross Liabilities	30 June 2024 Birr'000	30 June 2023 Birr'000
Average claim cost	+10%	16,215,043	9,273,187
Average number of claims	+10%	16,215,043	9,273,187

b) A 10% decrease will lead to a liability decrease of ETB 15.9 million

		Change in liability	
	Decrease in gross liabilities	30 June 2024 Birr'000	30 June 2023 Birr'000
Average claim cost	-10%	(15,892,542)	(9,067,980)
Average number of claims	-10%	(15,892,542)	(9,067,980)

The gross IBNR is estimated at ETB 160.40million and the outstanding claims are estimated at ETB 765.80 million and the total Actuarial liability is estimated at ETB 926.20million.

IBNR	160,376,673	91,603,231
Outstanding claims	765,781,077	433,332,433
Total Actuarial Liability	926,157,750	524,935,664

Claims development Triangle

The following table 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	2019 Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000	2023 Birr'000	2024 Birr'000
At the end of claim year	293,254,980	253,619,810	309,437,604	406,808,469	463,664,987	737,413,458
One year later	7,112,738	8,662,445	2,903,817	7,799,064	14,067,830	0
Two year later	252,668	201,745	86,870,427	1,204,859		
Three year later	198,909	952,773	171086			
Four year later	46,352	32,369	0			
Five year later						
Cumulative incurred claims	300,865,647	263,469,142	399,382,934	415,812,392	477,732,817	737,413,458
IBNR	634	223,253	391,768	6,700,872	23,158,185	129,901,961
Ultimate claims projected	300,866,281	263,692,395	399,774,702	422,513,264	500,891,002	867,315,419

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Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

4.2 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 amortized 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 summarized in the table below:

Financial Assets

	Notes	Availble-For-Sale	Loans and receivables	Total
30 June 2024		Birr'000	Birr'000	Birr'000
Investment securities:				
- Loan and receivables	17	0	81,526	81,526
- Available for sales	17	286,374		286,374
Other assets	25		31,738	31,738
Reinsurance assets	21		596,984	596,984
Loan to life policy holders	22		87	87
Deposit with financial institutions	26		2,377,817	2,377,817
Cash and cash equivalents	26		145,423	145,423
Total financial assets		286,374	3,233,574	3,519,948

	Notes	Availble For Sale	Loans and receivables	Total
30 June 2023		Birr'000	Birr'000	Birr'000
Investment securities:				
- Loan and receivables	17		28,686	28,686
- Available for sales	17	221,500		221,500
Other assets	25		27,049	27,049
Reinsurance assets	21		333,789	333,789
Loan to life policy holders	22		97	97
Deposit with financial institutions	26		1,685,260	1,685,260
Cash and cash equivalents	26		96,240	96,240
Total financial assets		**221,500**	**2,171,121**	**2,392,621**

Financial Liabilities		Other financial liabilities	Total
30 June 2024		Birr'000	Birr'000
Insurance Payables	29	203,013	203,013
Insurance contract liabilities/Gross/	27	1,928,443	1,928,443
Other payables	30	46,251	46,251
Total financial Liabilities		**2,177,707**	**2,177,707**

		Other financial liabilities	Total
30 June 2023		Birr'000	Birr'000
Insurance Payables	29	123,467	123,467
Insurance contract liabilities/Gross/	27	1,370,568	1,370,568
Other payables	30	34,354	34,354
Total financial Liabilities		**1,528,389**	**1,528,389**

4.3 Credit Risk

Credit risk it the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment portfolio, long term staff loans and the reliance on reinsurers to make payment when certain loss conditions are met. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- 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.

- 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)

- 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.

- 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.

In line with above policies and procedures, the Company's credit risk arises predominantly from Financing activities, investment activities and reinsurance activities. Key areas where the company is exposed to credit risk are:

- Receivables arising out of direct insurance arrangements;

- Receivables arising out of Re insurance arrangements ;and

- Receivables arising out of short term investments

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

		30 June 2024 Birr'000	30 June 2023 Birr'000
Investment securities:			
- Loan and receivables	17	81,526	28,686
- Available for sales	17	286,374	221,500
other assets	25	31,738	27,049
Reinsurance assets	21	596,984	333,789
Loan to life policy holders	22	87	97
Deposit with financial institutions	26	2,377,817	1,685,260
Cash and cash equivalents	26	145,423	96,240
Total financial assets		**3,519,948**	**2,392,621**

4.3.1 Management of Credit Risk

In measuring credit risk of loans and receivables to various counterparties, the Company considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out.

The risk associated with direct insurance arrangements is insignificant due to National Bank regulation which is "No Premium No Cover Credit" Insurance polices are sold on cash basis to all policyholders except governmental organizations which is not relevant to our case; As a result the risk of default is non existence.

Reinsurance arrangements mitigate insurance risk but expose the Company to credit risk. Reinsurance is placed with companies based on an evaluation of the financial strength of the reinsurers, rating , terms of coverage and price. It is Company policy to only deal with reinsurers with credit ratings of at least B from known credit rating agency other than Ethiopian Reinsurance share Company which is not yet rated for mandatory policy and treaty cession as per local regulatory requirements. The credit risk in the Reinsurance area arises:

- When the Company's reinsurers fails to make a claim reimbursement as and when it is claimed.
- The Company transfers a part of their portfolio to a reinsurer in exchange for a premium. A default on the part of the reinsurer can lead to adverse impacts, on the profitability solvency, underwriting abilities of the Company.

The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset counterparties are both debtors and creditors to the company. Provisions for impairment receivables and subsequent write-offs are

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

presented to the top management and the board as appropriate as per the write off policy of the company. Internal audit makes regular reviews to assess the degree of compliance based on the company internal audit manual.

4.3.2 Concentration of Credit Risk

The credit risk of the company has been concentrated in the following key areas of activities;

(a)Investing/Lending activities

Credit risks associated with investments, risk happens when a firm invests' on debentures or loans to individuals having poor history in repayments or putting money into an asset with the expectation of capital appreciation, dividends and/or interest earnings. Such area is a major source of credit risk. In our scenario neither debenture nor lending activities exists except policy loan where the long term business section of the company advances loan to life policy holders and the risk of default is totally non existence as the collateral is the accumulated cash value. Other loan with small portfolio is given to staff based on property security and personal guarantee with low default risk

The current Company's equity investment is in banks and in local reinsurance company with low risk.

(b) Credit Concentration of a single counter party

There is a potential credit risk arising from the fact that banks may not settle time deposits on timely basis.

4.3.3 Credit Quality Analysis

a) Cash and cash equivalents

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

b) Investment securities

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

c) Reinsurance assets

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

(d) Credit quality of other financial assets

30 June 2024	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
Insurance receivables :					
Due from Contract holders	20			21,950	21,950
				21,950	**21,950**
Less : Impairment allowance	20			(10,700)	(10,700)
Net Insurance receivable				**11,250**	**11,250**
Other assets					
Rent receivable	25	1,293			1,293
Inter office receivable - Life	26	0			0
Restricted cash	26	0			0
Receivables on policy loan	26	18			18
Staff debtors	26	23,631			23,631
Sundry debtors	26	3,750			3,750
Gross amount		28,692			28,692
Less: Specific impairment allowance					
Net other assets		**28,692**			**28,692**

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30 June 2023		Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
Insurance receivables :					
Due from Contract holders	20			8,611	8,611
Less : Impairment allowance	20			(2,350)	(2,350)
Net Insurance receivable				**6,261**	**6,261**
Other assets					
Rent receivable	25	889			889
Inter office receivable - Life		0			0
Restricted cash		0			0
Receivables on policy loan	26	17			17
Staff debtors	25	15,841			15,841
Sundry debtors	25	2,573			2,573
Gross amount		19,320			19,320
Less: Specific impairment allowance		0			0
Net other assets		**19,320**			**19,320**

Insurance receivables - neither past due nor impaired

The credit quality of the portfolio of insurance receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Insurance receivables in this category are receivables from contract holders (Government customers) that are past due for less than 30 (thirty) days. Insurance receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

Other assets

Other receivables balances constitute; rent receivables , other account receivables, Sundry debtors and Staff debtors. The Company has an internal system of assessing the credit quality of other receivables through established policies and approval systems. The Company constantly monitors its exposure to these receivables via periodic performance review. The Company further manages its exposure to credit risk through deduction of transactions at source. The exposure to credit risk associated with other receivables is low.

Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Companies of homogeneous assets in respect of losses that have been incurred but have not been identified on receivables subject to individual assessment for impairment.

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Due from contract holders	20	10,700	2,350
Other loans and receivables		0	0
Total allowance for impairment		**10,700**	**2,350**

4.4 Liquidity Risk

Liquidity refers to the Company's insufficient cash resources to meet financial obligations as and it is a measure of the ability of a debtor to pay his debts when they fall due (without affecting either the daily operations or the financial condition of the Company). It is also the risk that a financial institution will incur losses because it finds difficult to secure the necessary funds or forced to obtain funds at far higher interest rates than under normal conditions due to mismatch between the maturities of assets and liabilities or unexpected outflow of funds. In addition, liquidity risk is expressed as a financial institution that incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like. It is usually expressed as the ratio or a percentage of current liabilities to liquid assets.

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

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work Partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

4.4.1 Management of Liquidity Risk

Cash flow forecasting is performed by the finance and investment department. The department forecasts 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.

And the report include, among other items, the following;

- Factors that may seriously affect liquidity risks.
- External environment conditions such as the economic and market conditions.
- Urgency of funds need.
- Level of trend of liquidity risk.
- Status of compliance with limits and use thereof.
- Ensures that the liquidity policy is properly co-ordinate with other related assets/liability policies of the Company.
- Cash flow needs for the immediate future (one year);
- Previous years liquidity fluctuations (at least two years);
- Income requirements for the year;
- Volume of claims and other operational expenses;
- Any other known factors which may have an effect on available liquidity.

4.4.2 Measurement of Liquidity Risk

The Company has a process for measuring and monitoring its exist ing liquidity position as well as its net funding requirements. This involves forecasting cash inflows and outflows over various time horizons to identify potential cash imbalances. Liquidity risk is primarily measured as the ratio of current liability to liquid assets. It is expected that the ratio should at all times be less than to 1.5(105%). i.e. the maximum tolerance liquidity rate the company should keep on hand is one birr for one birr and five cents obligation or liability.

In addition, the company should maintain at least 65% and 50% of admitted asset bank deposits and treasury bills, for General and Long term Insurance business respectively A minimum operating liquidity level should be established to maintain a comfortable cushion beyond the minimum statutory requirement, in order to meet cash needs. A desired target maximum for operating liquidity also needs to be established to reflect the fact that too much liquidity has a negative effect on earnings, There is some gab in liquidity ration as compared with the market ratio where the company has devised various mitigation strategy including capital raising and generating income from rent and other investment sources.

4.4.3 Maturity Analysis of Financial Liabilities

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

	Notes	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
30 June 2024						
Insurance contract liabilities/Gross/	27	1,928,443	-	-	-	1,928,443
Insurance Payables	29	203,013	-	-	-	203,013
Other liabilities	30	46,251	-	-	-	46,251
Total financial liabilities		**2,177,707**	**-**	**-**	**-**	**2,177,707**

		0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
30 June 2023						
Insurance contract liabilities/Gross/	27	1,370,568	-	-	-	1,370,568
Insurance Payables	29	123,467	-	-	-	123,467
Other liabilities	30	34,354	-	-	-	34,354
Total financial liabilities		**1,528,389**	**-**	**-**	**-**	**1,528,389**

4.5 Market Risk

Market risk is the risk of adverse financial impact due to changes in the value or future cash flows of financial instruments from fluctuations in , interest rates and equity prices. Changes in price may occur to a specific investment or in general to the portfolio of investment. Market risk encompasses the risk of financial loss resulting from movements in market prices which refers to the standard deviation of the change in value of a financial instrument with a specific time horizon. The Company does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 Management of Market Risk

To effectively control and manage market risk the need for establishing capital market is un questionable. The establishment and operation of a well regulated equity market could enhance initiatives to establish new and expand/diversify existing business by pro viding venture capital and the flexibility to exist from or simply change investment portfolio. Market risk is Monitored my the risk management unit . It is responsible to prepare a quarterly investment report that will provide analysis of the status of the current investment portfolio and transactions made over the reporting period. Besides, investment committee has been established and it is responsible for assessing investment options and recommending the viable options to senior management.

4.5.2 Measurement of Market Risk

The principle adopted in the management of investments is to closely match assets to the nature and term of insurance liabilities where possible. Total capital held in each entity reflects the results of internal models of economic capital, and takes in to account business growth plans ,as well as the likelihood of not being able to demonstrate an appropriate level of solvency. Market risk is measured on the basis of investment capital or need of the company .Investment is made on evaluating the investee companies and the type of investment. Investment risk is measured on the basis of security of the investees, liquidity consideration, and interest rate offer, and investment period ,rate of return and feasibility study documents.

4.5.3 Monitoring of Market Risk

Market risk is monitored by performing regular asset liability matching exercises, monitoring market volatility ,comparing actual performance with benchmark performance, and tracking errors and distributions of fixed interest assets. Market risk is further monitored by measuring and comparing the actual risk exposure in terms of economic capital to an approved limit, based on a value at risk calculation.

• 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 monitors this exposure through periodic reviews of the assets and liability position. Estimate of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modeled and reviewed. The overall objective these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable than the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products. The Company is also exposed to the risk of changes in future cash flows from fixed income securities arising from the changes in interest rates. The table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2024	Notes	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	26	2,523,240	-	2,523,240
Investment securities :				
available for sale	17		286,374	286,374
Loans and receivable	17	81,526	-	81,526
Insurance receivables	20	11,250	-	11,250
Reinsurance assets	21	596,984	-	596,984
Other assets	25	31,738	-	31,738
Total		**3,244,737**	**286,374**	**3,531,111**
Liabilities				
Insurance contract liabilities	27	1,928,443	-	1,928,443
Insurance payables	29	203,013	-	203,013
Other payables	30	46,251	-	46,251
Total		**2,177,707**	**-**	**2,177,707**

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

30 June 2023		Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	26	1,781,500	-	1,781,500
Investment securities :				
Available for sale	17	-	221,500	221,500
Loans and receivable	17	28,686		28,686
Insurance receivables	20	6,261		6,261
Reinsurance assets	21	333,789		333,789
Other assets	25	27,049	-	27,049
Total		**2,177,285**	**221,500**	**2,398,785**
Liabilities				
Insurance contract liabilities	27	1,370,568	-	1,370,568
Insurance payables	29	123,467	-	123,467
Other payables	30	34,354	-	34,354
Total		**1,528,389**	**-**	**1,528,389**

- **Foreign Exchange Risk**

Foreign exchange risk is the risk of loss arising from adverse exchange rate movements in foreign exchange exposures The company primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency. Therefore, the company is not exposed to currency risk.

- **Price risk**

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limit on investments in each sector and market.

The Company has no significant concentration of price risk as there is no active market in Ethiopia.

4.6 Capital Management

Capital management risk is failure to maintain adequate regulatory capital to meet NBE's capital requirements or the Company's internal capital target aiming to safeguard its ability to continue as ageing concern, and maintain strong capital base so as to maintain investors, creditors, and enhance market confidence and sustain future developments of business. Even though the current paid up capital of the company's seems above the regulatory threshold. The company contemplates to double the capital within the coming five years in order to meet the needs of policyholders and other stakeholders

4.6.1 Margin of Solvency Ratio

Solvency margin is the amount by which the asset of an insurer exceed its liabilities . Methods of calculating solvency margin of an insurer are prescribed in the margin of solvency(MOS) Directive No.SIB/45/2016 of National Bank of Ethiopia (NBE).

The directive stipulate the minimum solvency margin , which an insurer must maintain at all times .For instance, an insurer carrying on general business shall keep admitted capital amounting 25% of its technical provision (or 20% of the net Written premiums in the last preceding financial year, or the minimum paid up capital) .Whereas, an insurer carrying on long term business shall keep admitted capital amounting to the higher of 10% of technical provisions or the minimum paid up capital can be mentioned

The solvency of insurance company or its financial strength depends chiefly on whether sufficient technical reserves have been setup for the obligations entered in to and whether the company has adequate capital as security.

Kokeb&Melkamu Audit Work Partnership Certified Accountants (UK)

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

		30 June 2024 Birr'000	30 June 2023 Birr'000
General business			
Admissible assets	A		
Property, plant and equipment		344,995	345,301
Investment properties		209,151	212,929
Investment securities :			
Available for sale		221,988	170,346
Loans and receivables		70,318	23,481
Statutory deposits		149,722	117,124
Reinsurance receivables			
Insurance receivables		11,250	6,261
Reinsurance assets		572,941	315,623
Salvage property held for sale		19,302	31,640
Other assets		24,924	16,730
Over invested in realestate			
Deposits with financial institutions		2,062,003	1,495,124
Cash and cash equivalents		139,933	82,272
Total		**3,826,526**	**2,816,833**
Admissible Liabilities	B		
Insurance contract liabilities/Gross/		1,762,268	1,276,715
Deferred reinsurance commission		50,753	42,854
Insurance Payables		179,358	107,004
Other liabilities		186,967	146,215
Current income tax liabilities		65,545	36,657
Lease Liabilities		11,856	10,265
Defined benefit obligations		9,203	6,719
Deferred income tax		54,484	48,756
Total		**2,320,459**	**1,675,185**
Excess (admitted capital) (A)-(B)	C	**1,506,067**	**1,141,648**
Net premium (preceding year)	D	994,883	593,726
Technical provision (current year)	E	1,762,268	1,276,715
Solvency margin			
Limit of net premium i.e. 20% of net premium	F	198,977	118,745
Limit of technical provision i.e. 25% of technical provision	G	440,567	319,179
Minimum paid up Capital		60,000	60,000
Required Minimum of paid up capital	H	440,567	319,179
Margin of solvency	(C-D)	**511,184**	**547,922**
Solvency ratio	C/H	**342%**	**358%**

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Life business

		30 June 2024 Birr'000	30 June 2023 Birr'000
Admissible assets	A		
Property, plant and equipment		49,257	14,963
Investment properties		64,020	65,458
Available for sale		64,386	51,154
Loans and receivables			
Statutory deposits		16,826	13,190
Reinsurance receivables		8,449	8,164
Insurance receivables			
Reinsurance assets		24,043	18,166
Other assets		3,046	7,729
Over investment		7,632	0
Deposits with financial institutions		315,814	190,135
Cash and cash equivalents		5,490	13,968
Total		**558,963**	**382,927**
Admissible Liabilities	B		
Insurance contract liabilities/Gross/		166,175	93,853
Deferred reinsurance commission		155	154
Insurance Payables		23,655	16,463
Other liabilities		3,493	3,337
Current income tax liabilities		(1,524)	1,271
Life fund reserve		189,178	129,074
Lease Liabilities			
Defined benefit obligations		293	186
Deferred income tax		5,476	4,617
Total		**386,901**	**248,954**
Excess (admitted capital) (A)-(B)	C	**172,062**	**133,973**
Technical provision (current year)	D	**355,353**	**222,927**
Solvency margin			
Limit of technical provision i.e. 10% of technical provision	E	**35,535**	**22,293**
Minimum paid up Capital	F	**15,000**	**15,000**
Required Minimum of paid up capital	G	**15,000**	**15,000**
Margin of solvency	(C-D)	**(183,291)**	**(88,954)**
Solvency ratio	C/G	**1147%**	**893%**

As per the National Bank regulation, the admitted capital should be above 10% of technical provisions or the minimum paid up capital and the long term business solvency margin is above the minimum requirement as shown in the above table

4.7 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 catagorised 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.

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

4.7.1 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 source; Unobservable input reflect the Company's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are catagorised 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 with in 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.

4.7.2 Financial instruments not measured at fair value

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

	Notes	30 June 2024 Carrying amount Birr'000	30 June 2024 Fair value Birr'000	30 June 2023 Carrying amount Birr'000	30 June 2023 Fair value Birr'000
Financial assets					
Cash and Cash equivalents	27	145,423	145,423	96,240	96,240
Deposits with financial institutions	27	2,377,817	2,377,817	1,685,260	1,685,260
Investment securities:					
Available for sales	18	286,374	286,374	221,500	221,500
Loans and receivables	18	81,526	81,526	28,686	28,686
Reinsurance assets	22	596,984	596,984	333,789	333,789
Other assets	26	31,738	31,738	27,049	27,049
Total		**3,519,861**	**3,519,861**	**2,392,524**	**2,392,524**
Financial Liabilities					
Insurance contract liabilities/Gross/	28	1,928,443	1,928,443	1,370,568	1,370,568
Insurance Payables	30	203,013	203,013	123,467	123,467
Other liabilities	31	46,251	46,251	34,354	34,354
		2,177,707	**2,177,707**	**1,528,389**	**1,528,389**

4.7.3 Fair value methods and assumptions
Investment securities

Government bonds are classified as loans and receivables and are measured at amortised cost using the effective interest rate (EIR) method. This means The amortised cost is determined as the fair value of the bond at inception plus interest accrued using the effective interest rate.

4.7.4 Valuation technique using significant unobservable inputs - Level 2

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

4.7.5 Transfers between the fair value hierarchy categories

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

4.8 Offsetting financial assets and financial liabilities

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

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

5. Segment information

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

Revenue in these segments is derived primarily from insurance premium and investment income. Expenses for corporate units that render services for all business segments are initially paid by the general business segment and transferred to other business units at cost price. The expenses are allocated based on service man hours rendered by the corporate units to the various business segments.

Business segments

The Company operates the following main business segments:

Non- life (General) Business- Includes general insurance transactions with individual and corporate customers.

Life Business- Includes life insurance policies with individual and corporate customers.
The segment information for the reporting segments for the year ended 30 June 2024 is as follows:

5.1 Statement of Financial Position - 30 June 2024

	Note	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	14	360,743	49,706	410,449
Investment properties	15	209,151	64,020	273,170
Intangible assets	16	11,385	128	11,514
Right-of-use assets	32	22,004	-	22,004
Investment securities :				
Available for sale	17	221,988	64,386	286,374
Loans and receivables	17	70,318	11,208	81,526
Statutory deposits	18	149,722	16,826	166,548
Reinsurance receivables	19	-	8,449	8,449
Insurance receivables	20	11,250	-	11,250
Reinsurance assets	21	572,941	24,043	596,984
Policy holder loans	22	-	87	87
Deferred acquisition costs	23	48,998	5,236	54,234
Salvage property held for sale	24	19,302	-	19,302
Other assets	25	49,230	4,805	54,035
Deposits with financial institutions	26	2,062,003	315,814	2,377,817
Cash and cash equivalents	26	139,933	5,490	145,423
Total assets		**3,948,967**	**570,198**	**4,519,165**
LIABILITIES				
Insurance contract liabilities/Gross/	27	1,762,268	166,175	1,928,443
Deferred reinsurance commission	28	50,753	155	50,908
Insurance Payables	29	179,358	23,655	203,013
Other liabilities	30	186,967	3,493	190,461
Current income tax liabilities	31	65,545	(1,524)	64,046
Lease Liabilities	32	11,856	-	11,856
Defined benefit obligations	33	9,203	293	9,496
Deferred income tax	31	54,484	5,476	59,960
Total liabilities		**2,320,459**	**197,723**	**2,518,182**
EQUITY				
Share capital	34	963,175	105,000	1,068,175
Share premium	34	15,202	-	15,202
Retained earnings	36	423,610	44,142	467,752
IFRS Adoption Re-measurement Reserve		61,468	4,472	65,940
Legal reserve	37	168,149	30,102	198,151
Life fund reserve	38	-	189,178	189,178
Other reserves	39	(2,996)	(419)	(3,415)
Total equity		**1,628,507**	**372,475**	**2,000,983**
Total equity and liabilities		**3,948,967**	**570,198**	**4,519,165**

Chartered Certified Accountants (UK)
Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

5.2 Statement of Financial Position - 30 June 2023

		General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	14	354,959	15,230	370,188
Investment properties	15	212,929	65,458	278,387
Intangible assets	16	3,520	167	3,686
Right-of-use assets	32	19,047		19,047
Investment securities :				
Available for sale	17	170,346	51,154	221,500
Loans and receivables	17	23,481	5,205	28,686
Statutory deposits	18	117,124	13,190	130,314
Reinsurance receivables	19		8,164	8,164
Insurance receivables	20	6,261	-	6,261
Reinsurance assets	21	315,623	18,166	333,789
Policy holder loans	22	-	97	97
Deferred acquisition costs	23	40,998	4,586	45,584
Salvage property held for sale	24	31,640		31,640
Other assets	25	22,635	8,843	31,478
Deposits with financial institutions	26	1,495,124	190,135	1,685,260
Cash and cash equivalents	26	82,272	13,968	96,240
Total assets		**2,895,961**	**394,364**	**3,290,324**
LIABILITIES				
Insurance contract liabilities/Gross/	27	1,276,715	93,853	1,370,568
Deferred reinsurance commission	28	42,854	154	43,007
Insurance Payables	29	107,004	16,463	123,467
Other liabilities	30	146,215	3,337	149,551
Current income tax liabilities	31	36,657	1,271	37,928
Lease Liabilities	32	10,265		10,265
Defined benefit obligations	33	6,719	186	6,905
Deferred income tax	31	48,756	4,617	53,374
Total liabilities		**1,675,185**	**119,880**	**1,795,065**
EQUITY				
Share capital	34	757,596	83,000	840,596
Share premium	34	21,717	-	21,717
Retained earnings / Surplus fund	36	261,242	33,080	294,322
IFRS Adoption Re-measurement Reserve		61,468	4,472	65,940
Legal reserve	37	120,981	25,198	146,178
Life fund reserve	38	-	129,074	129,074
Other reserves	39	(2,230)	(339)	(2,569)
Total equity		**1,220,775**	**274,484**	**1,495,259**
Total equity and liabilities		**2,895,959**	**394,364**	**3,290,324**

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

5.3 30 June 2024

		General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	1,729,776	232,390	1,962,166
Change in unearned premium reserve	6	87,274	56,330	143,604
Gross earned premiums		**1,642,503**	**176,060**	**1,818,562**
Less: Premiums ceded to reinsurers	6	474,093	34,416	508,510
Net earned premiums		**1,168,410**	**141,643**	**1,310,053**
Commission income	7	117,588	7,166	124,754
Net underwriting income		**1,285,998**	**148,809**	**1,434,807**
Claims and policy holder benefits payable	10	615,869	148,972	764,841
Less : claims recoveries from reinsurers	10	(48,540)	(23,002)	(71,542)
Net claims and benefits		**567,329**	**125,970**	**693,299**
Underwriting expenses	12	95,983	10,215	106,198
Total underwriting expenses		**663,311**	**136,185**	**799,496**
Underwriting profit		**622,687**	**12,624**	**635,311**
Investment income	8	338,584	58,008	396,591
Other income	9	3,233	158	3,391
Net income		**964,503**	**70,789**	**1,035,293**
Operating and other expense	11	393,391	20,790	414,181
Impairment on insurance receivables	11a	8,351	-	8,351
		562,761	**50,000**	**611,793**
Finance (income) / costs		969	-	969
Profit before tax from reportable segments		561,793	50,000	612,761
Income tax expense		(91,116)	(953)	(92,069)
Profit for the year		**470,677**	**49,047**	**519,724**
Assets and liabilities 2024				
Total assets		3,948,967	570,198	4,519,165
Total liabilities		2,320,459	197,723	2,518,182
Net assets/(liabilities)		1,628,508	372,475	2,000,0983
External revenue 2024				
Net premium earned		1,168,410	141,643	1,310,053
Net underwriting income		1,285,998	148,809	1,434,807
Net investment income		338,584	58,008	396,591
Other income		3,233	158	3,391
Total segment revenue		**1,627,814**	**206,975**	**1,834,789**
Reportable segment profit before tax		**561,711**	**50,000**	**611,793**
Reportable segment assets		**3,948,967**	**570,198**	**4,519,165**
Reportable segment liabilities		**2,320,459**	**197,723**	**2,518,182**

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

6. 30 June 2023

	Notes	General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	1,353,272	153,937	1,507,209
Change in unearned premium reserve	6	219,326	22,087	241,413
Gross earned premiums		**1,133,946**	**131,850**	**1,265,796**
Less: Premiums ceded to reinsurers	6	358,389	32,189	390,577
Net earned premiums		**775,557**	**99,661**	**875,219**
Commission income	7	92,675	4,312	96,987
Net underwriting income		**868,232**	**103,973**	**972,205**
Claims and policy holder benefits payable	10	445,533	96,397	541,930
Less : claims recoveries from reinsurers	10	(65,161)	(13,227)	(78,387)
Net claims and benefits		**380,373**	**83,170**	**463,543**
Underwriting expenses	12	70,086	5,173	75,259
Total underwriting expenses		**450,459**	**88,343**	**538,802**
Underwriting profit		**417,773**	**15,630**	**433,403**
Investment income	8	218,573	37,031	255,604
Other income	9	4,296	148	4,443
Net income		**640,642**	**52,809**	**693,451**
Operating and other expense	11	286,998	12,809	299,807
Impairment on insurance receivables	12a	1,980	-	1,980
Total benefits , claims and other expense		**351,664**	**40,000**	**391,664**
Finance (income) / costs	13	944	-	944
Profit before tax from reportable segments		**350,721**	**40,000**	**390,721**
Income tax expense	31	(60,452)	(3,244)	(63,696)
Profit for the year		**290,269**	**36,756**	**327,025**
Assets and liabilities 2023				
Total assets		2,895,961	394,364	3,290,324
Total liabilities		1,675,185	119,880	1,795,065
Net assets/(liabilities)		1,220,776	274,484	1,495,260
External revenue 2023				
Net premium earned		775,557	99,661	875,219
Net underwriting income		868,232	103,973	972,205
Net investment income		218,573	37,031	255,604
Other income		4,296	148	4,443
Total segment revenue		**1,091,101**	**141,152**	**1,232,253**
Reportable segment profit before tax		**350,721**	**40,000**	**390,721**
Reportable segment assets		**2,895,961**	**394,364**	**3,290,324**
Reportable segment liabilities		**1,675,185**	**119,880**	**1,795,065**

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

	30 June 2024 Birr'000	30 June 2023 Birr'000
6 . Net premiums		
a) Gross premiums on insurance contracts		
General business		
Motor	1,091,181	864,491
Good in transit	17,111	9,128
Marine	25,941	17,765
Accident	18,586	11,357
Liability	81,275	58,585
Workmen's compensation	21,175	15,601
Fire	171,529	144,125
Engineering	73,022	47,416
Pecuniary	43,980	69,107
Aviation	55,233	30,503
Burglary and house breaking	6,162	6,074
Miscellaneous	114,321	70,954
Medical	10,260	8,166
General business gross premiums	**1,729,776**	**1,353,272**
Life business		
Individual life	19,070	16,237
Group life	153,308	93,836
Medical	47,637	29,527
Mortgage	11,890	13,972
Funeral	485	364
Life business gross premiums	**232,390**	**153,937**
Total	**1,962,166**	**1,507,209**

	30 June 2024 Birr'000	30 June 2023 Birr'000
b) Change in unearned premium reserve		
General business		
Engineering	(941)	(1,799)
Liability	10,171	6,807
Pecuniary	5,569	6,987
Fire	5,289	4,300
Burglary and house breaking	792	162
Accident	3,015	277
Medical	830	483
Workmen's compensation	2,079	1,242
Motor	47,664	197,616
Aviation	911	21
Marine	4,293	1,794
Goods in transit	4,353	731
Miscellaneous	3,249	705
Unearned premium reserve	**87,274**	**219,326**
Life business		
Group Medical	6,220	1,028
Group Life- Arab Travelers	43,471	15,853
Group Funeral	101	27
Mortgage	-	
Group life	**6,539**	**5,178**
Unearned premium reserve	**56,330**	**22,087**
Total	**143,604**	**241,413**

Chartered Certified Accountants (UK)
Audit Work partnership

	30 June 2024 Birr'000	30 June 2023 Birr'000
c) Premiums ceded to reinsurers		
General business		
Motor	84,302	54,930
Marine	4,026	3,345
Goods in transit	2,223	1,186
Accident	1,836	1,013
Medical	2,338	2,297
Workmen's compensation	1,722	1,080
Liability	16,392	9,513
Fire	132,545	115,736
Burglary and house breaking	1,949	2,978
Engineering	47,968	23,114
Pecuniary	27,909	51,009
Aviation	46,689	25,505
Miscellaneous	104,195	66,682
Premiums ceded to reinsurers	**474,093**	**358,389**
Life business		
Individual life	53	376
Group life	27,199	21,087
Group medical	2,382	1,476
Mortgage	4,759	9,230
Group funeral	24	18
	34,416	**32,189**
Total premiums ceded to reinsurers	**508,510**	**390,577**
Total net earned premiums		
General business	1,168,410	775,557
Life business	141,643	99,661
	1,310,053	**875,219**

	30 June 2024 Birr'000	30 June 2023 Birr'000
7 Reinsurance Commission income		
General business		
Reinsurance ceding commission	93,309	74,955
Profit commission	24,280	17,720
Commission income	**117,588**	**92,675**
Life business		
Reinsurance ceding commission	1,603	2,755
Profit commission	5,563	1,557
Commission income	**7,166**	**4,312**
Total commission income	**124,754**	**96,987**

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

		30 June 2024 Birr'000	30 June 2023 Birr'000
8	**Investment income**		
	General business		
	Interest on time deposits	222,010	129,299
	Interest on savings	6,335	3,175
	Interest on staff loans	1,325	1,698
	Interest income staff debtors-valuation	2,445	-
	Dividend income	41,692	28,489
	Interest on government bond	14,571	7,730
	Rent income	50,206	48,183
		338,584	**218,573**

		30 June 2024 Birr'000	30 June 2023 Birr'000
	Life business		
	Interest on time deposits	33,270	19,550
	Interest on savings	225	185
	Interest on staff loans	57	11
	Interest on policy loans	10	10
	Dividend income	13,232	8,945
	Interest on government bond	1,877	978
	Rent income	9,336	7,352
		58,008	**37,031**
	Total investment income	**396,591**	**255,604**

		30 June 2024 Birr'000	30 June 2023 Birr'000
9	**Other income**		
	General business		
	Service charge	1,887	1,579
	Provision for bad debts	-	-
	Gain on disposal of Fixed Assets	585	753
	Gain on sale of shares	-	1,277
	Gain on foreign exchange	-	4
	Miscellaneous income	760	682
		3,233	**4,296**
	Life business		
	Gain on sale of equity investment	-	-
	Miscellaneous income	158	148
		158	148
	Total other income	**3,391**	**4,443**

	30 June 2024 Birr'000	30 June 2023 Birr'000
10 Claims and policy holder benefits incurred		
General business		
Benefits and claims paid	461,122	371,544
Change in claims outstanding	101,609	40,950
Change in incurred but not reported reserve	38,321	27,246
Other Technical expenses	13,785	4,474
Change in unallocated loss adjustment expense	1,032	1,320
	615,869	**445,533**
Recoverable from reinsurance:		
Claims recoveries from reinsurers	(48,540)	(65,161)
Net claims and loss adjustment expense	**567,329**	**380,373**
Life business		
Benefits and claims paid	84,032	47,986
Change in Life fund	60,104	45,186
Change in claims outstanding	-	1,045
Other Technical expenses	9	25
Change in incurred but not reported reserve	4,827	2,155
	148,972	**96,397**
Recoverable from reinsurance:		
Claims recoveries from reinsurers	(23,002)	(13,227)
Net claims and loss adjustment expense	**125,970**	**83,170**
Total	**693,299**	**463,543**

	30 June 2024 Birr'000	30 June 2023 Birr'000
11 Operating and other expense		
General business		
Director fixed emoluments	895	705
Shareholders meeting expense	557	518
Depreciation	29,164	25,595
Amortization	1,120	492
Depreciation-ROU	11,573	9,473
Financial expense	10,321	6,867
Office rent	6,104	4,876
Auditor remuneration	231	210
Other general expense	21,102	15,214
Repair and maintenance	10,531	10,721
Stationeries and office supplies	11,670	9,896
Gifts and donations	126	5,679
Communication costs	4,344	3,126
Transportation costs	10,025	7,402
Advertising and promotion	12,124	5,950
Insurance costs	3,774	2,194
Professional services	2,303	1,521
	135,962	**110,439**

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Employee benefits expense		
Salaries and wages	135,876	96,688
Staff insurance	8,097	3,462
Leave pay	4,497	2,946
Staff bonus	49,981	35,077
Staff training expense	9,005	6,409
Defined contribution costs- employers" contribution	18,259	13,275
Defined benefit costs- severance pay	2,632	3,037
Other staff expenses	29,083	15,663
	257,429	**176,558**
	393,391	**286,998**
Operating and other expense		
Life business		
Director fixed emoluments	114	77
Depreciation	2,295	1,624
Amortization	38	38
Financial expense	14	138
Auditor remuneration	26	25
Other general expense	1,888	498
Actuarial fee	298	197
Gifts and donations	-	50
Repair and maintenance	70	22
Stationeries and office supplies	1,258	1,123
Communication costs	74	106
Insurance costs	148	96
Transportation costs	343	367
Advertising and promotion	634	414
	7,200	**4,773**

	30 June 2024 Birr'000	30 June 2023 Birr'000
Employee benefits expense		
Salaries and wages	5,072	3,338
Staff insurance	203	122
Leave pay	225	168
Staff bonus	2,379	1,514
Staff training expense	269	-
Defined contribution costs	594	354
Defined benefit costs	98	30
Other staff expenses	**4,750**	**2,510**
	13,590	**8,036**
	20,790	**12,809**
Total operating and Other Expenses	**414,181**	**299,807**

		30 June 2024 Birr'000	30 June 2023 Birr'000
11a	**Impairment of receivables-provision**		
	Insurance /Other assets- Charge for the year	10,700	2,350
	Change for the year	(2,349)	(370)
		8,351	**1,980**

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

		30 June 2024 Birr'000	30 June 2023 Birr'000
12	**Underwriting expenses**		
	General business		
	Commission expense	103,983	87,502
	Changes in deferred acquisition cost	(8,000)	(17,416)
		95,983	**70,086**
	Life business		
	Commission expense	10,864	7,512
	Changes in deferred acquisition cost	(649)	(2,339)
		10,215	**5,173**
	Total underwriting expenses	**106,198**	**75,259**

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

		30 June 2024 Birr'000	30 June 2023 Birr'000
13	**Finance (income) / costs**		
	General business		
	Finance costs-Lease	969	944
	Bank Loan	-	-
	Life business		
	Finance costs-Lease	-	-
		969	**944**

Finance cost include interest payments on long-term loans, leased office premises, and land leased at the Kality recovery site.

14 Property, plant and equipment

a) General Business

	Buildings Birr'000	Office equip Birr'000	Computer equip Birr'000	Furniture and fittings Birr'000	Motor vehicle Birr'000	Fence and recovery Birr'000	Total Birr'000
Cost							
As at 1 July 2022	266,235	9,369	13,496	14,678	87,209	1,059	392,046
Additions	3,448	1,222	15,433	2,527	15,214	-	37,844
Disposals / Transfer	-	-	(65)	-	(830)	-	(895)
Reclassification	-	-	-	-	7,100	-	7,100
As at 30 June 2023	**269,683**	**10,591**	**28,863**	**17,205**	**108,693**	**1,059**	**436,095**
As at 1 July 2023	269,683	10,591	28,863	17,205	108,693	1,059	436,095
Additions	-	2,537	14,567	8,203	40,068	-	65,375
Disposals / Transfer	(38,405)	-	(79)	(239)	(150)	-	(38,874)
Reclassification	-	-	-	-	-	-	-
As at 30 June 2024	**231,277**	**13,128**	**43,351**	**25,169**	**148,611**	**1,059**	**462,596**

Chartered Certified Accountants
Kokeb&Melkamu Audit Work Partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Accumulated depreciation							
As at 1 July 2022	15,512	6,284	6,979	6,178	26,381	419	61,753
Charge for the year	5,433	851	3,112	1,369	8,946	105	19,816
Disposals		-	-	-	(433)		(433)
Reclassification	-	-	-	0	-	-	-
As at 30 June 2023	**20,945**	**7,135**	**10,091**	**7,547**	**34,894**	**524**	**81,136**
As at 1 July 2023	20,945	7,135	10,091	7,547	34,895	524	81,137
Charge for the year	4,992	1,122	4,198	1,875	11,942	105	24,234
Disposals / Transfer	(3,405)	-	-	-	(113)	-	(3,518)
Reclassification	-	-	-	-	-	-	-
As at 30 June 2024	**22,532**	**8,258**	**14,289**	**9,421**	**46,724**	**629**	**101,852**
Net book value							
As at 1 July 2022	250,723	3,085	6,517	8,500	60,828	640	330,293
As at 30 June 2023	248,738	3,456	18,772	9,658	73,799	535	354,959
As at 30 June 2024	**208,746**	**4,871**	**29,061**	**15,748**	**101,888**	**430**	**360,743**

b) Life business

	Buildings	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	Fence and recovery improvements	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2022	15,000	83	361	514	2,195	-	18,153
Additions	-	-	-	-	-	-	-
Disposals/Transfer	-	0	65	-	-	-	65
Disposals	-	-	-	-	-	-	-
As at 30 June 2023	**15,000**	**83**	**426**	**514**	**2,195**	**-**	**18,218**
As at 1 July 2023	15,000	83	426	514	2,195	-	18,218
Additions	-		14	-	-	-	14
Disposals/Transfer	38,409	-	79	239	-	-	38,727
Reclassification	-	-	-	-	-	-	-
As at 30 June 2024	**53,409**	**83**	**519**	**753**	**2,195**	**-**	**56,959**
Accumulated depreciation							
As at 1 July 2022	856	58	496	201	1,088	-	2,399
Charge for the year	285	6	45	46	208	-	589
Disposals/Transfer	-	-	-		-	-	-
As at 30 June 2023	**1,141**	**64**	**241**	**247**	**1,296**	**-**	**2,988**

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

As at 1 July 2023	1,141	64	241	247	1,296	-	2,988
Charge for the year	533	6	54	57	209	-	860
Disposals/Transfer	3,405	-	-	-	-	-	3,405
As at 30 June 2024	**5,079**	**70**	**295**	**304**	**1,505**	**-**	**7,254**
Net book value							
As at 1 July 2022	**14,144**	**25**	**165**	**313**	**1,107**	**-**	**15,754**
As at 30 June 2023	**13,859**	**19**	**186**	**267**	**899**	**-**	**15,230**
As at 30 June 2024	**48,330**	**13**	**224**	**449**	**690**	**-**	**49,706**
Total Net book value Summary							
As at 1 July 2022	264,867	3,110	6,682	8,813	61,935	640	346,047
As at 30 June 2023	262,597	3,475	18,958	9,925	74,698	535	370,188
As at 30 June 2024	**257,075**	**4,884**	**29,286**	**16,197**	**102,578**	**430**	**410,449**

		30 June 2024 Birr'000	30 June 2023 Birr'000
15	**Investment property**		
a)	**General business**		
	Cost:		
	Bole Medhanialem Building	77,431	76,370
	Kality Building	117,460	117,371
	Barhidar Building	48,000	48,000
		242,891	**241,741**
	Accumulated depreciation:		
	Bole Medhanialem Building	12,754	11,018
	Kality Building	13,691	11,409
	Bahirdar Building	7,296	6,384
		33,741	**28,811**
	Net book value	**209,151**	**212,929**
b)	**Life business**		
	Cost:		
	Bole Medhanialem Building	**75,504**	**75,504**
		75,504	**75,504**
	Accumulated depreciation:		
	Bole Medhanialem Building	11,484	10,046
		11,484	**10,046**
	Net book value	**64,020**	**65,458**
	Net book value Summary	**273,170**	**278,387**

Transfers from property, plant and equipment relates to buildings recognized under property, plant and equipment but now meet the criteria for investment property. Investment properties are those held primarily for rental income or capital appreciation.

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

c) Amounts recognized in profit or loss for investment properties

	30 June 2024 Birr'000	30 June 2023 Birr'000
Rental income	59,542	55,534
Direct operating expenses	(21,430)	(12,780)
Net income	**38,112**	**42,754**

d) Fair value measurement of investment properties

The Company's Investment properties are initially measured at cost, including transaction costs. Subsequently, these properties are measured at depreciated cost, less accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 years.

Fair Value Disclosure:

The fair value of investment properties has been disclosed as required. The table below analyzes the non-financial assets carried at fair value, by valuation method.

Level 1: Fair values are based on unadjusted quoted prices in active markets for identical financial assets.

Level 2: Fair values are based on adjusted quoted prices or observable prices of similar financial assets.

Level 3: Fair values are not based on observable market data.

e) **Fair value hierarchy**

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

30 June 2024	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-	152,935	-
Kality Building	-	117,460	-
Bahidar building	-	48,000	-
	-	**318,395**	-

30 June 2023	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-	151,874	-
Kality Building		117,371	-
Bahidar building	-	48,000	-
	-	**317,245**	-

16 Intangible Assets

	General business Comp software Birr'000	Long term business Comp software Birr'000	Computer software Total Birr'000
Cost:			
As at 1 July 2022	11,504	304	11,808
Acquisitions	16,784	-	16,784
Internal development	-	-	-
Transfer from property, plant and equipment	-	-	-
As at 30 June 2023	**11,504**	**304**	**11,808**
As at 1 July 2023	11,504	304	11,808

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

Acquisitions	8,890	-	8,890
Internal development	-	-	-
Transfer from property and equipment	-	-	-
As at 30 June 2024	**20,393**	**304**	**20,697**
Accumulated amortization:			
As at 1 July 2022	7,338	61	7,399
Amortization for the year	646	38	684
As at 30 June 2023	**7,984**	**137**	**8,121**
As at 1 July 2023	7,984	137	8,121
Amortization for the year	1,024	38	1,062
Impairment losses	-	-	-
As at 30 June 2024	**9,008**	**176**	**9,183**
Net book value			
As at 1 July 2022	4,166	243	4,409
As at 30 June 2023	3,520	167	3,686
As at 30 June 2024	**11,385**	**128**	**11,514**

	30 June 2024	30 June 2023
	Birr'000	Birr'000
17 Investment securities :		
(a) Available for sale		
General business		
Equity Investments	221,988	170,346
Less: Impairment	-	-
	221,988	**170,346**
Life business		
Equity Investments	64,386	51,154
Less: Impairment	-	-
	64,386	**51,154**
At end of year	**286,374**	**221,500**

The Company maintains equity holdings in the following entities;

	30 June 2024		30 June 2023	
	Birr'000		Birr'000	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Hibret Bank SC	226,394	3.8%	176,393	3.8%
Ethiopian Reinsurance S.C	44,939	2.5%	39,806	2.5%
Equity investment on ESX	9,741	1.5%	-	0.0%
Habesha Cement Factory SC	5,300	0.5%	5,300	0.5%
	286,374		**221,499**	

These unquoted equity investments are measured at cost. Given the absence of active markets, the fair value of these financial instruments cannot be determined reliably. Consequently, they are reported at cost, net of any impairment losses.

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

	30 June 2024 Birr'000	30 June 2023 Birr'000
(b) Loans and receivables		
General business		
Government securities held to maturity	65,571	22,031
Additions		
Interest received on Government Bond	-	-
Interest receivable on Government Bond	4,747	1,450
	70,318	**23,481**

	30 June 2024 Birr'000	30 June 2023 Birr'000
Life business		
Development Bank Bond-Investment	11,208	5,205
Government securities held to maturity		-
Additions		
Government securities held to maturity		-
Interest received on Government Bond		-
Interest receivable on Government Bond	-	-
	11,208	**5,205**
At end of year	**81,526**	**28,686**

Maturity analysis	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	81,526	28,686
Non - Current	286,374	221,499
	367,900	**250,185**

18 Statutory deposits

Pursuant to the licensing and supervision of insurance proclamation No 746/2012, the company's government securities portfolio, consisting of statutory deposits held at the National Bank of Ethiopia, is maintained. These bonds, representing 15% of the company's paid-up capital, bear an annual interest rate of 8% and have a maturity of six years.

	30 June 2024 Birr'000	30 June 2023 Birr'000
General business		
Statutory deposits	144,311	113,505
Reclassification	166	134.29
Interest receivable on Government Bond	5,246	3,485
	149,722	**117,124**
Life business		
Statutory deposits	15,750	12,450
Interest receivable on Government Bond	1,076	740
Statutory deposits	**16,826**	**13,190**
	166,548	**130,314**

The movement of statutory deposit during the year is as follows:

Chartered Certified Accountants (UK) Kokeb&Melkamu Audit Work Partnership

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	130,314	77,810
Additions	33,972	51,197
Interest received on statutory deposit invested in Government Bond	(4,225)	(2,918)
Interest receivable on statutory deposit invested in Government Bond	6,322	4,225
At the end of the year	**166,383**	**130,314**

The minimum amount required to be set aside is Br160,226 (2023 : Br126,089, 2022: Br74,892), accrued interest receivable on the statutory deposit transferred to Ethiopian Government savings Bond of Br6,322(2023: Br4,225 and 2022: Br2,918) has been included in the above figures.

19 Reinsurance receivables

	30 June 2024 Birr'000	30 June 2023 Birr'000
General Business		
Gross receivables	5,351	5,382
Recovered receivable	-	(31)
Impairment provision	(5,351)	(5,351)
	-	

	30 June 2024 Birr'000	30 June 2023 Birr'000
Life business		
Gross receivables	8,449	8,164
Impairment provision	-	-
	8,449	8,164
	8,449	**8,164**

These receivables arise from reinsurance policies that cover unusual or large risks not covered by our treaties

Maturity analysis	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	8,449	8,164
Non- current		-
	8,449	**8,164**

Insurance Receivables

	30 June 2024 Birr'000	30 June 2023 Birr'000
Due from policyholders	14,520	3,172
Due from risk sharing (local insurers)	7,431	5,438
	21,950	**8,611**
Provision for impairment	(10,700)	(2,350)
	11,250	**6,261**

Changes in the impairment provision for direct insurance receivables are as follows:

	30 June 2024 Birr'000	30 June 2023 Birr'000
At start of the year	2,350	10,925
Increase/ (Decrease) in the year	8,351	(8,575)
As at the end of the year	**10,700**	**2,350**

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

	30 June 2024 Birr'000	30 June 2023 Birr'000
Reinsurers' share of technical provision and reserves/Reinsurance assets		
General business		
Unearned premium	175,340	175,340
Notified claims outstanding	348,830	121,964
Claims incurred but not reported	48,771	18,318
At end of year	**572,941**	**315,623**

	30 June 2024 Birr'000	30 June 2023 Birr'000
Life business		
Unearned premium	17,863	16,290
Notified claims outstanding	5,639	1,588
Claims incurred but not reported	541	287
At end of year	24,043	18,166
Total General and Life Business	**596,984**	**333,789**

Maturity analysis	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	596,984	333,789
Non Current	-	-
	596,984	**333,789**

These are the reinsurers' share of technical provisions and reserves. No impairment was required for these reinsurance assets due to our right to set-off liabilities. The carrying amounts reflect the approximate fair value of reinsurance investment contracts

	30 June 2024 Birr'000	30 June 2023 Birr'000
22 Policy holder loans		
Life Business		
Policy holder loans	87	97
At end of year	**87**	**97**
Maturity profile of policy loans		
Loans maturing :		
Within 1 year	40	16
Within 1 - 5 years	34	81
In over 5 years	13	
	87	**97**

23 Deferred acquisition costs

Unearned premium commission for unexpired risks.

	30 June 2024 Birr'000	30 June 2023 Birr'000
General business	48,998	40,998
Life business	5,236	4,586
At end of year	**54,234**	**45,584**

Changes in deferred acquisition costs are as follows:

	30 June 2024 Birr'000	30 June 2023 Birr'000
As at 1 July	45,584	15,468
Change during the year	8,650	30,116
As at 30 June	**54,234**	**45,584**

24 Salvage property held for sale

	30 June 2024 Birr'000	30 June 2023 Birr'000
Non-current asset held for sale	19,302	31,640
	19,302	**31,640**

Changes in non-current assets held for sale are as follows:

	30 June 2024 Birr'000	30 June 2023 Birr'000
At the beginning of the year	31,640	4,839
Additions during the year	19,302	31,640
Sold during the year	(31,640)	(4,839)
At the end of the year	**19,302**	**31,640**

These non-current assets held for sale represent salvage properties that were fully or partially damaged and fully compensated to policyholders. They are recognized and classified as held for sale in the financial statements at their carrying amount and fair value less cost of disposal, in accordance with IFRS 5. The Company intends to dispose of these assets through public auction within one year of compensation. Their carrying value will be recovered through disposal rather than continuing use. The salvage value of these assets was estimated by the Company's in-house surveyors at the reporting date.

	30 June 2024 Birr'000	30 June 2023 Birr'000
25 Other assets		
Loans and receivables:		
General business		
Rent receivable	1,293	889
Restricted cash	-	-
Inter office receivable - Life	-	-
Staff debtors	23,631	15,841
Sundry debtors	2,203	1,635
	27,127	**18,366**
Non financial assets:		
Deposits and prepayments	19,989	2,314

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Prepaid staff assets	494	664
Deferred tax assets. Employee benefit	1,620	1,291
Prepayments For Building	-	-
	22,103	**4,270**
Less impairment loss on other assets:		
On other receivables	-	-
on non financial assets	-	-
	49,230	**22,635**
Loans and receivables:		
Life business		
Receivables on policy loan	18	17
Inter office receivable - Life	3,046	7,729
Sundry debtors	1,547	937
	4,611	**8,683**
Non financial assets:		
Deposits	-	-
Deferred tax assets. Employee benefit	194	160
Prepayments	-	-
	194	**160**
Less impairment loss on other assets:		
On other receivables	-	-
on non financial assets	-	-
	4,805	8,843
	54,035	31,478

	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	54,035	31,478
Non Current	-	-
	54,035	**31,478**

At 30 June, there is no allowance for impairment losses

	30 June 2024 Birr'000	30 June 2023 Birr'000

26 Cash and Bank balances

General business		
Cash in hand	25,006	15,713
Cash at bank	114,927	66,560
Deposits with financial institutions	2,062,003	1,495,124
	2,201,936	**1,577,396**

Maturity analysis	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	2,201,936	1,522,396
Non- current	-	55,000
	2,201,936	**1,577,396**

For the cash flow statement, cash and cash equivalents include cash in hand, bank deposits, and short-term bank deposits.

Cash and Bank balances	30 June 2024 Birr'000	30 June 2023 Birr'000
Life business		
Cash in hand	158	31
Cash at bank	5,332	13,937
Deposits with financial institutions	315,814	190,135
	321,304	**204,103**

Maturity analysis	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	321,304	204,103
Non- current	-	-
	321,304	**204,103**
Total Cash and Bank balances	**2,523,240**	**1,781,500**

For the cash flow statement, cash and cash equivalents include cash in hand, bank deposits, and short-term bank deposits.

	30 June 2024 Birr'000	30 June 2023 Birr'000
Cash and cash equivalents		
General business		
Cash in hand	25,006	15,713
Cash at bank	114,927	66,560
Short term deposits with bank		
	139,933	**82,272**

	30 June 2024 Birr'000	30 June 2023 Birr'000
Life business		
Cash and cash equivalents		
Cash in hand	158	31
Cash at bank	5,332	13,937
Short term deposits with bank	-	-
	5,490	13,968
Total cash and cash equivalents	**145,423**	**96,240**
Total deposits with financial institutions	**2,377,817**	**1,685,260**

The increase or decrease in deposits held at various financial institutions.

	30 June 2024 Birr'000	30 June 2023 Birr'000
General business		
As at 1 July	1,495,124	737,609
Additions	525,588	694,192
Interest received on Fixed time deposit	(86,758)	(23,435)
Interest receivable on fixed time deposit	128,049	86,758
As at 30 June	**2,062,003**	**1,495,124**

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

The increase or decrease in deposits held at various financial institutions.

	30 June 2024 Birr'000	30 June 2023 Birr'000
Life business		
As at 1 July	190,135	113,807
Additions	117,986	72,779
Interest received on Fixed time deposit	(7,426)	(3,877)
Interest receivable on fixed time deposit	15,119	7,426
As at 30 June	**315,814**	**190,135**

27 Insurance contract liabilities

a) General business

Gross insurance contracts :

Claims reported and loss adjustment expenses	782,557	454,082
Claims incurred but not reported IBNR	160,377	91,603
Additional unexpired risk reserve	813,679	726,406
Unallocated loss adjustment expense	5,656	4,624
Total insurance liabilities, gross	**1,762,268**	**1,276,715**
Recoverable from reinsurers:		
Notified claims outstanding	348,830	121,964
Claims incurred but not reported	48,771	18,318
Additional unexpired risk reserves	175,340	175,340
Total reinsurers' share of insurance liabilities	**572,941**	**315,623**

	30 June 2024 Birr'000	30 June 2023 Birr'000
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	433,727	332,118
Claims incurred but not reported IBNR	111,606	73,285
Additional unexpired risk reserve	638,339	551,065
Unallocated loss adjustment expense	5,656	4,624
Total insurance contract liabilities, net	**1,189,327**	**961,092**

b) Gross Life business insurance contracts:

Gross insurance contracts :

Claims reported and loss adjustment expenses	15,018	5,680
Claims incurred but not reported IBNR	10,830	5,749
Additional unexpired risk reserves	140,327	82,424
Total insurance liabilities, gross	**166,175**	**93,853**
Recoverable from reinsurers		
Notified claims outstanding	5,639	1,588
Claims incurred but not reported	541	287
Additional unexpired risk reserve	17,863	16,290
Unallocated loss adjustment expense	-	-
Total reinsurers' share of insurance liabilities	**24,043**	**18,166**
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	9,379	4,092
Claims incurred but not reported IBNR	10,288	5,461
Additional unexpired risk reserve	122,464	66,134
Unallocated loss adjustment expense	-	-
Total insurance contract liabilities, net	**142,132**	**75,687**

C)	**Total insurance liabilities, gross**	**1,928,443**	**1,370,568**
	Total reinsurers' share of insurance liabilities	**596,984**	**333,789**
	Total insurance contract liabilities, net	**1,331,459**	**1,036,779**

Chartered Certified Accountants (UK)
Audit Work partnership

Maturity analysis	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	1,331,459	1,036,779
Non- current	-	-
	1,331,459	**1,036,779**

These provisions represent the Company's obligations arising from insurance contracts that remain in force at the year-end. Excluding unearned premium reserves, the Company's insurance contract liabilities were evaluated for sufficiency by Actuarial Services Ltd., an actuarial firm located in Kenya.

Movements in insurance Liabilities and reinsurance assets

d) General Business insurance contracts:

		30 June 2024 Birr'000			30 June 2023 Birr'000		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
(i)	**Outstanding**	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
	At the beginning of the year						
	Notified claims	454,082	121,964	332,118	345,852	54,684	291,168
	IBNR	91,603	18,318	73,285	56,765	10,726	46,039
	ULAE	4,624		4,624	3,304	0	3,304
	At the end of the year	**550,310**	**140,283**	**410,027**	**405,921**	**65,410**	**340,511**
	At the beginning of the year						
	Paid claims for the year	(615,869)	(48,540)	(567,329)	(445,533)	(65,161)	(380,373)
	Increase In Liability:						
	Current and prior period	1,564,458	446,141	1,118,317	995,843	205,443	790,400
	At the end of the year	**948,589**	**397,601**	**550,988**	**550,310**	**140,283**	**410,027**
	Notified claims (Outstanding plus disputed)	782,557	348,830	433,727	454,082	121,964	332,118
	IBNR	160,377	48,771	111,606	91,603	18,318	73,285
	ULAE	5,656	-	5,656	4,624		4,624
	At the end of the year	**948,589**	**397,601**	**550,988**	**550,310**	**140,283**	**410,027**

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

(ii) Provision for unearned premiums

30 June 2024

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering	23,887	9,152	14,736
Liability	36,790	3,661	33,129
Pecuniary	74,056	30,375	43,681
Fire	77,028	56,935	20,092
Burglary and House breaking	3,400	1,353	2,048
Accident	7,593	320	7,273
Medical	3,867	986	2,881
Workmen's Compensation	8,794	401	8,393
Motor	500,386	24,380	476,006
Aviation	18,069	14,166	3,904
Marine	13,510	959	12,551
Goods in transit	8,740	291	8,449
Miscellaneous	37,559	32,362	5,197
	813,679	**175,340**	**638,339**

30 June 2023

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering	24,829	9,152	15,677
Liability	26,619	3,661	22,958
Pecuniary	68,487	30,375	38,112
Fire	71,739	56,935	14,804
Burglary and House breaking	2,609	1,353	1,256
Accident	4,577	320	4,257
Medical	3,037	986	2,051
Workmen's Compensation	6,714	401	6,314
Motor	452,722	24,380	428,342
Aviation	17,158	14,166	2,993
Marine	9,217	959	8,258
Goods in transit	4,387	291	4,096
Miscellaneous	34,310	32,362	1,949
	726,406	**175,340**	**551,065**

Movement	30 June 2024 Gross Birr'000	Reinsurance Birr'000	Net Birr'000	30 June 2023 Gross Birr'000	Reinsurance Birr'000	Net Birr'000
At the beginning of the year	726,406	175,340	551,065	251,114	51,923	199,191
Change in unearned income	87,274	0	87,274	475,292	123,417	351,874
At the end of the year	**813,679**	**175,340**	**638,339**	**726,406**	**175,340**	**551,065**

Isokeb&Melkamu Audit Work Partnership
Chartered Certified Accountants (UK)

e) Life business insurance contracts:

(i) Provision for unearned premiums

30 June 2024	**Gross**	**Reinsurance**	**Net**
Class of Business	**Birr'000**	**Birr'000**	**Birr'000**
Group Term	30,614	12,377	18,237
Arab travelers	89,678	4,484	85,194
Funeral	201	10	191
Mortgage	0	-	0
Group medical	19,834	992	18,842
	140,327	**17,863**	**122,464**

30 June 2023	**Gross**	**Reinsurance**	**Net**
Class of Business	**Birr'000**	**Birr'000**	**Birr'000**
Group Term	25,124	13,425	11,698
Arab travelers	43,920	2,196	41,724
Funeral	94	5	90
Group medical	13,286	664	12,622
	82,424	**16,290**	**66,134**

	30 June 2024			**30 June 2023**		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Movement	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
At the beginning of the year	82,424	16,290	66,134	14,653	2,472	12,181
Change in unearned income	57,903	1,572	56,330	67,771	13,818	53,953
At the end of the year	**140,327**	**17,863**	**122,464**	**82,424**	**16,290**	**66,134**

(ii) Life insurance funds

	30 June 2024	**30 June 2023**
	Birr'000	**Birr'000**
At the beginning of the year	129,074	83,263
Net premium received investment income	197,974	121,748
Change in net UPR	(56,330)	(22,087)
Investment income	58,008	37,031
other income	158	148
claims paid	(78,670)	(34,133)
Claims recovered from reinsurers management expenses	23,002	0
Change in net IBNR	(4,827)	(2,155)
Management expenses	(20,790	(12,809)
Net commission paid/(Received)	(3,049)	(861)
Changes in outstanding claims	(5,362)	(1,045)
Distribution to policy holders	0	0
Other outgo	(9)	(25)
Distribution to shareholders	(50,000)	(40,000)
At the end of the year	**189,178**	**129,074**

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

The Company carried out an actuarial valuation to determine the actuarial liabilities for its life fund as at the reporting date. The out come of the Actuarial valuation are shown below:

Life Fund Movement	30 June 2024 Birr'000	30June 2023 Birr'000
Actuarial Liabilities	129,074	83,263
Actuarial surplus	110,104	85,811
Distribution to Shareholders	(50,000)	(40,000)
Life Fund	**189,178**	**129,074**

(iii) Outstanding claims provision

Movement	30 June 2024 Gross Birr'000	30 June 2024 Reinsurance Birr'000	30 June 2024 Net Birr'000	30 June 2023 Gross Birr'000	30 June 2023 Reinsurance Birr'000	30 June 2023 Net Birr'000
At the beginning of the year	5,680	1,588	7,268	5,405	2,358	3,047
Change in Outstanding claim	9,413	4,051	2,186	275	(770)	1,045
At the end of the year	**15,093**	**5,639**	**9,454**	**5,680**	**1,588**	**4,092**

28 Deferred reinsurance commission

	30 June 2024 Birr'000	30 June 2023 Birr'000
General business	50,753	42,854
Life business	155	154
	50,908	**43,007**

29 Insurance payables

	30 June 2024 Birr'000	30 June 2023 Birr'000
General business		
Due to Reinsurers	171,359	98,223
Payable to local Insurance	7,999	8,781
Impairment provision	-	-
At end of the year	**179,358**	**107,004**

	30 June 2024 Birr'000	30 June 2023 Birr'000
Life business		
Due to Reinsurers	23,655	16,463
Payable to local Insurance	-	-
Impairment provision	-	-
At end of the year	23,655	16,463
Gross amount	**203,013**	**123,467**

Chartered Certified Accountants (UK)
Audit Work partnership

Maturity analysis	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	203,013	123,467
Non- current	-	-
	203,013	**123,467**

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

		30 June 2024 Birr'000	30 June 2023 Birr'000
30	**Other liabilities**		
a)	**General business**		
	Financial liabilities		
	Dividend payable	24,323	21,433
	Directors' Fee	-	-
	Commission payable	21,928	12,922
		46,251	**34,354**
	Non financial liabilities		
	Sundry creditors	25,482	13,483
	Uncollected cheques	8,394	6,435
	Deferred tax employee liability	-	
	Deferred income	11,150	10,866
	Retention fee payable	2,308	2,293
	Inter office A/C with life	3,046	7,729
	Provisions	74,800	57,697
	Rent advance	9,080	10,607
	Debtors with credit balance	6,457	2,752
		140,717	**111,860**
		186,967	**146,215**
b)	**Life business**		
	Financial liabilities		
	Dividend payable	-	-
	Directors' Fee	-	
	Commission payable	-	-
		-	-
	Non financial liabilities		
	Sundry creditors	2,645	2,750
	Uncollected cheques	-	-
	Withholding tax	-	-
	Inter office A/C with Non life	-	-
	Retention fee payable		
	Provisions	848	586
	Rent advance	-	-
	Debtors with credit balance	-	-
		3,493	**3,337**
		3,493	**3,337**
	Gross amount	**190,542**	**149,551**

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Maturity analysis

	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	190,542	149,551
Non- current		
	190,542	**149,551**

31 Company income and deferred tax

a) Current income tax

	30 June 2024 Birr'000	30 June 2023 Birr'000
Company income tax	85,482	54,180
Prior year (over)/ under provision	-	-
Deferred income tax/(credit) to profit or loss	6,949	10,040
Total charge to profit or loss	92,432	64,220
Balance charged to un-distributable		
Tax (credit) on other comprehensive income	(363)	(524)
Total tax in statement of comprehensive income	**92,069**	**63,696**

b) Reconciliation of effective tax to statutory tax-30 June 2024

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:

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Profit before tax	**561,793**	**50,000**	**611,793**
Add : Disallowed expenses			
Entertainment	3,557	362	3,919
Penalty	1,020	10	1,030
Leave - Provision	3,453	189	3,643
Gifts and donations	21	-	21
Shareholders' meeting expenses	651	12	663
Giveaway items	1,197	103	1,300
Medical expenses for UNIC-staff employee family	1,137	11	1,148
Staff award expense	260	-	260
Severance pay- provision	2,484	107	2,591
Employee Benefit expenses	170		170
Impairment of receivables-Provision	8,351	-	8,351
Depreciation for right of use asset	11,573	-	11,573
Interest on lease liability of right of use asset	969	-	969
Increased IBNR due to IFRS application	420	-	420
Property tax expenses-Buildings	6,716	1,093	7,809
Depreciation for IFRS accounting purpose	29,164	2,295	31,459
Amortization for IFRS accounting purpose	1,120	38	1,158
Total disallowable expenses	**72,262**	**4,221**	**76,483**
Less : Allowable expense			
Depreciation for tax purpose	50,011	5,283	55,294
Amortization for tax purposes	1,300	19	1,319
Dividend income taxed at source	41,692	13,232	54,924
Rent expenses lease term over a year	13,509	-	13,509
Interest income taxed at source-Local Deposit	242,915	35,373	278,287
Total allowable expenses	**349,428**	**53,906**	**403,335**
Taxable profit	**284,545**	**314**	**284,941**
Current tax at 30%	**85,364**	**94**	**85,482**

C) Reconciliation of effective tax to statutory tax-30 June 2023

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:

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Profit before tax	**350,720**	**40,000**	**390,720**
Add : Disallowed expenses			
Entertainment	2,917	238	3,156
Penalty	36	-	36
Gifts and donations	10	-	10
Shareholders' meeting expenses	518	-	518
Giveaway items	799	67	865
Additional prior period profit tax	2,315	-	2,315
Medical expenses for UNIC-staff employee family	486	-	486
Staff award expense	148	-	148
Leave - Provision	2,290	168	2,458
Severance pay- provision	1,287	31	1,318
Impairment of receivables-Provision	1,980	-	1,980
Depreciation for right of use asset	9,473		9,473
Interest on lease liability of right of use asset	396		396
Depreciation for IFRS accounting purpose	25,595	1,624	27,218
Amortization for IFRS accounting purpose	492	38	530
Total disallowable expenses	**48,742**	**2,166**	**50,908**
Less : Allowable expense			
Depreciation for tax purpose	45,829	4,058	49,887
Amortization for tax purposes	1,099	29	1,128
Dividend income taxed at source	28,489	8,945	37,434
Gain on sale of Shares	1,277	-	1,277
Rent expenses lease term over a year	10,386		10,386
Interest income taxed at source-Local Deposit	140,203	20,713	160,917
Total allowable expenses	**227,283**	**33,746**	**261,029**
Taxable profit	**172,179**	**8,420**	**180,599**
Current tax at 30%	**51,654**	**2,526**	**54,180**

d) Current income tax assets / (liability)

	30 June 2024 Birr'000	30 June 2023 Birr'000
Balance at the beginning of the year	(37,928)	(11,465)
Current year provision	(85,482)	(54,180)
WHT Not utilized	21,437	16,252
Payment during the year	37,928	11,465
Balance at the end of the year	**(64,046)**	**(37,928)**

e) Deferred income tax

Chartered Certified Accountants (UK) Isokeb&Melkamu Audit Work partnership

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	59,960	53,374
To be recovered within 12 months	-	-
	59,960	**53,374**

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

30 June 2024

Deferred income tax assets/(liabilities):	At 1 July 2023 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2024 Birr'000
Property, plant and equipment	55,260	7,319		62,580
Intangibles	185	44		229
Unrealized exchange gain	-			-
Tax losses charged to profit or loss	-	-		-
Post employment benefit obligation	(2,071)	(414)	(363)	(2,849)
Total deferred tax assets/(liabilities)	**53,374**	**6,949**	**(363)**	**59,960**

30 June 2023

Deferred income tax assets/(liabilities):	At 1 July 2022 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Property, plant and equipment	45,524	9,736		55,260
Intangibles	9	176		185
Unrealized exchange gain	-			-
Tax losses charged to profit or loss	-	-		-
Post employment benefit obligation	(1,676)	128	(524)	(2,071)
Total deferred tax assets/(liabilities)	**43,857**	**10,040**	**(524)**	**53,374**

32 Leases as a lessee

The company leases land and buildings primarily for office space. These leases are non-cancellable with options to extend or terminate at the end of the term. Additionally, some leases have no renewal options or variable payments.

At the lease commencement date, the company recognizes right-of-use assets and corresponding lease liabilities. Right-of-use assets are initially measured at cost, which includes the initial lease liability adjusted for any upfront payments and direct costs. Lease liabilities are initially measured at the present value of lease payments, discounted using the implicit interest rate or, if unavailable, the company's incremental borrowing rate (typically the National Bank of Ethiopia average lending rate).

Right-of-use assets are presented separately from other assets, and lease liabilities are presented separately from other liabilities. Subsequent to initial recognition, right-of-use assets are depreciated straight-line over the shorter of the lease term and the asset's useful life. Lease liabilities are measured at amortized cost using the effective interest method. Each lease payment is allocated between principal and interest expense to produce a constant periodic interest rate. Interest

and principal portions of cash payments are reported as operating and financing activities, respectively, in the statement of cash flows.

Short-term leases (12 months or less) and low-value leases, primarily for office space, are not recognized as right-of-use assets or lease liabilities. Payments for these leases are recorded as operating expenses on a straight-line basis and reported as operating activities in the statement of cash flows.

Set out below are the carrying amounts of right-of use assets recognised and the movements during the period.

a) Right- of use assets

	Office premises	
	30 June 2024	**30 June 2023**
	Birr'000	**Birr'000**
At the beginning of the year	15,183	10,580
Additions	14,888	14,076
Disposal of ROU	(263)	0
Depreciations expenses	(11,573)	(9,473)
At the end of the year	**18,235**	**15,183**

b) Right of use assets/Prepaid operating leasehold land

The Company has leased land for its use. The lease hold period for land at Bahirdar, Kality and Bolemedhanialem is 60,50 and 12 years respectively. Information about the leases in which the Company is a lessee is presented below:

	30 June 2024	**30 June 2023**
Cost:	**Birr'000**	**Birr'000**
At the beginning of the year	3,864	3,959
Accumulated depreciation from prepaid operating lease holding land	(95)	(95)
At the end of the year	**3,769**	**3,864**
Depreciation		
At the beginning of the year	-	95
Charge for the year	95	3,864
	3,769	3,864
Total Right of use assets	**22,004**	**19,047**

c) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	30 June 2024	**30 June 2023**
	Birr'000	**Birr'000**
At the beginning of the year	10,265	6,531
Additions	7,724	7,907
Accretion of interest	0	0
Disposal of Lease liability	(260)	-
payments	(5,872)	(4,173)
At the end of the year	**11,856**	**10,265**

	30 June 2024	**30 June 2023**
	Birr'000	**Birr'000**
d) Leasehold land lease liability		
Land Lease Payable	-	-
	-	-
Total lease Liability	11,856	10,265

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

Maturity analysis

	30 June 2024 Birr'000	30 June 2023 Birr'000
Current	11,856	10,265
Non current	0	0
	11,856	**10,265**

Amount recognised in profit or loss	30 June 2024 Birr'000	30 June 2023 Birr'000
Depreciation expense of right of use assets	11,573	9,473
Interest expense on lease liabilities	969	396
Expense relating to short term leases (included in other lease expenses)		
Expenses relating to leases of low value assets (included in admin. expenses)	6,104	4,876
Variable lease payments	0	
Total amount recognized in profit or loss	**18,645**	**14,745**

Amount recognised in the statement of cash flows

	30 June 2024 Birr'000	30 June 2023 Birr'000
Total cash out flow for leases	**5,872**	**4,173**

As a lessor

The Company has entered into operating leases on its investment property portfolio consisting of certain office premises. These leases have terms of leases between one and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Payments received from operating leases are recorded on a straight-line basis over the lease term as investment income in the statement of profit or loss and other comprehensive income. Lease income recognised from investment property by the Company during the year is Birr 59,542,000 (2023: Birr 55,535,000).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2024are as follows:

	30 June 2024 Birr'000	30 June 2023 Birr'000
Within one year	64,000	60,732
After one year but not more than five years	256,000	245,385
More than five years	320,000	294,463
	640,000	**600,580**

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	30 June 2024 Birr'000	30 June 2023 Birr'000
33 Defined benefit liability		
Defined benefits liabilities:		
Severance pay - Life business Note 36 (a)	293	186
Severance pay - Non life business Note 36 (a)	9,203	6,719
Liability in the company statement of financial position	9,496	6,905
Income statement charge included in personnel expenses:		
Severance costs - Life business Note 36 (a)	297	153
Severance costs - Non life business Note 36 (a)	10,031	6,719
Total defined benefit expenses	**10,328**	**6,872**
Re-measurement for:		
Life business		
Re-measurement (gains)/losses - Life business	114	450
Deferred tax (liability)/asset on Re-measurement gain or loss	34	135
	80	**315**
General business		
Re-measurement (gains)/losses - Non life business	1,096	1,296
Deferred tax (liability)/asset on Re-measurement gain or loss	329	389
	767	907
Gross amount	**847**	**1,222**

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

a) Severance pay

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

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

	30 June 2024 Birr'000	30 June 2023 Birr'000
A Defined benefit liability		
Liability recognized in the financial position - Life business	293	186
Liability recognized in the financial position - General business	9,203	6,719
	9,496	**6,905**

Chartered Certified Accountants (UK) Kokeb&Melkamu Audit Work partnership

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

		30 June 2024	30 June 2023
B	**Amount recognized in the profit or loss**	**Birr'000**	**Birr'000**
	Life business		
	Current service cost	273	160
	Interest cost	24	-7
	Past service cost	-	-
		297	153
	General business		
	Current service cost	9,042	5,401
	Interest cost	989	722
	Past service cost	-	-
		10,031	6,123
	Gross amount	**10,328**	**6,276**

C	**Amount recognized in other comprehensive income:**		
	Re-measurement (gains)/losses arising from changes in demographic assumptions - Life	114	450
	Re-measurement (gains)/losses arising from changes in demographic assumptions - General	1,096	1,296
		1,210	**1,746**

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

	30 June 2024	30 June 2023
	Birr'000	**Birr'000**
Life business		
At the beginning of the year	186	155
Current service cost	273	160
Interest cost	24	(7)
Re-measurement (gains)/ losses	114	450
Past service cost	-	-
Benefits paid	(304)	(572)
At the end of the year	**293**	**186**
General business		
At the beginning of the year	6,719	5,431
Current service cost	9,042	5,401
Interest cost	989	722
Re-measurement (gains)/ losses	1,096	1,296
Past service cost	-	-
Benefits paid	(8,643)	(6,131)
At the end of the year	**9,203**	**6,719**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

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Isokeb&Melkamu Audit Work partnership

	30 June 2024 Birr'000	30 June 2023 Birr'000
Discount rate (p.a.)	14.75%	14.30%
Long term salary Increase rate (p.a.)	12.75%	12.30%

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:

Age	Mortality rate	
	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	0.330	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 as summarized below :

Age	Resignation rates per annum	
	Male	Female
20	15.000%	15.000%
25	12.000%	12.000%
30	6.000%	6.000%
35	2.500%	2.500%
40	1.800%	1.800%
45	1.000%	1.000%
50	0.180%	0.080%
55	0.080%	0.080%
60	0.080%	0.080%

iv) III-Health/Disability

The withdrawal rates are as summarized below :

Age	Resignation rates per annum	
	Male	Female
20	0.040%	0.040%
25	0.040%	0.040%
30	0.040%	0.040%
35	0.040%	0.040%
40	0.063%	0.050%
45	0.110%	0.080%
50	0.200%	0.140%
50	0.350%	0.250%
55	0.570%	0.420%
60		

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Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

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

General business

	30 June 2024				
	Scenario 1 Base	**Scenario 2 Discount rate increased by 1%**	**Scenario 3 Salary rate increased by 1%**	**Scenario 4 Discount rate decreased by 1**	**Scenario 5 Salary rate decreased by 1%**
Discount rate	14.75%	15.75%	14.75%	13.75%	14.75%
Salary rate	12.75%	12.75%	13.75%	12.75%	11.75%
Net liability at start of period	**6,718,638**	**6,718,638**	**6,718,638**	**6,718,638**	**6,718,638**
Total net expense recognized in income statement	10,031,029	10,031,029	10,031,029	10,031,029	10,031,029
Net expense recognized in other comprehensive income	1,095,736	548,855	1,697,030	1,715,765	559,033
Employer contribution	(8,642,544)	(8,642,544)	(8,642,544)	(8,642,544)	(8,642,544)
Net liability at end of period	**9,202,859**	**8,655,978**	**9,804,153**	**9,822,888**	**8,666,156**

	30 June 2023				
	Scenario 1 Base	**Scenario 2 Discount rate increased by 1%**	**Scenario 3 Salary rate increased by 1%**	**Scenario 4 Discount rate decreased by 1%**	**Scenario 5 Salary rate decreased by 1%**
Discount rate	14.30%	15.30%	14.30%	13.30%	14.30%
Salary rate	12.30%	12.30%	13.30%	12.30%	11.30%
Net liability at start of period	5,431,228	5,431,228	5,431,228	5,431,228	5,431,228
Total net expense recognized in income statement	6,122,914	6,122,914	6,122,914	6,122,914	6,122,914
Net increase recognized in other comprehensive income	1,295,909	904,030	1,725,798	1,740,294	912,333
Employer contribution	(6,131,413)	(6,131,413)	(6,131,413)	(6,131,413)	(6,131,413)
Net liability at end of period	6,718,638	6,326,759	7,148,527	7,163,023	6,335,062

Life business

	30 June 2024				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.75%	15.75%	14.75%	13.75%	14.75%
Salary rate	12.75%	12.75%	13.75%	12.75%	11.75%
Net liability at start of period	185,985	185,985	185,985	185,985	185,985

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Kokeb&Melkamu Audit Work partnership

Total net expense recognized in income statement	296,812	296,812	296,812	296,812	296,812
Net expense recognized in other comprehensive income	114,408	97,538	132,829	133,727	98,165
Employer contribution	(304,583)	(304,583)	(304,583)	(304,583)	(304,583)
Net liability at end of period	**292,622**	**275,752**	**311,043**	**311,941**	**276,379**

	30 June 2023				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.30%	15.25%	14.25%	13.25%	14.25%
Salary rate	12.30%	12.25%	1.25%	12.25%	11.25%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	**155,237**	**155,237**	**155,237**	**155,237**	**155,237**
Total net expense recognized in income statement	152,534	152,534	152,534	152,534	152,534
Net increase recognized in other comprehensive income	450,117	439,502	461,646	462,269	439,950
Employer contribution	(571,903)	(571,903)	(571,903)	(571,903)	(571,903)
Net liability at end of period	**185,985**	**175,370**	**197,514**	**198,137**	**175,818**

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The weighted average duration of defined benefit obligation at the end of the reporting period for general insurance staff is 6.4 years and for long term insurance staff is 6.2 years.

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

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work partnership

Hibret Insurance
Notes to the financial statements
For the year ended 30 June 2024

	30 June 2024 Birr'000	30 June 2023 Birr'000
34 Ordinary share capital Authorized:		
1,500,000 ordinary shares of Birr 1000 each	1,500,000	1,500,000
Issued and fully paid:		
840,596 ordinary shares of Birr 1000 each	840,596	499,278
227,578 ordinary shares of Birr 1000 each	227,578	341,318
Total share capital & share premium	**1,068,174**	**840,596**
Share Premium	**15,202**	**21,717**

In accordance with our company's policy and applicable tax regulations, the share premium generated from the issuance of shares above par value during December 2022 to February 2023 was initially held as a reserve fund pending a decision by the shareholders' general assembly. However, the tax authority (Ministry of Revenue, Large Taxpayers Branch Office) issued a notice (Letter No. 02/210/2876/16, dated Sene 24, 2016 E.C.) determining that the premium portion is subject to taxation, including interest due to non-payment within the specified timeframe.

As a result, we have decided to pay a tax amount of Birr 6,515,100. This payment will reduce the net share premium amount reflected on our financial statements. The remaining net share premium balance, currently at Birr 15,202,000, will be considered by the shareholders' general assembly at their next meeting to determine its appropriate allocation or distribution.

The movements in issued ordinary shares and fully paid share :

	No. of shares (thousands)	Share Capital ETB'000	Total ETB'000
At 1 July 2022	499,278	499,278	499,278
Issue of ordinary shares	341,318	341,318	341,318
As at 30 June 2023	**840,596**	**840,596**	**840,596**
At 1 July 2023	840,596	840,596	840,596
Issue of ordinary shares	227,578	227,578	227,578
As at 30 June 2024	**1,068,174**	**1,068,174**	**1,068,174**

35 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year

	30 June 2024 Birr'000	30 June 2023 Birr'000
Current year profit Attributable to the shareholders	**519,724**	**327,026**
Weighted Average number of ordinary share in issue	**985,644**	**681,512**
Earnings per share in BIRR	**527.29**	**479.85**

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Earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding at the end of the year. There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and of compilation of these financial statements.

36 (a) Retained earnings

	30 June 2024 Birr'000	30 June 2023 Birr'000
General business		
At the beginning of the year distributable earnings	261,242	132,180
Profit/ (Loss) for the year	470,610	290,269
Transfer to legal reserve	(47,068)	(29,027)
Transfer to capital	(167,600)	(116,218)
Transfer to life fund	-	-
Dividend provided for	(93,642)	(15,962)
Total retained earnings- General business	**423,610**	**261,242**
At the end of the year distributable earnings	**423,610**	**261,242**

	30 June 2024 Birr'000	30 June 2023 Birr'000
Life business		
At the beginning of the year distributable earnings	33,080	31,223
Profit/ (Loss) for the year	49,047	36,756
Transfer to legal reserve	(4,905)	(3,676)
Transfer to Capital	(33,080)	(31,224)
Dividend provided for	-	-
Total retained earnings- Life business	**44,142**	**33,080**
At the end of the year distributable earnings	**44,142**	**33,080**
	467,752	**294,322**

(b) Surplus resulted from Asset Revaluation or adjustment

In accordance with Directive No. 985/2024, issued on February 15, 2024 (directive on how to account for changes resulting from asset revaluation or adjustment), any surplus arising from asset valuation or adjustments cannot be used for capital increases or dividend distributions because it represents unrealized gains. Therefore, the directive mandates that this surplus be recorded as an "IFRS Adoption Re-measurement Reserve" within shareholders' equity, separate from distributable retained earnings. Following this directive, we have excluded this surplus from the retained earnings account and recorded it separately under the IFRS Adoption Re-measurement Reserve account. The gross surplus amounted to Birr 97.67 million, of which Birr 31.73 million was transferred to the deferred tax payable account. The net surplus of Birr 65.94 million is currently held in the IFRS Adoption Re-measurement Reserve account

37 Legal reserve

	30 June 2024 Birr'000	30 June 2023 Birr'000
General business		
At the beginning of the year	120,981	91,954

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Transfer from profit or loss	47,068	29,027
At the end of the year	**168,049**	**120,981**
Life business		
At the beginning of the year	25,198	21,522
Transfer from profit or loss	4,905	3,676
At the end of the year	**30,102**	**25,198**
	198,151	**146,178**

This is a reserve constituted in accordance with Article 22 of Proclamation No. 746/2012 Licensing and Supervision of insurance business. The law requires the insurer to transfer 10% of its annual net profit to its legal reserve account until such account equals its capital.

	30 June 2024 Birr'000	30 June 2023 Birr'000
38 Life fund reserve		
Life business		
At the beginning of the year	129,074	83,262
Transfer from / to retained earnings	60,104	45,812
At the end of the year	**189,178**	**129,074**

Life fund reserve represents accumulated life fund inclusive of surpluses distributable to shareholders. The amount determined after actuarial valuation has been conducted .

	30 June 2024 Birr'000	30 June 2023 Birr'000
39 Actuarial (gain)/Loss of employee		
General Business		
At the beginning of the year	2,229	1,322
Gross (gain)/loss	1,096	1,296
Deferred tax asset/(liability)	329	389
Net (gain)/Loss	**2,996**	**2,229**
Life business		
At the beginning of the year	339	24
Gross (gain)/loss	114	450
Deferred tax asset/(liability)	34	135
Net (gain)/Loss	**419**	**339**
	3,415	**2,569**

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40 Cash generated from operating activities

	Notes	30 June 2024 Birr'000	30 June 2023 Birr'000
Profit before tax	31(b)	**611,793**	**390,721**
Adjustments for non- cash items:			
Depreciation of property, plant and equipment	14,15	31,462	27,220
Amortization of intangible assets	16	1,062	435
Right of use asset -depreciation	33	11,668	9,568
Gain/(Loss) on disposal of property, plant and equipment	40	(585)	(753)
Fixed assets adjustment	14	-	(7,100)
Change in operational assets:			
Decrease/(Increase) Reinsurance receivables	19	(285)	(4,504)
Decrease/(Increase) Insurance receivables	20	(4,989)	905
Decrease/(Increase) Reinsurance assets	21	(263,195)	(126,125)
-Decrease/ (Increase deferred acquisition costs	23	(8,650)	(19,755)
Decrease/(Increase) other assets	25	(22,556)	479
Decrease/(Increase) loan and receivable	17	(52,839)	(26,952)
Decrease/ (Increase) salvage property held for sales	24	12,339	(5,855)
Change in operational liabilities:			
-Increase/ (decrease) insurance contract liabilities	27	557,875	440,254
-Increase/ (decrease) deferred reinsurance commission	28	7,900	9,678
-Increase/ (decrease) Insurance payables	29	79,547	24,928
-Increase/ (decrease) other liabilities	30	34,394	44,598
Cash generated from operations		**994,940**	**757,743**

In the statement of cash flows, profit on sale of property, plant and equipment comprise:	30 June 2024 Birr'000	30 June 2023 Birr'000
Proceeds on disposal	622	1,150
Net book value of property, plant and equipment disposed	37	397
Gain/(loss) on sale of property, plant and equipment	**585**	**753**

Hibret Insurnce
Notes to the financial statements
For the year ended 30 June 2024

41 Related party transactions

The Company is owned by several diverse shareholders with out ultimate parent Company. A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

	30 June 2024 Birr'000	30 June 2023 Birr'000
a) Transactions with related parties		
Loan to key management personnel	-	28
	-	28

b) Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2024.

	30 June 2024 Birr'000	30 June 2023 Birr'000
Salaries and other short-term employee benefits	23,197	17,537
Post-employment benefits	440	588
Termination benefits	1,759	1,730
Sitting allowance	1,770	1,382
Other expenses	1,444	1,413
	28,610	**22,650**

42 Directors and employees

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

	30 June 2024 Number	30 June 2023 Number
Professionals and High Level Supervisors	70	72
Semi-professional, Administrative and Clerical	28	20
Technician and Skilled	8	-
Manual and Custodian	17	31
	123	**123**

ii) The table below shows the number of employees (excluding directors), who earned over Birr 10,000 as emol uments in the year and were within the bands stated.

	30 June 2024 Birr'000	30 June 2023 Birr'000
10,000 - 30,000	272	242
30,001 - 50,000	91	79
50,001 - 100,000	28	27
Above 100,000	-	3
	391	**351**

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43 Contingent liabilities

43.1 Claims and litigation

The Company is exposed to various contingent liabilities, primarily arising from legal cases. These cases are evaluated quarterly by the legal department to assess the likelihood of incurring a legal obligation. Contingent liabilities are recognized and recorded in the financial statements when the following criteria are met:

.There is a present legal or constructive obligation arising from a past event.
.It is probable that a payment will be required to settle the claim.
.The amount of the potential payment can be reasonably estimated.

Based on this approach, 153 files have been assessed as "probable," and adequate provisions totaling Birr 30,257,289 have been made for these 153 claims under litigation. Of this amount, Birr 23,248,551 has been recorded as a provision, while the remaining Birr 7,008,738 is recorded as a share of reinsurance for 153 unresolved cases where the probability of settlement is not remote.

While these cases are ongoing, the Company has a legal obligation and a strong likelihood of incurring a cost to settle them. However, there are 25 additional ongoing legal cases with potential liabilities of Birr 105,503,338 that are disclosed as contingent liabilities. As management believes these cases are unlikely to result in a payment, no provision has been made for them in the financial statements as of 30 June 2024.

43.2 Tax dispute on reinvested dividend

The Company has received an illegitimate tax payment request from the Ministry of Revenues Large tax payers Branch Office on reinvested dividend, interest and penalty Since 2016 to 2020 which totals Birr 21,832,381. The Company has disputed the request and is seeking legal advice and believes that the request is without merit and does not expect to incur any liability as a result.

This disclosure is important because it informs shareholders and other stakeholders of the potential financial impact of the tax office's request. It also demonstrates that the Company is taking the matter seriously and is taking steps to protect its interests.

44 Commitments

	30 June 2024 Birr'000	30 June 2023 Birr'000
Capital Expenditure	0	1,623
Rebranding cost	831	3,400
Ethiopian Security Exchange/ESX/	9,741	0
Subscribed shares in Ethiopian Reinsurance Company	150,000	0
Subscribed shares in Hibret Bank SC	18,041	23,174
	178,613	**28,197**

45 Operating lease commitments - Company as lessee

The Company leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of each lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2024 Birr'000	30 June 2023 Birr'000
No later than 1 year	13	5,809
Later than 1 year and no later than 2 years	5,106	1,210
Later than 2 years but not later than 5 years	3,288	3,246
Total	**8,407**	**10,265**

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset and align with the Company's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (Note 3).

46 Currency

The financial statements are presented in thousands of Ethiopian Birr (Br'000).

47 Revaluation reserves at deemed cost

The revaluation reserve at deemed cost relates to investment, property and equipment. The reserve is non -distributable .The revaluation surplus amounting Birr 65.94 million net of deferred tax liability of Birr 31.73 million is included in the retained earning account. This represents the surplus on the revaluation of investment property and property and equipment.

48 Actuarial valuations

An actuarial valuation of the Company's Life business as of 30 June 2024 was carried out by our consulting actuaries, ZAMARA actuaries, administrator and consultant Limited. The valuation revealed Br50,000,000 for distribution from surplus to shareholders for the year ended 30 June 2024. The Company did not have any with profit policies as at 30 June 2024.

49 Events after reporting period

The Ethiopian government has adopted a floating exchange rate, resulting in the depreciation of the Birr. Furthermore, a 15% VAT has been implemented on non-life insurance services. The insurance sector is currently evaluating the effects of these changes. The Directors affirm that no substantial events occurred after June 30, 2024, that could materially influence the company's financial standing or outcomes.

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ACTUARY CERTIFICATE

I have conducted an actuarial valuation of the general insurance liabilities and severance benefits of The United Insurance S.C.

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

In completing the actuarial valuation, I have relied upon the financial statements and the data provided by the company.

In my opinion,

(i) The actuarial value of the liabilities in respect of all classes of general insurance business of the company reflect a fair value as at 30 June 2024;

(ii) The severance benefits as at 30 June 2024 can be incorporated in the financial statements in line with the International Accounting Standards 19.

Signed in my capacity as an employee of Actuarial Services(EA) Ltd.

Abed Mureithi
Fellow of the Institute and Faculty of Actuaries (UK)
Actuary

The United Insurance Company S.C.

Actuarial Valuation as at 30 June 2024

Actuary's Solvency Certificate

I, James Israel Omanyala Olubayi of Zamara Actuaries, Administrators and Consultants Limited Zamara Place, Ground Floor, Chiromo road/Waiyaki way, Westlands, P. O. Box 52439, 00200 Nairobi, Kenya, being a fully qualified Actuary and having conducted an actuarial valuation of the Life Fund as at 30 June 2024 using generally acceptable actuarial principles do hereby certify as under: -

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

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

James I. O. Olubayi
Fellow of the Institute of Actuaries
Nairobi
August 2024

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HIBRET INSURANCE

Hibret Insurance is proud to have been led by the best quality leadership in Africa, as attested by the recognition of our CEO as THE BEST CEO OF THE YEAR 2024 on the continent at the 50th Conference and Annual General Assembly of the African Insurance Organization (AIO) held in Windhoek, Namibia, on June 3rd, 2024.

Striving for Excellence!

Photo Gallery

29th Annual General Meeting of Shareholders

Hibret 's New Brand Inauguration Ceremony

W/ro Meseret Bezabih - African Best CEO of the Year 2024

Best Branch Managers of the Year 2022/23

Insurance Brokers' Annual Consultative Meeting & Recognition

Sales Agents ' Annual Consultative Meeting & Recognition

Annual Staff Day Celebration at Addis Ababa Golf Club

Sales Agents' Refreshment Training and Certification

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THE UNITED INSURANCE COMPANY SC

Tomorrow's Company Today!

29 YEARS

A Journey of Trust

ዓ.ም 2022/23

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ANNUAL REPORT

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THE UNITED INSURANCE COMPANY SC
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LIFE Insurance

PRODUCTS

- Individual Life (With Profit Participation)
- Individual Life and Accident
- Group Life- Term and Endowment
- Anticipated Endowment
- Education Endowment
- MEDEXIN- Medical Expenses Insurance
- Family Funeral Plan
- Medical Evacuation
- Riders: Disability Benefits, Premium Waiver, etc

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THE UNITED INSURANCE COMPANY SC

Tomorrow's Company Today!

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ANNUAL REPORT

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2022/23

VISION

< UNIC-ETHIOPIA> aims to be the best insurer in Ethiopia that is committed to a high standard of excellence.

MISSION

To provide complete insurance covers at economic rates, honest, prompt, and courteous claims services, through the aid of state-of-the-art technology to fully satisfy its constituencies: Customers, Employees, Shareholders, Society, and the Environment.

CORE VALUES

Customer Supremacy

We shall treat the customer as a “King” and/or “Queen”. We will ensure that the environment in which service is delivered is conducive and make the service delivery experience memorable.

Honesty and Integrity

We shall strive to promote a culture of honesty and integrity and adhere to a set of high moral standards and uphold ethical values.

Teamwork

We recognize that the team shall always be greater than the individuals. While taking personal responsibility for our work, we shall promote teamwork to achieve our corporate goals.

Dynamism

We shall embrace an organizational culture that encourages professionalism, keenness, enthusiasm, creativity, innovation ana a sense of urgency so that we are responsive to the dynamics of the internal and external environment in which we operate.

Fairness

We wish to be the Best Equal-Opportunity Employer in the country. And strive to undertake actions that are just, equitable, and fair that have a positive impact on the lives of our customers, employees, shareholders and the society at large.

We uphold the value of fair Competition: Level playing Field and same Rule of the Game.

Social Responsibility

In all our undertakings, we shall behave in a socially responsible and acceptable manner.

Table of Contents

06
Notice of Annual General Meeting

07
Chairperson's Letter to Shareholders

09
Report of the Board of Directors

13
The Company's Performance

17
Corporate Governance

18
Future Prospects

19
Vote of Thanks

24
Auditors' Report

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BOARD OF DIRECTORS

Ato Wondwossen Teshome
Chairperson

W/rt Teguest Yilma
Vice Chairperson

Ato Amare Gashaw
Director

W/ro Maryamawit Getamesay
Director

Negussie Aberra (Eng.)
Director

Ato Ermias Andarge
Director

Ato Asrat Arega
Director

Ato Ayalew Alemu
Director

Ato Alemayehu Gebre
Director

Ato **Yinebeb Derseh**
Company Secretary

EXECUTIVE MANAGEMENT

W/ro Meseret Bezabih
GM/CEO

W/ro Azalech Yirgu
DGM-Life & MEDEXIN

Ato Tesfaye Desta
DGM-Operations Non-Life

W/rt Bethlehem Mekbib
Director-UIW & Tec. Services

Ato Dereje Demessie
Director-Claims & Eng. Services

Ato Tilahun Tadesse
Director-Business Development and Marketing

Ato Engida Kassaye
Director-Finance and Investments

Ato Gizie Alemu
Director-HR and Admin.

Ato Yealemayn H/Mariam
Controller

Ato Aliye Mohammed
Manager-IT Services

Ato Aron Kassaye
Manager-Legal Services

NOTICE OF THE 29TH ORDINARY ANNUAL GENERAL MEETING OF SHAREHOLDERS

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 366 (1), 367 (1), 393 AND 394 OF THE 2021 COMMERCIAL CODE OF ETHIOPIA, NOTICE IS HEREBY GIVEN TO ALL SHAREHOLDERS THAT THE 29TH ORDINARY ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE UNITED INSURANCE COMPANY S.C <UNIC ETHIOPIA> WILL BE HELD AT ADDIS ABABA SKY LIGHT HOTEL ON THE 9TH OF NOVEMBER 2023 FROM 8:00 A.M TO TRANSACT THE FOLLOWING BUSINESS;

1. Agenda of the 29th Ordinary Annual General Meeting of Shareholders

1.1. To Consider and Approve the Agenda Items of the Meeting;
1.2. To Approve the Sale and/or Transfer of Shares Made Upto and Including November 8, 2023;
1.3. To Consider the 2022/2023 Financial Year Annual Report of the Board of Directors;
1.4. To Consider the External Auditors' Report for the 2022/2023 Financial Year;
1.5. To Approve the Reports Stated Under Agenda 1.3 and 1.4;
1.6. To Decide on the Allocation and Distribution of the Company's Profit for the 2022/2023 Financial Year;
1.7. To Notify the Assignment of Board Directors in the place of Resigned Board Directors;
1.8. To Consider and Approve Annual Board of Directors' remuneration for the 2022/2023 Financial Year and their Monthly Transport Fee For the 2023/2024 Financial Year;
1.9. To Hold the Election of Nomination and Election Committee of the Board of Directors and Deciding on their Monthly Allowance Fee.

By order of the Board of Directors

Yinebeb Derseh

Company Secretary

Dated 9th day of November, 2023

Addis Ababa

NOTE: A shareholder entitled to attend and vote at the General Meeting may appoint a PROXY in his/her stead. A PROXY need not be a shareholder of the Company. To be valid, the enclosed PROXY FORM must be completed and presented to the Company Secretary on or before the General Meeting.

A PROXY or Shareholder must hold original and copy of renewed identity card, passport or yellow card for foreign nationals of Ethiopian origin.

CHAIRPERSON'S LETTER TO SHAREHOLDERS

On behalf of the Board of Directors and myself, I am pleased to seize this opportunity to welcome you all to the TWENTY NINTH ANNUAL GENERAL MEETING of Shareholders of The United Insurance Company SC (<UNIC-ETHIOPIA>).

I am greatly honored and privileged to present the Annual Report of the Board of Directors to this important gathering which takes place once a year in compliance with the provisions of the laws of the Country and both the Memorandum and Articles of Association of the Company.

This being the first Report of the Board of Directors to Shareholders since the Company's capital was increased by Birr 1,000,000,000.00 (from Birr 500,000,000.00 to Birr 1,500,000,000.00), by decision of the 13th Extra-Ordinary General Meeting of Shareholders (EOGM) which was held at the Sheraton Hotel in Addis Ababa, Ethiopia on 10 November 2022, allow me to declare with both pride and confidence that as at 30th June 2023, all shares had fully been subscribed for in accordance with the timetable set out in the resolution of the EOGM.

In accordance with the tradition and practice of the Company, the Board of Directors had decided to have the Annual Report printed and presented to the Annual General Meeting on the strict understanding that it will not be distributed to third parties until after its approval by the Annual General Meeting of Shareholders.

The insurance industry had gone through a range of difficulties during the financial year just ended on 30 June 2023. Slow-down in business activities, shortage of foreign exchange and ever-rising inflation rate were some of the challenges faced in the reporting period. It had never been easy to navigate through such a testing operating environment and obtain the desired results at the end of the day.

Despite the challenges in the business environment, the Company kept up with its growth trajectory and attained most of the objectives/goals set at the beginning of the year and registered yet another round of success in the 2022/23 financial year.

I am glad to report that the Company concluded the financial year 2022/23 with yet another set of commendable results. The combined Gross Written Premium (GWP) for Life and Non-Life for the financial year ended 30 June 2023 registered an impressive growth rate of 58% to reach Birr 1,507,209,000.00 as compared to Birr953,915,000.00 for the previous year. While Birr 1,353,272,000.00 was generated from Non-Life business, Life insurance produced Birr 153,937,000.00 during the reporting year.

The consolidated net claims incurred (Life and Non-Life combined) grew by about 33% and increased to Birr 463,543,000.00 in 2022/23 as compared to the previous year's figure of Birr349,090,000.00. However, corporate Loss Ratio significantly decreased to 47% as compared to 61% in 2021/22. The corporate Loss Ratio was also lower than the industry's average of 59% for the year 2022/23. The decrease in Loss Ratio was mainly attributable to an increase in net earned premiums on the one hand and increasingly more efficient claims management on the other.

As in previous years, the Company had continued, during the year under report, to strive to achieve higher Underwriting (Operational) Profit, one of

the key performance indicators for insurance companies. During the financial year under report, the combined Underwriting Profit from Life and Non-Life businesses grew by an impressive 75% to reach Birr 433,403,000.00 in 2022/23 compared to Birr 247,824,000.00 in 2021/22.

The Company's Profit Before Income Tax for the reporting year grew by about 89%, a truly impressive achievement by any standard, to reach Birr 390,720,000.00 in 2022/2023 compared to Birr 206,497,000.00 in 2021/22. The After-Tax Profit also rose by about 80% from Birr 181,563,000.00 in 2021/22 to Birr 327,024,000.00 for the reporting year. Income Tax Expense for the year was computed to be Birr 63,696,000.00 as compared to last year's figure of Birr 24,934,000.00.

By 30th June 2023, the Company's Paid-up Capital had grown by 68%, from Birr500,000,000.00 the previous year to Birr840,596,000.00. Notwithstanding such robust capital growth, the Company's basic earnings per share grew from 37.08% in the preceding year (2021/22) to 47.99% in the reporting year (2022/23) registering a truly commendable growth of about 29.4% (or 11 percentage points higher).

The consolidated financial result for the reporting year was found to be laudable given the difficult business environment in which the Company had to operate. With the permission of Shareholders, I would like to congratulate the Board of Directors, the Management and the entire staff of <UNIC-ETHIOPIA> for their outstanding accomplishments over the course of the year.

During the reporting year, the Board of Directors passed key strategic decisions including approval of a revamped organizational structure, new salary scale and benefits scheme, annual business plan and budget. Besides, different policy documents and working manuals were produced and put to implementation upon Board's review and approval. It also resolved on other matters of strategic importance. It had thirteen (13) regular meetings and several sub-committee meetings during the year under review. Generally, the Board ensured that the operations of the Company had been running prudently, and in accordance with relevant laws, regulations, policies, and procedures.

The Board strongly believes that the Company has continued to move on the right track and direction. The challenges notwithstanding, the Board and Management are committed to continue to explore different strategic options to achieve targets and aim to add value to shareholders in particular and all stakeholders in general. Despite the challenges, we trust the future of our Company will be brighter than current realities may portend. The vibrant team spirit, the ability to execute strategic decisions, strong and dependable financial capacity and asset base are just a few of the many qualities of our Company that would help it continue to drive its growth and profitability in the years ahead.

The Financial Statements of the Company were prepared in line with the International Financial Reporting Standards (IFRS) and other applicable laws. In accordance with Article 3(4) of the Company's Articles of Association as amended by the First Annual General Meeting of Shareholders which was held on 12 October 1995, as well as in compliance with Directives issued by the Supervisory Authority, the National Bank of Ethiopia (NBE), this Report of the Directors and Audited Accounts covers the financial year ended 30 June 2023.

In accordance with Articles 393 and 394 of the Commercial Code of Ethiopia (Proclamation No. 1243/2021) and Article 3(4) of the Company's Articles of Association, I present, for your consideration and approval, as appropriate, the Report of the Directors, the Audited Financial Statements together with the Report of the External Auditors for the Financial Year ended 30 June 2023.

Finally, allow me to take this opportune moment to express my sincere appreciation and gratitude to our esteemed customers who have continued to vest great trust in and shown loyalty by insuring with us throughout the year; our Shareholders, fellow Directors, the Management and the entire Staff of <UNIC- ETHIOPIA> who made this success happen; the Supervisory Authority (NBE) for its support and direction; and, our reinsurers, insurance intermediaries and other partners for their continued support.

Wondwossen Teshome
Chairperson, Board of Directors and
The Annual General Meeting

REPORT OF THE BOARD OF DIRECTORS

The Report of the Directors was prepared following the Company's long-established reporting structure. As always, the Twenty Ninth Annual Report of the Directors gives a brief review of the business environment with specific mention of the main events and elements with significant effects on the performance of the industry, the Company's operations and results for the period under report as well as the prospects for the future.

1. THE BUSINESS ENVIRONMENT

1.1. The Country's Economic Overview

According to the Federal Democratic Republic of Ethiopia (FDRE) Ministry of Planning and Development, real GDP growth of 6.4% was registered during the financial year 2021/22, which was slightly higher than the 6.3% expansion in the previous year. This Real GDP growth was 3.8 percentage points lower than the average base case scenario set for the Ten Year Perspective Development Plan of the country.

The report also looked at the structural 'transformation' statistics over the past seven years since the base year 2015/16. The share of the agricultural sector in the total GDP had declined from 37.5% in 2015/16 to 32.5% in 2021/22 while the industry sector had increased from 23.7% in 2015/16 to 29.3% in 2021/22. The services sector's contribution to total GDP remained almost similar at 39.7% in 2015/16 and 39.6% in 2021/22.

Based on the National Bank of Ethiopia's (NBE) Annual Report 2021/22, nominal per capita income steadily increased and reached USD 1,218 in 2021/22 as compared to USD 1,092 in 2020/21. Meanwhile, investment to GDP ratio stood at 25.3% while domestic savings to GDP ratio was 15.3%. The overall balance of payment registered USD 2,149.8 million deficit in 2021/22 as compared to USD 298.7 million surplus a year earlier.

According to the report of FDRE Ministry of Finance, Ethiopia's public debt to GDP ratio was reported to 39% at the end of March 2023, far below the average of 66% for African countries and 69% for emerging markets.

Consistent with the FDRE Ministry of Planning and Development and NBE reports, in 2021/22, weighted average exchange rate of Birr in the inter-bank foreign exchange market stood at Birr 48.5663/USD, showing a 24.5% annual depreciation. The reports indicated that the country's currency (Birr) was allowed to depreciate by 24.5% in nominal terms against US Dollar during 2021/22 while real effective exchange rate depreciated by 36.5% due to the surge in trading partners' prices relative to domestic inflation and depreciation of the Birr vis-à-vis that of trading partners' currencies.

According to United Nations Conference on Trade and Development's (UNCTAD) World Investment Report 2022, Foreign Direct Investment (FDI) inflows to Ethiopia amounted to USD 4.2 billion in 2021, up from USD 2.4 billion one year earlier; while the total stock of FDI stood at USD 31.6 billion, around 31.8% of the country's GDP.

Based on NBE's Annual Report (2021/22), annual average headline inflation rose to 33.8% in 2021/22 as compared to 20.2% a year ago largely owing to 17.1% increase in food and non-alcoholic beverages inflation and 8.7% rise in non-food inflation. Annual average food and non-alcoholic beverages inflation scaled up to 40.3% from 23.2% a year earlier depicting a 17.1 percentage points annual increase. Likewise, annual average non-food inflation increased by 8.7% and reached 25.2%. The government expects a drop in inflation to 24% in the year 2023/24. The unrest in some parts of the country, Russia – Ukraine war, mismatch in aggregate supply and demand, high commodity prices in the global market as well as apparently weak monetary and fiscal policies were the primary reasons that have led to higher inflationary pressure in Ethiopia during the fiscal year under consideration. Furthermore, the continuous depreciation of the Birr against the major currencies over the past one year and the acute shortage of foreign currencies have contributed to high inflationary situation.

While the IMF World Economic Outlook (WEO) forecasted an annual rate of inflation of 29% for 2023 (2024: 19%), the Central Statistical Agency (CSA) of Ethiopia reported a 12-month rate of inflation of 34% as of March 2023.

Inflation was a major threat for macroeconomic stability during the last year and perhaps, may

remain as one of the major challenges in the years to come as well. The continuous depreciation of the Birr against the major trading partners' currencies, the increase in property taxes, and the ever rising fuel prices may further exacerbate the inflationary situation. High inflation continues to drag on underwriting performance, for instance, as it drives up claims costs and expenses while dampening demand for insurance as customers become more price-sensitive on the one hand and prioritize consumption, insurance coming at the bottom of the priority list, on the other.

Over 30 banks are currently operating in the country and more are expected to join the market in the years to come including foreign banks. Disbursement of fresh loans and outstanding credits by the banking sector has continued to increase from time to time. The increase in the number of banks and growth in loan disbursement would certainly increase the demand for various insurance covers. This is the opportunity to be exploited by our Company which requires working with the banking sector more closely. The ongoing privatization program by the government can also be considered as an opportunity for insurers as additional sources of business.

In general, the economy registered slightly better performance in 2021/22 than in the year 2020/21 withstanding both domestic and external challenges.

According to NBE's estimate, the Ethiopian economy is projected to grow by 7.5% in 2022/23. However, IMF forecasted the real GDP growth of the country at 6.1% for 2023. On the other hand, the Ten-Year Perspective Development Plan of the country envisages an average annual economic growth of 10.2%.

1.2. The Insurance Industry Performance

According to the data obtained from NBE, the number of insurance companies operating in Ethiopia as at 30 June 2023 remained at 18, of which 17 were private and one state-owned. Out of the total, 13 were composite insurers while 5 of them were general insurers. No new insurance company joined the industry during the period under report. However, unofficial sources indicate that about 5 new insurance companies are under formation and expected to start operation in the next fiscal year (2023/24). As of 30 June 2023, the total insurance branches increased to 741 from 691 a year ago, showing a growth of 7%. Most of the branches are situated in Addis Ababa.

The total market asset increased by nearly 18% to reach Birr 49.728 billion (Birr 3.707 billion for Life and Birr 46.021 billion for Non-Life) as at the year ended June 30, 2023 from Birr42.187 billion (Birr3.027 billion for Life and Birr 39.160 for Non-Life) of the previous year.

Registering a growth rate of about 27%, the total market paid-up capital rose to Birr 8.999 billion in 2022/23 from Birr 7.068 billion in 2021/22. The total paid up capital for Life business increased to Birr592 million from Birr329 million of the previous year. Similarly, the Non-Life business's paid up capital grew to Birr 8.407 billion from Birr 6.739 billion.

During the reporting period, the overall performance of the insurance industry was found to be remarkable in terms of Gross Written Premium (GWP) income generation. Market GWP, Life and Non-Life combined, grew by 37.5% to reach Birr 22.923 billion at the close of business on 30 June 2023 from Birr 16.666 billion in 2021/22. Non-Life business increased markedly from Birr 15.314 billion to Birr 21.460 billion, registering a significant growth of about 40%, while Life grew by about 8% to reach Birr 1.463 billion from Birr 1.352 billion of the preceding year.

Accounting for almost 94%, Non-Life insurance business continued to take the lion's share of the premium portfolio (Birr 21.460 billion Non-Life premium against Birr 1.463 billion for Life) for the reporting year.

The market loss ratio in respect of Non-Life insurance slightly increased to 58% in the year under report from 56% in 2021/22. Market loss ratio of Life insurance also considerably increased from 52% in 2021/22 to 63% in 2022/23. This implies that the insurance industry paid higher claims in the year under review than the preceding year. The net claims incurred (Life and Non-Life combined) was Birr 5.128 billion in 2021/22 which increased to Birr 7.541 billion as at June 30, 2023.

The industry's retention ratio in respect of Life insurance business increased from 69% of the

previous year to 82% in the reporting year. Market retention ratio of Non-Life insurance also increased from 61% in 2021/22 to 68% in 2022/23.

Total market profit before tax increased from Birr 3.370 billion in 2021/22 to Birr 4.089 billion in 2022/23.

The Ethiopian insurance industry is a young industry at early stages of development with limited skills, inadequate capacity and constrained incentive to push market expansion. The insurance sector is small and underdeveloped. The industry is fragmented into many and mostly small companies of different sizes where the Ethiopian Insurance Corporation (EIC) is the dominant player.

The industry is characterized by strenuous and untamed competition with the following main features:

- Competition is primarily based on premium undercutting;
- There is stiff competition on trained manpower;
- Competitors unduly relax terms and conditions of insurance policies to attract customers;
- Buyer demand for insurance products is growing slowly;
- Almost all insurance companies in the industry sell standardized (similar) products, with little or no product differentiation and innovation as such which eventually causes heightened price competition.

The market demand is fragmented among small buyers and these small buyers have strong bargaining power because there are relatively many competitors in the market. The buyers have sufficient bargaining leverage to obtain price concessions and other favorable terms and conditions of sale. Where the products of competitors are virtually indistinguishable, the price is the sole basis for competitions. As a matter of fact, the Ethiopian insurance customers are highly price sensitive.

1.3. Status Report on Matters Having Impact on the Insurance Industry

It is a long-standing tradition of our Company to indicate pertinent and significant issues impacting the insurance industry in one way or the other. Every year, <UNIC-ETHIOPIA>'s Annual Reports of the Board of Directors attempt to shade light on such important matters. Unless the right kinds of measures are taken by the concerned bodies, we continue to state them in our reports as we believe they should be addressed for the benefit of the insurance industry as well as all stakeholders.

The National Bank of Ethiopia issues Directives that promote the insurance business, investment of insurance funds and such other matters as may be conducive to the attainment of sound insurance business in Ethiopia.

The Board of Directors wishes to seize this opportunity to pay special tribute to the National Bank of Ethiopia, for the Directives it issued for effective administration, supervision, regulation and control of insurance business. While strictly complying with all the Directives issued, we would like to reveal particular concerns and make some recommendations on the following for consideration by the NBE or other concerned bodies.

1.3.1. Directive No. SIB/52/2020: Amendment to Investment of Insurance Funds

This Directive came into force as of the 4th day of August 2020. The amended Directive requires insurance companies to invest not less than 60% of their total admitted assets in treasury bills and bank deposits. The Directive reduced the limit from 65% to only 60%. This may expose the companies to higher financial risks and endanger the safety of their investments. We are of the opinion that the investment limit in treasury bills and bank deposits should further be decreased to a reasonable level considering the interest of the policyholders and the insurance industry.

The Directive further requires insurers not to invest more than 10% of their total assets in the purchase or construction of buildings exclusively or predominantly used for rent (real estate) and capital appreciation. In this regard, no change was made to the threshold indicated in the previous Directive in spite of the strong expectation of the industry to increase the limit to a reasonable level. More investment in real estate would be difficult due to the restrictions imposed by this Directive.

We, therefore, continue appealing to the NBE for revision of the amended Directive in light of economic realities of the country, experience of the insurance industry and protection of the rights of policyholders.

1.3.2. Directive No. FCP/01/2020: Financial Consumer Protection.

This Directive came into force as of the 25th day of August 2020. The primary objective of the Directive is to build trust and confidence of financial consumers which in turn promote financial inclusion, healthy financial transactions, and stimulate growth, stability, ethical innovation and efficiency in the financial system. It established financial consumer protection regulation, supervision, complaint handling and dispute resolution mechanisms. Among others, the Directive prohibits the financial service providers from requiring their customers to take out insurance policies from a particular insurer. And yet, consumers are still being pressurized unduly to get insurance covers from a given insurer.

We are of the opinion that as the Directive has not been strictly implemented, strong and persistent monitoring is required from the concerned organs for proper enforcement of this vital Directive.

1.3.3. Directive No. SIB/54/2021: Investing in Development Bank Bond.

The Directive entered into force as of the 1st day of September 2021. It requires insurers to invest an amount equivalent to a minimum of 15% of their net income (profit after tax) in Development Bank of Ethiopia's (DBE) Bond within 90 days after the close of each financial year.

The Directive further states that DBE shall pay a bond rate at least 2 percentage points higher than the minimum interest rate paid on saving deposit at the time of issuance. However, the proposed rate is not attractive owing to the existing high inflationary situation on the one hand and is very low compared to the better rates existing in the market on the other. We call upon all concerned to either put the Directive aside as ineffective or increase the applicable interest rate to at least average market lending rate so that insurers could be able to earn reasonable returns on the resources they helped to generate in order for them to meet obligations as it falls due.

1.3.4. Directive No. SIB/57/2022: Minimum Paid-Up Capital for Insurance Companies.

The Directive that sets a limit on the minimum paid-up capital for an insurance company was issued effective from the 15th day of September 2022. The minimum paid-up capital required to obtain both general and long-term insurance businesses license was increased to Birr500 million from Birr75 million. All existing composite insurers whose paid-up capital, on the effective date of this Directive, was below Birr500 million are supposed to raise their paid-up capital to the stated level within five years. An insurance company that is unable to meet the minimum paid-up capital requirement may undertake voluntary merger or acquisition transactions with another insurance company before the lapse of the stated period.

We are of the view that the minimum paid-up capital requirement is still on the low side owing to the continuous depreciation of the Birr on the one hand and ever growing inflationary pressure on the other. We thus recommend that the paid-up capital be increased to the level that matches up with economic realities of the country.

1.3.5. Directive No. SIB/60/2023: Motor Insurance Minimum Premium Rate.

As subsequent event, the long awaited Directive that set minimum premium rate for Motor Own Damage Insurance was issued on 24th day of August 2023. The rate is net of all discounts and rebates and applicable to all categories of motor vehicles.

We are extremely grateful to the National Bank of Ethiopia for the practical and sound actions it has taken to improve the regulatory environment in general and the introduction of minimum premium rate for motor insurance in particular. The Directive may ease, to some extent, the existing unhealthy competition based primarily on premium undercutting.

However, we would like to point out that the minimum premium rate set by the regulatory body, NBE, is neither adequate nor commensurate with the risks proposed for insurance. The rate is not only inequitable but also insufficient to cover the ever escalating motor claim costs.

Therefore, we strongly appeal to the National Bank of Ethiopia to reconsider its decision and set a more equitable minimum premium rate mutually beneficial to all stakeholders on the basis of actuarial study conducted under the auspices of the Association of Ethiopian Insurers (AEI) and submitted to NBE by AEI for this purpose.

1.3.6. The Need for an Independent Regulatory and Supervisory Body

The Ethiopian insurance sector needs a highly qualified separate insurance regulatory body that gives high emphasis and focus to the insurance industry.

While appreciating the Government's decision to establish an independent regulatory and supervisory body for the insurance sector, we strongly appeal to the National Bank of Ethiopia to expedite the process of setting up a capable regulatory body (commission) that is operationally independent on the one hand and accountable in the exercise of its functions and powers on the other.

The separate insurance regulatory authority or commission to be established needs to have a clear legal framework, structure and composition to ensure the sustainable growth and stability of the Ethiopian insurance industry. We believe that this would create a fair, safe and stable insurance market by ensuring a level playing field for all players. Expeditious action by all concerned is highly sought for in this regard.

1.3.7. Lack of Level Playing Field

<UNIC-ETHIOPIA> has never faltered to point out the uneven nature of the industry's playing field and its role in distorting the market environment. We had openly expressed our concerns and continue to do so that some entities still receive preferential treatments thereby depriving all the other players of the single most important benefit of a market-oriented economic regime - that of "fair competition". While entities receiving favors of one form or the other become dependent on such "indirect subsidies", the others are deprived of their legitimate right to fair treatment under the law.

We hope that the Government will take appropriate measures to uphold the principle and value of fair competition: "Level Playing Field and Same Rules of the Game".

2. THE COMPANY'S PERFORMANCE

2.1. OPERATIONAL AND FINANCIAL PERFORMANCE AND RESULTS

2.1.1. Gross Written Premium (GWP) and Underwriting Result: Life and Non-Life Businesses Combined

Life and Non-Life businesses combined, Gross Written Premium (GWP) for the year ended 30 June 2023 reached Birr 1,507,209,000.00 as compared to Birr953,915,000.00 in 2021/22. While Birr 1,353,272,000.00 was generated from Non-Life business, Life insurance produced Birr 153,937,000.00 during the reporting year. The combined GWP grew by 58% in 2022/23.

The consolidated net claims incurred (Life and Non-Life combined) grew by about 33% and increased to Birr 463,543,000.00 in 2022/23 as compared to the previous year of Birr 349,090,000.00. However, corporate Loss Ratio significantly decreased to 47% as compared to 61% in 2021/22. The corporate Loss Ratio was also lower than the industry's average of 59% for the year 2022/23. The decrease in Loss Ratio was mainly traceable to an increase in net earned premiums on the one hand and enhanced efficiency in claims management on the other.

As in the preceding years, the Company continued to make Underwriting (Operational) Profit, one of the key performance indicators for insurance companies. The combined Underwriting Profit from Life and Non-Life businesses grew to Birr 433,403,000.00 in 2022/23 from Birr 247,824,000 in 2021/22. The Company registered a considerable growth rate of about 75% in Underwriting (Operational) Profit during the year under report.

2.1.2. NON-LIFE BUSINESS

2.1.2.1. Gross Written Premiums

As at 30 June 2023, the Company's Non-Life premium had reached Birr 1,353,272,000.00 registering a significant growth of about 57% as compared to the previous year of Birr 860,834,000.00. The

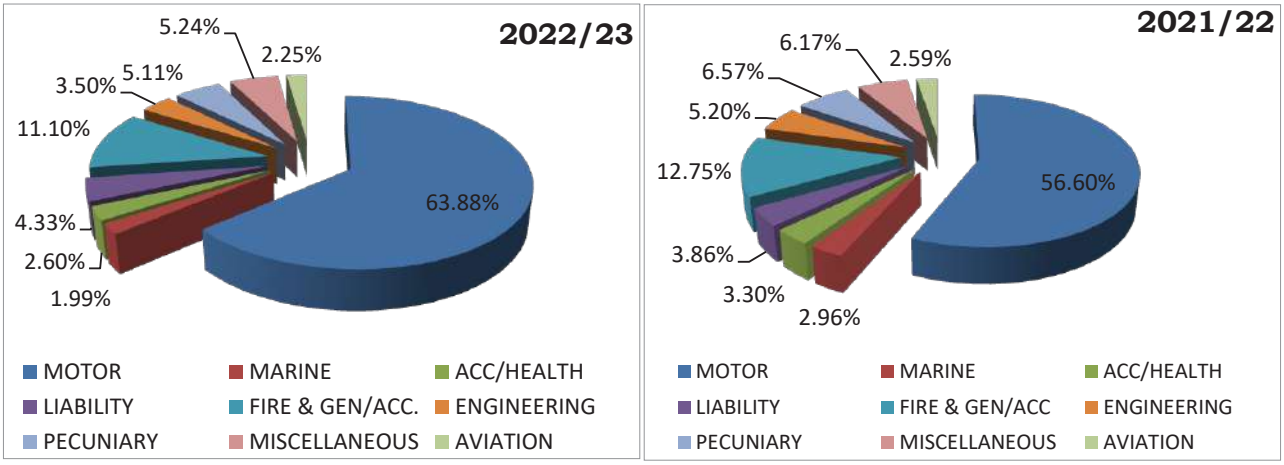
premium production growth of Non-Life business for the reporting year was mainly attributable to the increase in Motor premium rates beginning from November 2022. All classes of business recorded growth during the financial year under report. The highest growth of 77% occurred in the Motor class of business; followed successively by Liability which grew by 76%; Fire and General Accident and Aviation by 37% each; Miscellaneous class of business by 34%; Accident and Health by 24%; Pecuniary by 22%; Marine and Engineering by 6% each. Marine and Engineering classes of business registered the lowest growth rates primarily due to shortage of foreign exchange and slow down in construction activities, respectively.

2.1.2.2. Portfolio Mix

As in previous years and as anticipated, Motor class of business had taken the lion's share of the Company's total premium portfolio accounting for about 64% as at 30 June 2023, showing an increasing trend relative to the preceding year which was computed to be nearly 57%. Even though this trend would definitely define the premium mix of the industry in general and that of our Company in particular, efforts will be made to reduce the share of Motor business in the Company's premium portfolio.

Fire and General Accident class of business became a distant second with a share of 11.10% (12.75% in 2021/22) followed by Miscellaneous class of business at 5.24%; Pecuniary at 5.11%; Liability took 4.33% and Engineering 3.5%. Accident and Health and Aviation classes of business accounted 2.60% and 2.25%, respectively. It was Marine class of business that contributed the least to total GWP, only 1.99%.

COMPARATIVE PREMIUM STRUCTURE /PORTFOLIO MIX



2.1.2.3. Claims and Profitability – Loss Ratio and Underwriting Surplus/Deficit

For the period under report, the Company's overall claims for Non-Life showed yet another encouraging positive development as a notable decline was recorded in the loss ratio for the year that ended on 30 June 2023. Loss Ratio for Non-Life Business for 2022/23 was computed to be 48%, witnessing a significant drop by 13 percentage points from what it was (61%) in 2021/22. The Loss Ratio of Non-Life Business for the year was also far below the industry's average of 58%.

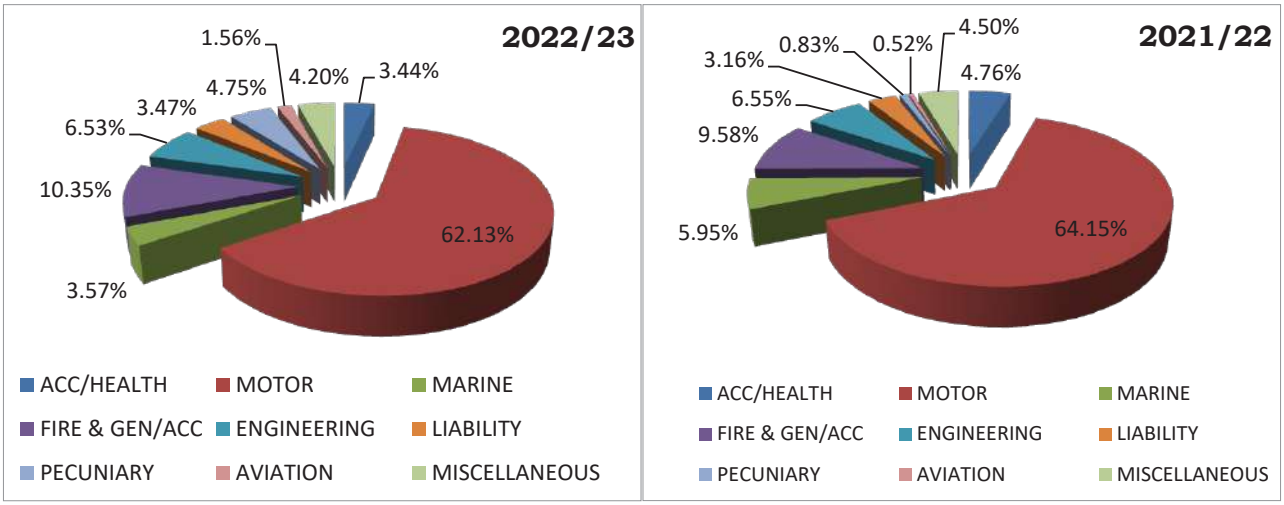
There is a natural tendency for claims to grow normally along with increase in written premiums. Fortunately, claim costs of this reporting period were contained, more or less, below the targets and predictions primarily because of prudent underwriting coupled with sound claims management. On the other hand, the decrease in the loss ratio was due to substantial increase in net earned premiums in 2022/23. Net earned premiums increased by about 52% from Birr 511,296,000.00 in the previous year to Birr 775,557,000.00 in the reporting year. The highest loss ratios were recorded by Liability and Motor classes of business: 62% and 54%, respectively. However, the loss ratios were below the industry average of 71% for Liability and 69% for Motor for the reporting year.

With record growth of nearly 85%, the total Non-Life

Underwriting Profit for the year 2022/23 shot up to Birr 417,773,000.00 from the previous year's figure of Birr 226,245,000.00. It should be noted that every class of business underwritten during the year under report yielded positive contribution to the Company Underwriting Surplus.

As usual, the largest contribution to the year's Underwriting Surplus/Profit came from the Motor class of business. Constituting about 64% of the Company's total premium portfolio, Motor contributed about 62% (against 64% last year) to this year's surplus.This was followed by a very far second contribution of Fire and General Accident class to the Underwriting Profit by 10.35%; Engineering by 6.53%; Pecuniary by 4.75%; Miscellaneous class of businesses by 4.20%; Marine by 3.57%; Liability by 3.47% and Accident and Health by 3.44%. The least contributor to the Non-Life Underwriting Profit was Aviation by 1.56%.

COMPARATIVE UNDERWRITING SURPLUS/DEFICIT



2.1.3. LIFE AND MEDEXIN – PREMIUM GROWTH AND OVERALL PERFORMANCE

At the close of the financial year on 30 June 2023 and as per the latest actuarial valuation undertaken following the closing date, the Company's Long-Term business (Life Insurance) registered a remarkable growth of about 65%, generating a GWP of Birr 153,937,000.00 during the reporting year as compared to Birr 93,080,000.00 in the preceding year. The loss ratio for the year was about 38%, significantly lower than the previous year's 58% and the industry's average of 63% for the reporting year. This was an exceptional achievement attributable to the underwriting prudence and skills of our Life Department which deserves appreciation.

The Company submitted Financial Statements of the long-term business for the year ended 30 June 2023 to external actuarial firm for valuation in compliance with the National Bank of Ethiopia's Directive and accepted practices. Accordingly, the valuation was undertaken by Kenya-based Zamara Actuaries, Administrator and Consultant Limited. The actuarial valuation of the Company's Life Fund as at 30 June 2023 revealed an actuarial surplus of Birr40 million. The actuarial firm recommended that the entire surplus of Birr 40 million revealed at the valuation be made available to shareholders. We are very much thankful to the actuarial firm for professional valuation it carried out and for producing relevant certificate thereon in good time.

2.1.4. CONSOLIDATED RESULTS: PROFIT – LIFE AND NON-LIFE

The consolidated financial result for the reporting year was found to be commendable given the difficult business environment in which the Company had to operate.

As shown in the IFRS Financial Statements for the year ended 30 June 2023, corporate Underwriting Profit (Life and Non-Life combined) had witnessed a considerable growth of about 75%, a sizable

increase to Birr 433,403,000.00 in 2022/23 from Birr 247,824,000.00 in the preceding year. Similarly, Profit Before Income Tax for the reporting year markedly grew by about 89% to reach Birr 390,720,000.00 from Birr 206,497,000.00 in 2021/22. The After-Tax Profit also shot up by about 80% from Birr 181,563,000.00 in 2021/22 to Birr 327,024,000.00 for the reporting year. Income Tax Expense for the year was computed to be Birr 63,696,000.00 as compared to last year's figure of Birr 24,934,000.00. The basic earnings per share grew from 37.08% of the preceding year (2021/22) to 47.99% (2022/23), showing a respectable growth of about 11 percentage points.

2.2. Income from Investments-Consolidated (Life and Non-Life)

The rent income generated from the four buildings owned by the Company increased by about 21% from Birr45,824,000.00 in the previous year to Birr55,535,000.00.00 in the year under report. Interest income accrued to the Company from bank fixed time deposit, saving account and interest on bonds grew by close to 72% from Birr 94,691,000.00 in the previous year to Birr 162,626,000.00 in the reporting year.

Dividend income from Hibret Bank SC and Ethiopian Reinsurance Company SC grew by about 13% from Birr33,052,000.00 in the previous year to Birr37,434,000.00 in 2022/23. The Company's total annual investment income increased by about 47% from Birr173,567,000.00 in 2021/22 to Birr255,595,000.00 in the year under review.

2.3. Human Resource Development

<UNIC-ETHIOPIA> maintained its deep-rooted corporate culture by devotedly continuing to practice its long-established policy of being a merit-based, equal-opportunity employer.

On 30 June 2023, the Company's total staff strength stood at 493. Out of the total, 248 (50.3%) were female and the rest 245 (49.7%) were male. The gender mix remained almost the same as in the preceding year. It should be noted that the total number of staff stood at 463 in 2021/22.

At the close of business on 30th June 2023, the total staff was composed of 459 (about 93%) regular employees and 34 (nearly 7%) contract workers. The proportion of contract workers decreased to 7% for the reporting year from 8% in the preceding year. In terms of education, out of the total, 336 staff were degree holders (48 having second degrees while 288 holding first degrees), 91 had diplomas while 66 held certificates or pre-college papers.

During the year under review, 123 new staff members were employed and 93 employees resigned resulting in employee turnover rate of close to 17% as compared to 13% in the preceding year. The attrition rate significantly exceeded the acceptable level of 10% in the year 2022/23. In order to address this challenge, the Company had conducted a study and implemented a revised organizational structure and, put into effect new salary scale and benefits scheme as of 1st July 2023. We believe that the new remuneration package would enable the Company to attract, retain and improve the overall employee satisfaction.

The Company has continued investing in training and development programs to maintain its policy of having the best talent and skills in the industry.

Accordingly, various trainings were given to 415 staff members including senior management during the year under report. Of the total, 386 staffs attended short-term local trainings on various topics while twenty nine (29) staff members participated in overseas training. Total staff training cost incurred stood at Birr 6,041,337.92 for the year 2022/23 against Birr 5,200,000.00 budget set as per NBE's requirement.

We would like to point out that the Company had firmly adhered to its corporate culture of maintaining a conducive working environment which is characterized by a friendly and collaborative, interpersonal relations among employees. We strongly believe that such a culture greatly helps sustain friendly, smooth, harmonious and collaborative relationships among the entire workforce.

2.4. Market and Business Development

The total market outlets (Branches and Contact Offices) of the Company reached 61 as at 30 June

2023. Out of this total, 34 branches are located in Addis Ababa and 16 in upcountry and the remaining 11 are contact offices (three in Addis Ababa and eight in upcountry).

Two additional Branches (Kera and Millennium) and two new Contact Offices (Lebu and Wingate) in Addis Ababa and two upcountry Contact Offices (Asella in Oromia Regional State and Bonga in South Western Ethiopia National Regional State) and one upcountry Branch (Debre Markos in Amhara Regional State) were opened during the year under report. Altogether, seven market outlets were opened and became operational during the reporting year.

Four Contact Offices, namely, Genet and Kality Gabriel in Addis Ababa and Semera in Afar Regional State and Shashemene in Oromia Regional State were upgraded to full-fledged branch level during the year under review. Our Mekelle Branch resumed operation during the year under report after two years of closure due to the situation in the Region.

During the year under report, 30 new Insurance Sales Agents were trained, licensed and deployed to the market. Furthermore, refresher training was given to 39 existing Sales Agents.

2.5. IT Development

2.5.1. New System Procurement Process

The Company understands that utilizing cutting-edge information communication technologies (ICT) are crucially important in order to compete effectively, grow its business, and enhance customer satisfaction. Being aware of this fact, <UNIC-ETHIOPIA> is in the process of acquiring a new general insurance business core system. Negotiation has been made with the selected vendor and contract agreement shall be signed shortly.

2.5.2. Data Center Security (DCS)

Now-a-days, security is of a high concern for institutions like us. In order to mitigate this risk, it is of paramount importance for the Company to have a hardware and software security procedures in place. Accordingly, the Company implemented a well equipped data center security infrastructure in both access and application layers in order to mitigate security threats from external and internal sources/ users. The DCS helped and will continue to help establish, maintain and sustain the confidentiality, integrity, and availability of our Company's services including the protection of shareholders' data.

2.5.3. Implementation of Disaster Recovery (DR) Site

A data center disaster recovery (DR) site is a facility used to house computer systems and associated components, such as telecommunications, servers and storage systems. Data centers are critical for businesses that require uninterrupted access to data. By having a data center as part of our disaster recovery plan, we can improve our chances of recovering from a disaster quickly and effectively. By having the DR site in place, we can reduce the time it takes to restore service, cut business down-time, improve system availability, minimize risk of data loss, enhance customer service and brand image. In view of that, the Company established datacenter disaster recovery site at Ethio-Telecom modular datacenter located in Addis Ababa, Kirkos Sub City. This will help the Company to be competitive in complying with international datacenter measurement standards.

3. CORPORATE GOVERNANCE

The Board convened regularly and passed key strategic decisions including approval of revised organizational structure, new salary scale and benefits scheme, annual business plan and budget as well as different policy documents and working manuals and resolved on other matters of strategic importance. It had thirteen (13) meetings during the year under review from 1st July 2022 to 30th June 2023.

Furthermore, the Board had been regularly assessing performance of the Company based on the reports presented to it by the Management and gave strategic directions on prime issues of concern.

The Board had also been strictly following-up the implementation of findings and recommendations of the on-site examination and off-site surveillance reports of the National Bank of Ethiopia, the External Auditor, Internal Audit and Risk Management and Compliance reports. It further ensured that appropriate and timely actions were taken to address the regulatory and supervisory concerns.

In addition, the Board had ensured that effective internal audit system, staffed with qualified personnel to perform internal audit functions, is put in place. Moreover, it had been overseeing the operational and administrative affairs of the Company in light of the emerging risks and opportunities.

The Board has four Sub-Committees, i.e., Audit Sub-Committee, Risk Management and Compliance Sub-Committee, Human Resource Affairs Sub-Committee and Business Development Sub-Committee. All the Sub-Committees except Business Development had been meeting monthly and functioning effectively throughout the year in line with the Corporate Governance Directive of the National Bank of Ethiopia.

Following the decision of the Thirteenth Extraordinary General Meeting of Shareholders held on 10th November 2022 to increase the paid-up capital to Birr1,500,000,000.00 until November 2027, the capital had reached Birr 840,596,000.00 as of 30 June 2023.

In the year under report, eight Board of Directors had taken overseas training in compliance with NBE's Directive which requires the Directors to take training at least once a year. The training was designed to the specific needs of the Company's Board of Directors which gave insight into technicalities of insurance to a certain extent while giving more focus on leadership of an insurance company.

In general, the Board ensured that the operations of the Company had been running prudently, and in accordance with the country's relevant laws, regulations and directives, and Company policies and procedures.

4. FUTURE PROSPECTS

In spite of the challenges faced, the year 2022/23 had been concluded with encouraging results. The abnormal competition among industry players which was mainly characterized by premium undercutting rather than service quality coupled with the high rate of inflation and employee turnover were the major challenges encountered during the period under report.
However, such a remarkable achievement had been gained by withstanding the challenges through the support and proper guidance of the Board of Directors, determination and commitment of the management and entire staff of the Company. It was encouraging to witness the fact that the Company recorded significant growth in the year 2022/23 both in General and Long Term Insurance businesses.

Despite the challenges underwent during the reporting year, there are opportunities for favorable change and development in the year ahead. We are of the view that the proposed national dialogue may bring together the various political interests thereby bringing about sustainable peace, socio-economic and political stability in the country.

Many sources including the government indicate that Ethiopia's economy will continue to grow. According to NBE's estimate, the Ethiopian economy is projected to grow by 7.5% in 2022/23. It is believed that the economy will thrive and thus the insurance business will also grow accordingly. Government's privatization and liberalization programs will create business opportunities for insurers. The increase in the number of banks also increases the demand for various insurance covers.

We hope that the newly issued Directive that set minimum premium rate for Motor Own Damage Insurance may, to some extent, ease the existing unhealthy competition based primarily on premium undercutting.

The pace in technological advancement is changing the life style of the society in general and the day-to-day operational activities of the Company in particular. Customers are looking for better solutions to manage their risks in a way that is not only efficient but also convenient to them. In this regard, <UNIC-ETHIOPIA> is in the process of acquiring a new general insurance business core system. The system will undoubtedly enhance the provision of customer services, improve management information system and reinforce the overall integration of operational activities of the Company. As per our plan, the new system will hopefully go live beginning from July 2024.

The existing brand of <UNIC-ETHIOPIA> (including name and logo) was designed and put to use 29 years ago at inception of the Company. It is still in use with minor modifications. However, it is believed

that the name and the logo color, image, and font have gone out of style and look outdated. Hence, we are considering changing the current brand to invigorate strong and powerful Company's image. Accordingly, an external consultant has already been commissioned to develop a distinct and a full-blown Corporate Identity (Brand) for the Company. The new Brand shall be unveiled in 2023/24 budget year.

The Company will continue investing in fixed assets and equity shares of different firms based on their viabilities. After appraisal of the feasibilities of the projects, we will expand our investment in compliance with NBE's Directives.

The Company will develop and introduce new products based on the developments in the market and in response to specific needs and expectations of customers. We will further improve our product enhancement and enrichment capacity and make tailor-made insurance products available to the market by offering wider product selection to customers.

Human resource development is one of the primary priorities of our Company. Accordingly, the Company will continue focusing on staff development and capacity building at all levels by providing trainings and management development programs.

In order to maintain sustainable growth of our Company and attain predetermined targets as much as possible, we will determinedly execute strategies and action plans enumerated in 2023/24 Annual Business Plan.

We will strongly work on market growth and expansion to stave off market-slippage, improve the Company's market share and competitive position. We will continue exerting maximum efforts to improve the quality of customer services in all areas of operations. Strengthening the online services, enhancing personal-selling by way of deploying or engaging intermediaries, promoting the Company using different cost-effective media outlets are just some of the approaches to be pursued to remain successful in the industry.

Despite the apparent challenges, we trust the future of our Company will be brighter than current realities may project and we are optimistic to emerge successful in the year ahead. We will do our level best to get our fair share from the market in the upcoming budget year.

5. VOTE OF THANKS

The Board of Directors, Management and Staff of <UNIC-ETHIOPIA> wish to express their deepest gratitude to all the esteemed Customers of the Company for their continued support and patronage. All shareholders of the Company also deserve special recognition for their wise investment and persistent backing.

The Board and Management also wish to record their appreciation for the wonderful association the Company enjoys with its reinsurers and the mutually advantageous business relations it has developed with insurance and reinsurance brokers.

The Board and Management would like to accord sincere gratitude to the National Bank of Ethiopia for its good understanding, cooperation and all-round support.

A special gratitude is due to all its Sales Agents who have played and continue to play a pivotal role in the Company's growth. They help it identify the needs of the insuring public on the one hand and they serve as its ambassadors on the other.

Last but not least, both on behalf of the Board of Directors and myself, I wish to confirm, once again, that the Company's Management and Staff demonstrated their commitment to the Company's continued Strive for Excellence: in their professionalism and strong team spirit without which the commendable results achieved would have not been possible.

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2023

The directors submit their report together with the financial statements for the period ended 30 June 2023, to the shareholders of The United Insurance Company SC. This report discloses the financial performance and state of affairs of the Company .

Incorporation and address

The United Insurance Company SC was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Birr 25 million and an initial paid up capital of Birr 8.073 million. Following the merger with Lion Insurance Company SC in 2002, the Company is currently owned by more than 688 shareholders. As a result of the merger and the decision of the Eleventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Birr 1.5 billion. The paid up Capital is now Birr840 million.

Principal activities

The principal activities of the Company is the transaction of general insurance business (non - life) and life insurance business.

Results and dividends

The Company's results for the year ended 30 June 2023 are set out on page 26. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Net Underwriting Income	972,205	647,907
Profit before income tax	390,720	206,497
Income tax expense	(63,696)	(24,934)
Profit for the year	327,024	181,563
Other comprehensive income net of taxes	(1,222)	(973)
Total comprehensive income for the year	**325,802**	**180,590**

Directors

The directors who held office during the year and to the date of this report are set out on page 22.

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE 2023

In accordance with the financial reporting proclamation No. 847/2014 and Insurance Business proclamation No. 746/2012, all reporting entities established in accordance with the Ethiopian law or operating in Ethiopia are to prepare financial statements in line with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB").

The Company's board of directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1243/2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company is required to keep such records as are necessary to:

a. Exhibit clearly and correctly the state of its affairs;

b. Explain its transactions and financial position; and

c. Enable the Accounting and Audit Board of Ethiopia to determine whether the Insurance company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Company's board of directors accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Insurance Business Proclamation, Commercial code of 1243/2021 and the relevant Directives issued by the National Bank of Ethiopia.

The board of directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

The board further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.
Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

DIRECTORS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE

FOR THE YEAR ENDED 30 JUNE 2023

Company registration number
KK/AA/3/0006590/2006 E.C (Ethiopian Calendar)
License number
LBB/019/12 G.C (Gregorian Calendar)

Directors (as of 30 June, 2023)

		Date of Appointment
Wondwossen Teshome (Ato)	Chairperson	31/01/2023
Teguest Yilma (W/t)	V/Chairperson	31/01/2023
Asrat Arega (Ato)	Director	20/04/2022
Negussie Aberra (Eng.)	Director	20/04/2022
Omedad PVT.LTD.Co. represented by Maryamawit Getamesay (W/ro)	Director	20/04/2022
Enat Bank reprsented By Ermias Andarge (Ato)	Director	20/04/2022
Amare Gashaw (Ato)	Director	20/04/2022
Ayalew Alemu (Ato)	Director	20/04/2022
Alemayehu Gebre (Ato)	Director	20/04/2022

Executive Management (as of June 30, 2023)

Meseret Bezabih (W/ro)	General Manager/CEO	25/10/2011
Tesfaye Desta (Ato)	DGM Operations-Non-Life	01/09/2016
Azalech Yirgu (W/ro)	DGM Life & Medexin	01/07/2010
Gizie Alemu (Ato)	Director, HR & Admin.	30/05/2018
Bethlehem Mekbib (W/rt)	Director, U/W & Tech. Service	01/03/2015
Dereje Demessie (Ato)	Director, Claims and Engineering	08/11/2021
Engida Kassaye (Ato)	Director, Fin. & Investment	01/03/2015
Aliye Mohammed (Ato)	Manager, IT	01/01/2016
Tilahun Tadesse (Ato)	Director, Business Development and Marketing	01/09/2021
Yealemayn Hailemariyam (Ato)	Controller, Compliance & Risk Management	01/09/2021
Aron Kassaye (Ato)	Manager, Legal Service	02/08/2021

Independent Auditor
Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia
Addis Ababa
Ethiopia

Corporate Office
The United Insurance Company S.C.
Corporate Head Office: Tewodros Square, <UNIC-ETHIOPIA> BLDG,
Arada Sub City, Woreda 02, H.No. 220
Addis Ababa, Ethiopia

Principal Bankers
Hibret Bank SC
Commercial Bank of Ethiopia
Bank of Abyssinia
Principal Reinsurers
Africa Reinsurance Corporation
Ethiopian Reinsurance Share Company
Hannover Reinsurance
ZEP Reinsurance

Consulting Actuaries

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

Long Term Business
Zamara Actuaries, Administration and Consultant Limited
Lane Mark Plaza, 10th Floor Argwings Kodek Road
Po Box 524339
Nairobi, Kenya

AUDITORS' REPORT

Kokeb & Melkamu Audit Partnership

Chartered Certified Accountants (UK)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE UNITED INSURANCE COMPANY SC Report on the Audit of the Financial Statements

Unqualified Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Insurance Company (S.C.) as at June 30,2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the financial statements of the Company, which comprise the Statement of Financial Position as at June 30,2023, and statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 within the meaning of Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there is no key audit matter to be communicated in our report.

Responsibilities of and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards and the Insurance Business Proclamation No. 746/2012 and directives and circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible of assessing the Company's ability to continue as a going concern, disclosing as applicable matters related going concern and using the going concern basis of accounting.
Those charged with governance 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, whether the financial statements are properly prepared in accordance with IFRS, the relevant provisions of the Commercial Code of Ethiopia 2021 the Insurance Business Proclamation No. 746/2012, Insurance Business Amendment proclamation No. 1163/2019 and to issue and auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, and not a guarantee that and audit conducted in accordance with ISA(s) will always detect a material statement when it exits.

Misstatement 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit we also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that immaterial uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the data of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We have communicated with management of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

Report on other Legal and Regulatory Requirement

We have no comment to make on the report of your Board of Directors so far as it relates to the financial statements and pursuant to Article 349 (1, 2 & 3) of the Commercial Code of Ethiopia 2021, and recommend approval of the financial statements.

The Company's board of directors have recommended to the General Assembly of Shareholders that Birr 294,321,822 to be distributed as dividend payment before board remuneration and applicable dividend taxes. As proposed dividends are subject to approval by the shareholders, we have no reservation on the proposal.

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia

Addis Ababa
October 18,2023

Kokeb & Melkamu Audit Partnership Chartered Certified Accountants (UK)
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THE UNITED INSURANCE COMPANY SC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Gross written premiums	6	1,507,209	953,915
Change in unearned premium reserve	6	(241,413)	(99,138)
Gross earned premiums		**1,265,796**	**854,777**
Less: Premiums ceded to reinsurers	6	390,577	281,399
Net earned premiums		**875,218**	**573,378**
Commission income	7	96,987	74,529
Net underwriting income		**972,205**	**647,907**
Claims and policy holder benefits payable	10	541,930	390,197
Less : claims recoveries from reinsurers	10	(78,387)	(41,108)
Net claims and benefits		**463,543**	**349,090**
Underwriting expenses	12	75,259	50,993
Total underwriting expenses		**538,802**	**400,083**
Underwriting profit		**433,403**	**247,824**
Investment income	8	255,604	173,581
Other income	9	4,443	5,898
Net income		**693,451**	**427,304**
Operating and other expense	11	299,807	217,240
Impairment on insurance receivable	11a	1,980	1,816
		391,664	**208,248**
Finance (income) / costs	13	944	1,751
Profit before income tax		**390,720**	**206,497**
Income tax expense	31	(63,696)	(24,934)
Profit for the year		**327,024**	**181,563**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	33	(1,746)	(1,390)
Deferred tax (liability)/asset on Remeasurement gain or loss		524	417
Total comprehensive income for the year		**325,802**	**180,590**
Basic earnings per shares (in Birr)	**35**	**479.85**	**370.79**

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work Partnership

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
ASSETS			
Property, plant and equipment	14	370,188	346,048
Investment properties	15	278,387	285,057
Intangible assets	16	3,686	1,461
Right-of-use assets	32	19,048	14,539
Investment securities :			
Available for sale	17	221,500	216,376
Loans and receivables	17	28,686	1,734
Statutory deposits	18	130,314	77,810
Reinsurance receivables	19	8,164	3,660
Insurance receivables	20	6,261	7,166
Reinsurance assets	21	333,789	207,664
Policy holder loans	22	97	101
Deferred acquisition costs	23	45,584	25,829
Salvage property held for sale	24	31,640	25,785
Other assets	25	31,478	31,958
Deposits with financial institutions	26	1,685,260	862,050
Cash and cash equivalents	26	96,240	51,180
Total assets		**3,290,324**	**2,158,418**
LIABILITIES			
Insurance contract liabilities/Gross/	27	1,370,568	930,314
Deferred reinsurance commission	28	43,007	33,329
Insurance Payables	29	123,467	98,539
Other liabilities	30	149,971	104,953
Current income tax liabilities	31	37,928	11,465
Lease Liabilities	32	10,265	6,778
Defined benefit obligations	33	6,905	5,586
Deferred income tax	31	53,374	43,858
Total liabilities		**1,795,485**	**1,234,822**
EQUITY			
Share capital	34	840,596	499,278
Share premium	36	21,717	-
Retained earnings	36	360,262	229,345
Legal reserve	37	146,178	113,476
Life fund reserve	38	128,655	82,843
Other reserve	39	(2,569)	(1,346)
Total equity		**1,494,839**	**923,595**
Total equity and liabilities		**3,290,324**	**2,158,418**

The financial statements and notes to the financial statement shown on pages 26 to 117 were approved and authorized for issue by the Board of Directors on 12 October 2023 and were signed on its behalf by:

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work Partnership

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Life fund reserve Birr'000	Other reserves Birr'000	Total Birr'000
As at 1 July 2021		473,416		196,543	95,319	79,925	(373)	844,830
Profit for the year	36			181,563	-	-	-	181,563
Transfer to legal reserve	37			(18,156)	18,156			-
Transfer to capital		25,862						25,862
Transfer to life fund	38					2,918	-	2,918
Premium availed for distribution			-					-
Transaction with owners in their capacity as owners:								-
Dividends declared and paid				(130,607)				(130,607)
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							(973)	(973)
Total comprehensive income for the year		25,862	-	32,800	18,156	2,918	(973)	78,763
As at 30 June 2022		**499,278**	**-**	**229,345**	**113,476**	**82,843**	**(1,346)**	**923,595**
As at 1 July 2022		**499,278**	**-**	**229,345**	**113,4756**	**82,843**	**(1,346)**	**923,595**
Profit for the year				327,024				327,024
Deferred tax accounted for in undistributable profit								-
Share Premuim			21,717					21,717
Transfer to legal reserve				(32,702)	32,702			-
Transfer to capital		341,319		-				341,319
Transfer to life fund				-		45,812		45,812
Transaction with owners in their capacity as owners								-
Contribution of equity net of transaction costs								-
Dividends declared and paid				(163,404)				(163,404)
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							(1,221)	(1,221)
								-
Total comprehensive income for the year		**341,319**	**21,717**	**130,920**	**32,702**	**45,812**	**(1,221)**	**571,246**
As at 30 June 2023		**840,596**	**21,717**	**360,262**	**146,178**	**128,655**	**(2,569)**	**1,494,839**

Wondwossen Teshome
Chairperson, Board of Directors
12 October 2023

Chartered Certified Accountants (UK)
Tsokeb&Melkamu Audit Work Partnership

Meseret Bezabih
Chief Executive Officer
12 October 2023

THE UNITED INSURANCE COMPANY SC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash flows from operating activities			
Cash generated from operations	40	758,162	445,742
Interest income	8	(162,635)	(94,705)
Dividend income	8	(37,434)	(33,052)
Income tax paid	31(d)	(27,717)	(22,812)
Rent income	8	(55,534)	(45,824)
Net cash (outflow)/inflow from operating activities		**474,841**	**249,349**
Cash flows from investing activities			
Purchase of investment securities	17	(5,124)	(25,230)
Investment in Fixed time deposit	26	(823,209)	(242,315)
Purchase of investment property	15	(145)	(14,757)
Right of use assets	32	(6,169)	(4,742)
Purchase of intangible assets	16	(2,660)	(1,145)
Purchase of property, plant and equipment	14	(37,750)	(26,873)
Proceeds from sale of property, plant and equipment	40	1,150	4,092
Dividends received		37,434	33,052
Proceeds from policy loans		4	79
Rent income received		55,534	45,824
Interest income received		162,635	94,705
Increase in statutory deposit	18	(52,505)	(4,048)
Net cash (outflow)/inflow from investing activities		**(670,804)**	**(141,359)**
Cash flows from financing activities			
Dividends paid		(163,404)	(130,606)
Proceeds from issues of shares		363,036	25,862
Repayment of lease liability		(4,419)	(3,415)
Decrease in life fund		45,812	2,918
Repayment of borrowings		-	(16,120)
Net cash (outflow)/inflow from financing activities		**241,024**	**(121,361)**
Net increase/(decrease) in cash and cash equivalents		**45,061**	**(13,370)**
Cash and cash equivalents at the beginning of the year	26	51,180	64,550
Cash and cash equivalents at the end of the year	**26**	**96,240**	**51,180**

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1 General information

The United Insurance Company SC, was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Br 25 million and an initial paid up capital of Br 8.073 million. Following the merger with Lion Insurance Company SC in 2002, the Company is currently owned by more than 688 shareholders. As a result of the merger and the decision of the Eleventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Br 1.5 billion. The paid up Capital is now Br840 million.

The Company's registered office is at:

The United Insurance Company SC
Corporate Head Office: Tewords Square, <UNIC-ETHIOPIA>BLDG, Arada Sub city, Woreda 02,House No:220, Addis Ababa, Ethiopia.

The Company is principally engaged in the business of non life and life insurance services and other ancillary business activities to clients in Ethiopian Market.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the year ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year ended 30 June 2023.
The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2.1 Going concern

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

2.2.2 Changes in accounting policies and disclosures

(I) New Standards, amendments and interpretations applied in financial year ended.

effect from July 1,2022, the Company has applied the following new or amended standards that have come into effect. Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following which are relevant to its operations, unless stated otherwise, the adoption of these new standards, amendments to existing standards or interpretations to published standards did not have a material impact on the operations of the Company.

Amendment to IFRS 3,Business combinations- "reference to the conceptual framework

The amendments update the references in IFRA 3 to the revised 2018 conceptual framework. The amendment introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that this update does not change which assets and liabilities qualify for recognition in a business combination, or create new day to gains or losses.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

An acquirer applies the definition of a liability in IAS 37 not the definition in the conceptual framework to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC21,the acquirer applies the criteria in IFRIC21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred as of the acquisition date. In addition, the amendments clarify that the acquirer does not recognize a contingent asset at the acquisition date.

Amendment to IAS 16,Property, plant and equipment (PPE)- proceeds before intended use

The amendments introduces new guidance that proceeds from selling items before the related PPE is available for its intended use can no longer be deducted from the cost of PPE. Instead, such proceeds are recognized in profit or loss, together with the cost of providing those items. Therefore, a company will need to distinguish between costs of producing and selling items before the PPE is available for its intended use; and costs of making the PPE available for its intended use.

Determining how to characterize such costs may require significant estimation and judgment. Companies in the extractive industry in particular may need to monitor costs at a more granular level. The amendments apply retrospectively but only for new PPE that reaches its intended use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

Amendments to IAS37,provisions, contingent liabilities and contingent assets

Onerous contracts- cost of fulfilling a contract clarifies that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs related directly to the contract. Such costs include both the incremental costs of the contract and an allocation of other costs that relate directly to fulfilling the contract.

Annual improvements to IFRS standards 2018-2020 applicable for annual periods beginning on or after 1 January 2022

This package of annual improvements contains amendments to three standards, namely IFRS1, IFRS 9, and IFRS41,and an amendment to an illustrative example accompanying IFRS16. The amendment to IFRS1, provides optional relief for the measurement of cumulative translation differences to those first-time adopters which take advantage of the exemption in paragraph D16(a)of IFRS1. Such entities are subsidiaries which become first-time adopters later than their parents. The amendment to IFRS9 clarifies that only fees paid or received between the borrower and the lender,including fees paid or received by either the borrower or lender on the other's behalf, are included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendment to illustrative example 13 accompanying IFRS16 removes from the fact pattern a reimbursement relating to leased hold improvement, as the example had not explained clearly whether the reimbursement would meet the definition of a lease incentive in IFRS16.

The amendment to IFRS41,removes the requirement to exclude taxation cash flows when measuring fair value, thereby aligning the fair value measurement requirements in IFRS 41 with those in IFRS13.

Applying IFRS ' Financial instruments ' with IFRS 4 ' Insurance contracts'(amendments to IFRS 4)

Insurance contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4; an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is activity is issuing contracts within the scope of IFRS4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

(ii) New Standards, amendments and interpretations applicable in future financial years.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2021, 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:

Amendments to IAS 1 Presentation of financial statements

Amendments to IAS 1,Presentation of financial statements" effective for annual periods beginning on or after 1 January 2024. These amendments clarify that liabilities are classified as either current or non current ,depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The Company is currently assessing the impact of these amendments.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Disclosure of accounting policies (Amendments to IAS 1, presentation of financial statements, and IFRS practice statement2,making materiality judgments)

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarifying that entities are required to disclose their ''material'' rather than ''significant'' accounting policy, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

Amendments to IAS 8, accounting policies, change in accounting estimates and errors-definition of accounting estimate.

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. earlier application is permitted. Entities are required to apply the amendments prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

Amendments to IAS 12, income taxes. ''deferred tax related to assets and liabilities arising from a single transition'

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Entities should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

IFRS 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. However, for insurers, the International accounting standards board (IASB) has voted to delay the implementation of IFRS 17 for one year to 1 January 2023.The board has also decided to the temporary exemption for insurers to apply the financial instruments standard, IFRS9, so that both IFRS 9 and IFRS 17 can be applied at the same time. That coincides the accounting standard for financial instruments with the accounting standard for financial instruments with the implementation of IFRS 17.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Early adoption of the standard is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 17 - Insurance contracts

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

(i). The fulfillment cash flows—the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and

(ii). The contractual service margin—the expected profit for providing future insurance coverage (i.e. unearned profit).

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

The measurement of the fulfillment cash flows reflects the current value of any interest-rate guarantees and financial options included in the insurance contracts. The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

IFRS 17 aims to set high quality and globally accepted financial reporting standards based on clearly outlined principles according to the International accounting standards Board (IASB). It will make global insurance reporting aligned and consistent. It also aims to apply uniform accounting standards for all types of insurance contracts.

IFRS 17 provides new basis for liability measurement and profit recognition. The measurement models are; i) Building block approach (BBA) measures the net inflow between the risk-adjusted present value of expected inflows and outflows at inception. This method is applicable for measurement of long -term and whole life insurance and reinsurance contracts. ii) Premium allocation approach (PAA) this method is applicable for measurement of short term life, group life and general insurance. iii) Variable fee Approach (VFA) measures participating business where policy holder liability is linked to underlying items. This method is applicable for measurement of unit-linked contracts, deposit administration contracts.

Amendments to IFRS 17

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance contracts was published in 2017. The main changes are:

Deferral of the date of initial application of IFRS 17 BY TWO YEARS TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 January 2023. Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in abusiness acquired in a business combination.

Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level; clarification of the application of contractual service margin (CSM) attributable to investment -return service and investment -related service and changes to the corresponding disclosure requirements. extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.
Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

Extension of the temporary exemtion from applying IFRS 9 (Amendment to IFRS 4)

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

2.3 Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.
The Company's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate . Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share of profit of an associate and a joint venture' in the income statement. Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in income statement.

2.4 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

2.5 Property, plant and equipment

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

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

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

Asset class	Depreciation rate (years)	Residual value (%)
Buildings	50	5%
Lifts	15	1%
Office and other equipment	7	1%
Furniture and fittings	10	1%
Computer equipment	7	1%
Motor vehicle	10	5%
Fence and recovery improvements	10	1%

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

The Company commences depreciation when the asset is available for use. Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

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

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

2.6 Investment property

Property that is held for rent 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 the Company's staff who have recent experience in the location and category of the investment property being valued. Professional values were not involved. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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. Subsequent expenditure is capitalized 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 derecognized.

Earned rental income is recorded in profit or loss for the year within (other operating income). Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately. Investment properties are derecognzed when they have been disposed. Where the insurance disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of changes in net assets available for benefit.

2.7 Intangible assets

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

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

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

Intangible assets class	Useful lives (years)	Residual value (%)
Computer software	8	0%

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THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.8 Deferred acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an intangible asset (DAC). All other costs are recognized as expenses when incurred. The DAC is subsequently amortized over the life of the contracts as follows:.

- For property, casualty and short-duration life insurance contracts, DAC is amortized over the terms of the policies as premium is earned;.
- For long-term insurance contracts with fixed and guaranteed terms, DAC is amortized in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and.
- For long-term insurance contracts without fixed terms and investment contracts with DPF, DAC is amortized over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts. The pattern of expected profit margins is based on historical and anticipated future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is charged to revenue.

2.9 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 deposit is measured at cost.

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 unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

2.10.1 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.

2.10.2 Financial assets

2.10.2.1 Initial recognition and measurement

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

Chartered Certified Accountants (UK)

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.10.2.2 Subsequent measurement

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

- Loans and receivables
- Available for sale

a) Loans and receivables

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

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

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

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

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. 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 if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss. Refer to the information below under reclassification.

c) 'Day 1' profit or loss

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

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

d) Reclassification of financial assets

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

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

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

The Company may reclassify a non–derivative trading asset out of the 'held–for–trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from date of change in estimate.

e) Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either
- the Company has transferred substantially all the risks and rewards of the asset, or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

f) Impairment of financial assets

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

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

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as loans and receivables), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'loan impairment charge' The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system,

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company.

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

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

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

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

2.10.3 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include customer's deposits, margin held on letter of credits, and other liabilities. Interest expenditure is recognized in interest and similar expense.

b) Subsequent measurement

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

c) Financial liabilities at amortized cost

Financial instruments issued by the Company, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

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

d) Derecognition of financial liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

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

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.10.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize 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.

2.11 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 the following:

(a) Prepayments

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

(b) Other receivables

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

2.12 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 and restricted balances with National Bank of Ethiopia.

2.13 Insurance and investment contracts Classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.
Investment contracts are those contracts that transfer financial risk with no significant insurance risk. A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

a) That are likely to be a significant portion of the total contractual benefits;

b) Whose amount or timing is contractually at the discretion of the Company; and

c) That are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract;
- realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
- the profit or loss of the Company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders); the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the relevant local appointed actuary.

2.14 Insurance contracts and investment contracts with DPF

a) Recognition and Measurement IFRS4p37

(a) Insurance contracts and investment contracts with DPF are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Chartered Certified Accountants (UK)

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

(i) Short-term insurance contracts

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

Causality 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 (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

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

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

(ii) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognized as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

(iii) Long-term insurance contracts without fixed terms and with DPF – unit-linked and universal life

These contracts insure human life events (for example, death or survival) over a long duration. However, insurance premiums are recognized directly as liabilities. These liabilities are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

The liability for these contracts includes any amounts necessary to compensate the Company for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Universal life contracts contain a DPF that entitles the holders to a minimum guaranteed crediting rate per annum (3% or 4%, depending on the contract commencement date) or, when higher, a bonus rate declared by the Company from the DPF "eligible surplus available to date. the Company has an obligation to eventually pay to contract holders at least 90% of the DPF eligible surplus (that is, all interest and realized gains and losses arising from the assets backing these contracts).

Any portion of the DPF eligible surplus that is not declared as a bonus rate and credited to individual contract holders is retained in a liability for the benefit of all contract holders until declared and credited to them individually in future periods. In relation to the unrealized gains and losses arising from the assets backing these contracts (the DPF latent surplus), the Company establishes a liability equal to 90% of these net gains as if they were realized at year-end. Shareholders' interest in the DPF latent surplus (equal to 10%) is recognized in the equity component of DPF. Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims incurred in the period are charged as expenses in the income statement.

(b) 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 in (a) above, long-term insurance contracts with fixed terms 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.

(c) Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.15 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due. In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortized over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement. the Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.9.

(d) Receivables and payables related to insurance contracts and investment contracts

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

The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.8.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

(e) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). the Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

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

(f) Deferred income

Deferred income represents apportion 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.

2.15 Insurance contracts Liabilities

The recognition and measurement of insurance contracts have been set out under Note 2.11. Insurance contract Liabilities arising from insurance contracts are determined as follows:

(a) Non- Life Insurance contracts

(i) Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported (" IBNR ") as at the balance sheet date. The IBNR is based on the liability adequacy test described in note 2.14.

(ii) Reserves for unearned premium and unexpired risk

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve.

At the end of each reporting period, proportions of net retained premium of the general insurance are provided to cover portions of risks which have not expired. The reserves are calculated on 1/24th method as prescribed by the directive of the National Bank of Ethiopia.

(iii) Reserve methodology

Data Segmentation: The data used for reserving is segmented into the following classes as per the NBE Directives:

- Accidents
- Fire
- Burglary and housebreaking and/or theft
- Engineering
- Employer's Liability
- Fire
- Goods in transit
- Liability
- Marine
- Medical Expense
- Motor
- Pecuniary and;
- Others

(b) Life Insurance contracts

This is made up of net liabilities on policies in force as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the Life insurance contracts are recognised in the statement of profit or loss. The reserves include incurred but not reported (IBNR) and unearned premium reserve (UPR).

Chartered Certified Accountants (UK)

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Reserve methodology

Data segmentation: The data used for reserving is segmented into the following classes:

- Term
- Endowment
- Whole Life
- Permanent health
- Investment linked insurance and:
- Others

2.16 Recognition of income and expenses

Revenue is measured as the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of taxes or duty. revenue is recognised at an amount that reflects the consideration to which the insurance expects to be entitled for performing its services for a customer. Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The insurance recognises income when it has fulfilled its obligation and the right to receive the related sum as assured.
Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the insurance's activities. Income is recognised when it is probable that the economic benefits associated with transaction will flow to the insurance and the amount of income, and associated costs incurred or to be incurred can be measured reliably.
The insurance, earns income from written premium, Fees and commission, Investment and dividend.

a) Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized 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 recognized 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 recognized 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 on a daily pro rata basis. 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 recognized 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 recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks- attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.
Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

c) Fees and commission income

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

d) Investment income

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

Investment income also includes dividends when the right to receive payment is established.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

e) Dividend income

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

f) Foreign exchange revaluation gains or losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the income statement and it is further broken down into realized and unrealized portion.

The monetary assets and liabilities include financial assets within the foreign currencies deposits received and held on behalf of third parties.

2.17 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.

2.18 Reinsurance claims

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

2.19 Finance cost

Interest paid is recognized 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.

2.20 Employee benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post employment 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 Insurance operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively; with additional 3% Provident fund, funding for employees under pension scheme

ii) provident fund contribution, funding under this scheme is 6% and 14% by employees and the Company respectively based on the employees' salary Once the contributions have been paid, the insurance 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 insurance's obligations are recognised in the profit and loss account.

(c) Defined benefit plan

The insurance operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in service of the insurance are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

of service. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of gratuity benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation. Company's contributions to this scheme are charged to profit or loss in the year in which they relate. Remeasurement gain and loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Current service and interest cost are included as part of employee benefit expense in the profit or loss. Past-service costs are recognised immediately in profit or loss. Gains or losses on curtailment or settlement are recognised in profit or loss when the curtailment or settlement occurs.

(d) Termination benefits

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

(e) Profit- sharing and bonus plan

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

2.21 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, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 4.7.1 and Notes 3
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
- Financial instruments (including those carried at amortized cost) Note 4.7.3

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

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

The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

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

2.22 Provisions

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

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

2.23 Insurance payable

Insurance payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.24 Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.25 Share capital

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

2.26 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.
Diluted EPS is determined by adjusting the profit of loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the efforts of all diluted potential ordinary shares.
Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.
When the Insurance receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

2.27 Retained earnings

The net profits or losses from operations in current and prior periods are accumulated in retained earnings less distributions to equity holders.

2.28 Legal reserves

In accordance with article 22 sub article (1) and (2), of insurance Business Proclamation No. 746/2012, the Company, at the end of each financial year, transfers to its legal reserve to account a sum of not less than 10% of profit. When the legal reserve becomes equal to the

paid up capital of the Company ,the amount of the legal reserve to be retained by the Company each year from its net profit shall be determined by The National Bank of Ethiopia's Directive.

2.29 Dividend

Dividends are recorded in equity in the period in which they are declared. Any dividend declared after the end of the reporting period and before the financial statements are authorized for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations.

2.30 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 recognised as expense when incurred, with the exception of acquisition costs which are recognised on a time apportionment basis in respect of risk.

2.31 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. If the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration-i.e. the customer has the rights to:

- obtain substantially all of the economic benefits from using the assets; and
- direct the use of the asset.

As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments and right-of use assets representing the right to use the underlying assets.

a) Right-of use assets

The Company recognises right-of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any Remeasurement of lease liabilities. The cost of right-of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of use assets arising from a lease are initially measured on a present value basis and also subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest bearing finance lease liabilities.

c) Short term leases and leases of low value assets

The Company applies the short term lease recognition exemption to its short term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value

assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term.

As a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Lease income arising is accounted for on a straight line basis over the lease terms and is included in investment income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent rents are recognized as revenue in the period in which they are earned.

2.32 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 for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

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

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

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

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

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3 Significant accounting judgments, estimates and assumptions

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

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

- Capital management Note 4.6
- Financial risk management and policies Note 4
- Sensitivity analyses disclosures Note 4.5.2

3.1 Judgments

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

Determining the lease term of contracts with renewal and termination options - as a lessee
The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to

extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.Indetermining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension option (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Operating lease commitments -Company as lessor

The Company has entered into lease of Land and its office building. 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 Land and office building, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.2 Estimates and assumptions

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

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

a) Valuation of insurance contract liabilities

Life insurance contract liabilities

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

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

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 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 range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

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

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

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

The carrying value at the reporting date of non-life insurance contract liabilities is 1,370,568 (2022: 930,314)

b) Impairment losses on loans and receivables

The Company assesses at the end of every reporting period whether there is any objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cash flow from collateral obtained would arise within 24 months where the financial asset is collagenized.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgment applied in the calculation of the Company's impairment charge on financial assets are set out in the Financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

c) Liabilities arising from insurance contracts

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

d) Retirement benefit obligations

the present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of severance pay obligations. The assumptions used in determining the net cost (income) include the discount rate, rate of return on assets, future salary increments and mortality rates.

The Company determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Other key assumptions for retirement benefit obligations are based in part on current market conditions.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

e) Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on Management's judgement.The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. Property, plant and equipment is depreciated over its useful life. estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase expenses and decrease the carrying value of non-current assets.

f) Impairment of non- financial assets

The Company reviews other non-financial assets for possible impairment if there are events or changes in circumstances that indicate that the carrying values of the assets may not be recoverable, or at least at every reporting date, when there is any indication that the asset might be impaired. The Company is of the opinion that there is no impairment indicator on its non-financial assets as at the reporting date.

g) Fair valuation of investment properties

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is determined by reference to observable market prices. The fair value of investment property does not reflect the related future benefits from this future expenditure. These valuations are performed by external appraisers. Assumptions are made about expected future cash flows and the discounting rates.

h) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.7.2 for further disclosures.

i) Income taxes

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

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

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

4.1 Introduction

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

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 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 and compliance work unit is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the work Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company's overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board's Risk and Compliance Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management to ensure that procedures are compliant with the overall framework. The 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 and Investment work unit 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 as per the Company's approved investment and liquidity policy.

4.1.2 Risk Measurement and Reporting Systems

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statically model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected segments. In addition, the Company measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

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

Risk management reports are presented by the risk management work unit based on the National bank of Ethiopia risk parameters and company's identified risks. The reports are discussed in the quarterly report of the Risk management and Compliance committee meetings. Control processes are also regularly reviewed at Business unit level and changes agreed with the Board.

4.2 Insurance Risk

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

Chartered Certified Accountants (UK)

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 policy and procedures as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation programmed. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is surplus treaty 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 are determined based on the company's reinsurance policy and 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.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Life Insurance Contracts

The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

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 diversification across industry sectors and geography, 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, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

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 and national tables, according to the type of contract written and the territory in which the insured person resides. 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. Assumptions are differentiated by sex, underwriting class and contract type.

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.

Chartered Certified Accountants (UK)
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THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

➢ **Longevity**

Assumptions are based on standard industry and national tables, 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 shareholders.

➢ **Discount rate**

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

Sensitivities Analysis

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. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

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

		Change in liability			
		30 June 2023	30 June 2022	30 June 2021	30 June 2020
	Change in assumptions	Birr'000	Birr'000	Birr'000	Birr'000
Mortality/morbidity rate	10%	851,527	225,440	214,743	267,496
Investment return	1%	(3,622,379)	(3,262,405)	(2,935,038)	(3,542,410)
Expenses	10%	4,326,667	3,876,287	3,461,677	3,995,276
Lapse and surrenders rate	10%	(1,216,347)	(402,003)	(297,595)	(355,470)

		Change in liability			
		30 June 2023	30 June 2022	30 June 2021	30 June 2020
	Change in assumptions	Birr'000	Birr'000	Birr'000	Birr'000
Mortality/morbidity rate	-10%	(852,613)	(245,169)	(208,762)	(263,777)
Investment return	-1%	3,939,916	3,511,490	3,171,649	3,864,552
Expenses	-10%	(4,298,415)	(3,869,431)	(3,454,189)	(3,970,847)
Lapse and surrenders rate	-10%	1,295,230	417,702	310,789	372,642

The above analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. For example, change in interest rate and change in market values; and change in lapses and future mortality.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Non- Life Insurance Contracts

The Company principally issues the following types of general insurance contracts: Property ,Personal and Liability insurance coverage to policyholders and are not guaranteed as renewable. Most of Risks under non–life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from Natural and Man-made clay mates. For longer tail claims that take some years to settle, there is also inflation risk. The table below sets out the concentration of non–life insurance contract liabilities by type of contract:

30 June 2023	Claims reported			Incurred but not reported		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accident	60	1	59	887	44	843
Medical expense	1,123	56	1,067	469	23	445
W/c	1,836	83	1,753	1,385	69	1,315
Motor	316,342	19,745	296,597	59,312	3,935	55,377
Marine	1,520	188	1,331	1,122	109	1,012
Goods in transit	775	38	737	612	60	552
Aviation				2,102	1,997	105
Fire	4,400	1,801	2,599	12,499	5,636	6,863
Burglary and House breaking	778	436	342	1,216	380	836
Engineering	21,036	14,245	6,791	2,819	1,968	851
Liability	14,504	685	13,819	5,030	251	4,778
Pecuniary	91,710	84,686	7,024	4,151	3,845	307
Total	**454,082**	**121,964**	**332,118**	**91,603**	**18,318**	**73,285**

30 June 2022	Claims reported			Incurred but not reported		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accident	72	4	68	593	30	563
Medical expense	1,428	71	1,357	313	16	298
W/c	2,290	109	2,181	1,396	70	1,326
Motor	267,980	24,163	243,817	34,003	3,270	30,733
Marine	714	101	612	935	64	870
Goods in transit	2,741	136	2,605	510	35	475
Aviation				598	568	30
Fire	20,338	6,283	14,054	7,483	2,337	5,145
Burglary and House breaking	515	20	496	666	158	508
Engineering	24,068	16,133	7,935	2,733	1,883	851
Liability	11,053	513	10,540	3,243	162	3,081
Pecuniary	14,654	7,151	7,503	4,292	2,134	2,159
Total	**345,852**	**54,684**	**291,169**	**56,765**	**10,726**	**46,039**

Chartered Certified Accountants (UK)
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THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 judgments are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivity analysis

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.

The table below looks at how changes in in the claims cost affects the current liability. A 10% increase will lead to liability increase of ETB 9.27 million and a 10% decrease will lead to a liability decrease of ETB9.07 million.

a) A 10% increase will lead to a liability increase of ETB 9.27 million

		Change in liability	
		30 June 2023	30 June 2022
	Increase in gross Liabilities	Birr'000	Birr'000
Average claim cost	+10%	9,273,187	5,676,513
Average number of claims	+10%	9,273,187	5,676,513

b) A 10% decrease will lead to a liability decrease of ETB 9.07 million

		Change in liability	
		30 June 2023	30 June 2022
	Decrease in gross liabilities	Birr'000	Birr'000
Average claim cost	-10%	(9,067,980)	(5,676,513)
Average number of claims	-10%	(9,067,980)	(5,676,513)

c) The gross IBNR is estimated at ETB 91.60million and the outstanding claims are estimated at ETB 433.30 million and the total Actuarial liability is estimated at ETB 524.90million.

IBNR	91,603,231	56,765
Outstanding claims	433,332,433	327,022
Total Actuarial Liability	**524,935,664**	**383,787**

Claims development Triangle

The following table 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:

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Accident year	2018 Birr'000	2019 Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000	2023 Birr'000
At the end of claim year	242,520,278	293,288,430	253,139,301	313,446,814	411,727,184	414,599,021
One year later	21,884,005	7,112,738	8,702,480	3,093,817	8,045,508	0
Two year later	39,036	252,668	201,745	86,885,327		
Three year later	157,111	198,953	739,799	0		
Four year later	146,206	46,352	0	0		
Five year later	637,595					
Cumulative incurred claims	265,384,231	300,899,141	262,783,325	403,425,958	419,772,692	414,599,021
IBNR	4,069	231,782	369,146	4,017,638	11,734,985	75,245,612
Ultimate claims projected	265,388,300	301,130,923	263,152,471	407,443,596	431,507,677	489,844,633

4.2 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 amortized 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 summarized in the table below:

Financial Assets

30 June 2023	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Investment securities:				
- Loan and receivables	17	0	28,686	28,686
- Available for sales	17	221,500		221,500
Other assets	25		27,049	27,049
Reinsurance assets	21		333,789	333,789
Loan to life policy holders	22		97	97
Deposit with financial institutions	26		1,685,260	1,685,260
Cash and cash equivalents	26		96,240	96,240
Total financial assets		**221,500**	**2,171,121**	**2,392,621**

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Available-For-Sale	Loans and receivables	Total
30 June 2022		Birr'000	Birr'000	Birr'000
Investment securities:				
- Loan and receivables	17		1,734	1,734
- Available for sales	17	216,376		216,376
Other assets	25		19,329	19,329
Reinsurance assets	21		207,664	207,664
Loan to life policy holders	22		101	101
Deposit with financial institutions	26		862,050	862,050
Cash and cash equivalents	26		51,180	51,180
Total financial assets		**216,376**	**1,142,058**	**1,358,435**
Financial Liabilities				
			Other financial liabilities	Total
30 June 2023			Birr'000	Birr'000
Insurance Payables	29		123,467	123,467
Insurance contract liabilities/Gross/	27		1,370,568	1,370,568
Other payables	30		34,354	34,354
Total financial Liabilities			**1,528,389**	**1,528,389**
			Other financial liabilities	Total
30 June 2022			Birr'000	Birr'000
Insurance Payables	29		98,539	98,539
Insurance contract liabilities/Gross/	27		930,314	930,314
Other payables	30		34,416	34,416
Total financial Liabilities			**1,063,269**	**1,063,269**

Credit risk it the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment portfolio, long term staff loans and the reliance on reinsurers to make payment when certain loss conditions are met. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- 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.
- 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)
- 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.
- 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.

In line with above policies and procedures, the Company's credit risk arises predominantly from Financing activities, investment activities and reinsurance activities. Key areas where the company is exposed to credit risk are:

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

- Receivables arising out of direct insurance arrangements;
- Receivables arising out of Re insurance arrangements ;and
- Receivables arising out of short term investments

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

30 June 2022		30 June 2023 Birr'000	30 June 2022 Birr'000
Investment securities:			
- Loan and receivables	17	28,686	1,734
- Available for sales	17	221,500	216,376
other assets	25	27,049	19,329
Reinsurance assets	21	333,789	207,664
Loan to life policy holders	22	97	101
Deposit with financial institutions	26	1,685,260	862,050
Cash and cash equivalents	26	96,240	51,180
Total financial assets		**2,392,621**	**1,358,435**

4.3.1 Management of Credit Risk

In measuring credit risk of loans and receivables to various counterparties, the Company considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. The risk associated with direct insurance arrangements is insignificant due to National Bank regulation which is "No Premium No Cover Credit" Insurance polices are sold on cash basis to all policyholders except governmental organizations which is not relevant to our case; As a result the risk of default is non existence.

Reinsurance arrangements mitigate insurance risk but expose the Company to credit risk. Reinsurance is placed with companies based on an evaluation of the financial strength of the reinsurers, rating , terms of coverage and price. It is Company policy to only deal with reinsurers with credit ratings of at least B from known credit rating agency other than Ethiopian Reinsurance share Company which is not yet rated for mandatory policy and treaty cession as per local regulatory requirements.

The credit risk in the Reinsurance area arises:

- When the Company's reinsurers fails to make a claim reimbursement as and when it is claimed.
- The Company transfers a part of their portfolio to a reinsurer in exchange for a premium. A default on the part of the reinsurer can lead to adverse impacts, on the profitability solvency, underwriting abilities of the Company.

The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset counterparties are both debtors and creditors to the company. Provisions for impairment receivables and subsequent write-offs are presented to the top management and the board as appropriate as per the write off policy of the company. Internal audit makes regular reviews to assess the degree of compliance based on the company internal audit manual.

4.3.2 Concentration of Credit Risk

The credit risk of the company has been concentrated in the following key areas of activities;

(a) Investing/Lending activities

Credit risks associated with investments, risk happens when a firm invests' on debentures or loans to individuals having poor history in repayments or putting money into an asset with the expectation of capital appreciation, dividends and/or interest earnings. Such area is a major source of credit ris.

Chartered Certified Accountants (UK)

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

In our scenario neither debenture nor lending activities exists except policy loan where the long term business section of the company advances loan to life policy holders and the risk of default is totally non existence as the collateral is the accumulated cash value. Other loan with small portfolio is given to staff based on property security and personal guarantee with low default risk The current Company's equity investment is in banks and in local reinsurance company with low risk.

(b) Credit Concentration of a single counter party

There is a potential credit risk arising from the fact that banks may not settle time deposits on timely basis.

4.3.3 Credit Quality Analysis

a) Cash and cash equivalents

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

b) Investment securities

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

c) Reinsurance assets

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

d) Credit quality of other financial assets

30 June 2023	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000"	Individually impaired Birr '000	Total Birr '000
Insurance receivables :					
Due from Contract holders	20			8,611	8,611
				8,611	8,611
Less : Impairment allowance	20			(2,350)	(2,350)
Net Insurance receivable				**6,261**	**6,261**
Other assets					
Rent receivable	25	889			889
Inter office receivable - Life	26	0			0
Restricted cash	26	0			0
Receivables on policy loan	26	17			17
Staff debtors	26	15,841			15,841
Sundry debtors	26	2,573			2,573
Gross amount		19,320			19,320
Less: Specific impairment allowance					
Net other assets		19,320			**19,320**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

30 June 2022		Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
Insurance receivables :					
Due from Contract holders	20			18,091	18,091
				18,091	18,091
Less : Impairment allowance	20			(10,925)	(10,925)
Net Insurance receivable				**7,166**	**7,166**
Other assets					
Rent receivable	25	464			464
Inter office receivable - Life		0			0
Restricted cash		1,081			1,081
Receivables on policy loan	26	22			22
Staff debtors	25	11,176			11,176
Sundry debtors	25	2,140			2,140
Gross amount		**14,882**			**14,882**
Less: Specific impairment allowance		0			0
Net other assets		**14,882**			**14,882**

Insurance receivables - neither past due nor impaired

The credit quality of the portfolio of insurance receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Insurance receivables in this category are receivables from contract holders (Government customers) that are past due for less than 30 (thirty) days. Insurance receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

Other assets

Other receivables balances constitute; rent receivables , other account receivables, Sundry debtors and Staff debtors. The Company has an internal system of assessing the credit quality of other receivables through established policies and approval systems. The Company constantly monitors its exposure to these receivables via periodic performance review. The Company further manages its exposure to credit risk through deduction of transactions at source. The exposure to credit risk associated with other receivables is low.

4.3.4 Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Companies of homogeneous assets in respect of losses that have been incurred but have not been identified on receivables subject to individual assessment for impairment.

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Due from contract holders	20	2,350	10,925
Other loans and receivables		5,675	4,980
Total allowance for impairment		**8,024**	**15,904**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

4.4 Liquidity Risk

Liquidity refers to the Company's insufficient cash resources to meet financial obligations as and it is a measure of the ability of a debtor to pay his debts when they fall due (without affecting either the daily operations or the financial condition of the Company). It is also the risk that a financial institution will incur losses because it finds difficult to secure the necessary funds or forced to obtain funds at far higher interest rates than under normal conditions due to mismatch between the maturities of assets and liabilities or unexpected outflow of funds. In addition, liquidity risk is expressed as a financial institution that incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like. It is usually expressed as the ratio or a percentage of current liabilities to liquid assets.

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

4.4.1 Management of Liquidity Risk

Cash flow forecasting is performed by the finance and investment department. The department forecasts 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.

And the report include, among other items, the following;

- Factors that may seriously affect liquidity risks.
- External environment conditions such as the economic and market conditions.
- Urgency of funds need.
- Level of trend of liquidity risk.
- Status of compliance with limits and use thereof.
- Ensures that the liquidity policy is properly co-ordinate with other related assets/liability policies of the Company.
- Cash flow needs for the immediate future (one year);
- Previous years liquidity fluctuations (at least two years);
- Income requirements for the year;
- Volume of claims and other operational expenses;
- Any other known factors which may have an effect on available liquidity.

4.4.2 Measurement of Liquidity Risk

The Company has a process for measuring and monitoring its existing liquidity position as well as its net funding requirements. This involves forecasting cash inflows and outflows over various time horizons to identify potential cash imbalances. Liquidity risk is primarily measured as the ratio of current liability to liquid assets. It is expected that the ratio should at all times be less than to 1.5(105%). i.e. the maximum tolerance liquidity rate the company should keep on hand is one birr for one birr and five cents obligation or liability.

In addition, the company should maintain at least 65% and 50% of admitted asset bank deposits and treasury bills, for General and Long term Insurance business respectively A minimum operating liquidity level should be established to maintain a comfortable cushion beyond the minimum statutory requirement, in order to meet cash needs. A desired target maximum for operating liquidity also needs to be established to reflect the fact that too much liquidity has a negative effect on earnings, There is some gab in liquidity ration as compared with the market ratio where the company has devised various mitigation strategy including capital raising and generating income from rent and other investment sources.

4.4.3 Maturity Analysis of Financial Liabilities

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

Chartered Certified Accountants (UK)

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

30 June 2023	Notes	"0-1 year Birr '000"	"1-3 years Birr'000"	"3-5 years Birr'000"	"Over 5 years Birr'000"	"Total Birr'000"
Insurance contract liabilities/Gross/	27	1,370,568	-	-	-	1,370,568
Insurance Payables	29	123,467	-	-	-	123,467
Other liabilities	30	34,354	-	-	-	34,354
Total financial liabilities		**1,528,389**	**-**	**-**	**-**	**1,528,389**

30 June 2022		"0-1 year Birr '000"	"1-3 years Birr'000"	"3-5 years Birr'000"	"Over 5 years Birr'000"	"Total Birr'000"
Insurance contract liabilities/Gross/	27	930,314	-	-	-	930,314
Insurance Payables	29	98,539	-	-	-	98,539
Other liabilities	30	34,416	-	-		34,416
Total financial liabilities		**1,063,269**	**-**	**-**	**-**	**1,063,269**

4.5 Market Risk

Market risk is the risk of adverse financial impact due to changes in the value or future cash flows of financial instruments from fluctuations in , interest rates and equity prices. Changes in price may occur to a specific investment or in general to the portfolio of investment. Market risk encompasses the risk of financial loss resulting from movements in market prices which refers to the standard deviation of the change in value of a financial instrument with a specific time horizon. The Company does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 Management of Market Risk

To effectively control and manage market risk the need for establishing capital market is un questionable. The establishment and operation of a well regulated equity market could enhance initiatives to establish new and expand/diversify existing business by providing venture capital and the flexibility to exist from or simply change investment portfolio. Market risk is Monitored my the risk management unit. It is responsible to prepare a quarterly investment report that will provide analysis of the status of the current investment portfolio and transactions made over the reporting period. Besides, investment committee has been established and it is responsible for assessing investment options and recommending the viable options to senior management.

4.5.2 Measurement of Market Risk

The principle adopted in the management of investments is to closely match assets to the nature and term of insurance liabilities where possible. Total capital held in each entity reflects the results of internal models of economic capital, and takes in to account business growth plans ,as well as the likelihood of not being able to demonstrate an appropriate level of solvency. Market risk is measured on the basis of investment capital or need of the company .Investment is made on evaluating the investee companies and the type of investment. Investment risk is measured on the basis of security of the investees, liquidity consideration, and interest rate offer, and investment period ,rate of return and feasibility study documents.

4.5.3 Monitoring of Market Risk

Market risk is monitored by performing regular asset liability matching exercises, monitoring market volatility ,comparing actual performance with benchmark performance, and tracking errors and distributions of fixed interest assets. Market risk is further monitored by measuring and comparing the actual risk exposure in terms of economic capital to an approved limit, based on a value at risk calculation.

- ***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 monitors this exposure through periodic reviews of the assets and liability position. Estimate of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modeled and reviewed. The overall objective these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

than the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products. The Company is also exposed to the risk of changes in future cash flows from fixed income securities arising from the changes in interest rates.

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

30 June 2023	Notes	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	26	1,781,500	-	1,781,500
Investment securities :				
available for sale	17		221,500	221,500
Loans and receivable	17	28,686	-	28,686
Insurance receivables	20	6,261	-	6,261
Reinsurance assets	21	333,789	-	333,789
Other assets	25	27,049	-	27,049
Total		**2,177,285**	**221,500**	**2,398,785**
Liabilities				
Insurance contract liabilities	27	1,370,568	-	1,370,568
Insurance payables	29	123,467	-	123,467
Other payables	30	34,354	-	34,354
Total		**1,528,389**	**-**	**1,528,389**

30 June 2022		Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	26	913,230	-	913,230
Investment securities :				
Available for sale	17	-	216,376	216,376
Loans and receivable	17	1,734		1,734
Insurance receivables	20	7,166		7,166
Reinsurance assets	21	207,664		207,664
Other assets	25	19,329	-	19,329
Total		**1,149,123**	**216,376**	**1,365,499**
Liabilities				
Insurance contract liabilities	27	930,314	-	930,314
Insurance payables	29	98,539	-	98,539
Other payables	30	34,416	-	34,416
Total		**1,063,269**	**-**	**1,063,269**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

- ***Foreign Exchange Risk***

Foreign exchange risk is the risk of loss arising from adverse exchange rate movements in foreign exchange exposures The company primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency.

Therefore, the company is not exposed to currency risk.

- ***Price risk***

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limit on investments in each sector and market.

The Company has no significant concentration of price risk as there is no active market in Ethiopia.

4.6 Capital Management

Capital management risk is failure to maintain adequate regulatory capital to meet NBE's capital requirements or the Company's internal capital target aiming to safeguard its ability to continue as ageing concern, and maintain strong capital base so as to maintain investors, creditors, and enhance market confidence and sustain future developments of business. Even though the current paid up capital of the company's seems above the regulatory threshold. The company contemplates to double the capital within the coming five years in order to meet the needs of policyholders and other stakeholders

4.6.1 Margin of Solvency Ratio

Solvency margin is the amount by which the asset of an insurer exceed its liabilities . Methods of calculating solvency margin of an insurer are prescribed in the margin of solvency(MOS) Directive No.SIB/45/2016 of National Bank of Ethiopia (NBE).

The directive stipulate the minimum solvency margin , which an insurer must maintain at all times .For instance, an insurer carrying on general business shall keep admitted capital amounting 25% of its technical provision (or 20% of the net Written premiums in the last preceding financial year, or the minimum paid up capital) .Whereas, an insurer carrying on long term business shall keep admitted capital amounting to the higher of 10% of technical provisions or the minimum paid up capital can be mentioned

The solvency of insurance company or its financial strength depends chiefly on whether sufficient technical reserves have been setup for the obligations entered in to and whether the company has adequate capital as security.

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023 Birr'000	30 June 2022 Birr'000
General business			
Admissible assets	A		
Property, plant and equipment		345,300	321,791
Investment properties		212,929	238,566
Intangible assets			
Right of use assets			
Investment securities :			
Available for sale		170,346	166,247
Loans and receivables		23,481	1,734
Statutory deposits		117,124	69,947
Reinsurance receivables			0
Insurance receivables		6,261	7,166
Reinsurance assets		315,623	199,593
Salvage property held for sale		31,640	25,785
Other assets		16,730	12,722
Over invested in realestate		0	(23,669)
Deposits with financial institutions		1,495,124	737,609
Cash and cash equivalents		82,272	48,648
Total		**2,816,832**	**1,806,141**
Admissible Liabilities	B		
Insurance contract liabilities/Gross/		1,276,715	871,844
Deferred reinsurance commission		42,854	33,196
Insurance Payables		107,004	91,373
Other liabilities		146,216	102,049
Current income tax liabilities		36,657	7,693
Lease Liabilities		10,265	6,778
Defined benefit obligations		6,719	5,431
Deferred income tax		48,756	39,958
Total		**1,675,186**	**1,158,323**
Excess (admitted capital) (A)-(B)	C	**1,141,646**	**647,818**
Net premium (preceding year)	D	593,726	593,726
Technical provision (current year)	E	1,276,715	871,844
Solvency margin			
Limit of net premium i.e. 20% of net premium	F	118,745	118,745
Limit of technical provision i.e. 25% of technical provision	G	319,179	217,961
Minimum paid up Capital		60,000	60,000
Required Minimum of paid up capital	H	319,179	217,961
Margin of solvency	(C-D)	**547,920**	**54,092**
Solvency ratio	C/H	**358%**	**297%**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Life business		30 June 2023	30 June 2022
		Birr'000	Birr'000
Admissible assets	A		
Property, plant and equipment		14,963	15,442
Investment properties		65,458	46,491
Available for sale		51,154	50,129
Loans and receivables			
Statutory deposits		13,190	7,862
Reinsurance receivables		8,164	3,659
Insurance receivables			
Reinsurance assets		18,166	8,071
Other assets		7,729	4,446
Over investment		(13,343)	(12,829)
Deposits with financial institutions		190,135	124,441
Cash and cash equivalents		13,968	2,532
Total		**369,584**	**250,246**
Admissible Liabilities	B		
Insurance contract liabilities/Gross/		93,853	58,470
Deferred reinsurance commission		154	134
Insurance Payables		16,463	7,166
Other liabilities		3,756	2,904
Current income tax liabilities		1,271	3,773
Life fund reserve		128,655	82,843
Lease Liabilities			
Defined benefit obligations		186	155
Deferred income tax		4,617	3,899
Total		**248,954**	**159,343**
Excess (admitted capital) (A)-(B)	C	**120,630**	**90,902**
Technical provision (current year)	D	**141,313**	**141,313**
Solvency margin			
Limit of technical provision i.e. 10% of technical provision	E	**14,131**	**14,131**
Minimum paid up Capital	F	**15,000**	**15,000**
Required Minimum of paid up capital	G	**15,000**	**15,000**
Margin of solvency	(C-D)	**(20,683)**	**(50,411)**
Solvency ratio	C/G	**804%**	**606%**

As per the National Bank regulation, the admitted capital should be above 10% of technical provisions or the minimum paid up capital and the long term business solvency margin is above the minimum requirement as shown in the above table

4.7 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 catagorised 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.

Chartered Certified Accountants (UK)

4.7.1 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 source; Unobservable input reflect the Company's market

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

assumptions. All assets and liabilities for which fair value is measured or disclosed in the financial statements are catagorised 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 with in 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

4.7.2 Financial instruments not measured at fair value

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

		30 June 2023		30 June 2022	
	Notes	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair valueBirr'000
Financial assets					
Cash and Cash equivalents	27	96,240	96,240	51,180	51,180
Deposits with financial institutions	27	1,685,260	1,685,260	862,050	862,050
Investment securities:					
Available for sales	18	221,500	221,500	216,376	216,376
Loans and receivables	18	28,686	28,686	1,734	1,734
Reinsurance assets	22	333,789	333,789	207,664	207,664
Other assets	26	27,049	27,049	19,329	19,329
Total		**2,392,524**	**2,392,524**	**1,358,333**	**1,358,333**
Financial Liabilities					
Insurance contract liabilities/Gross/	28	1,370,568	1,370,568	930,314	930,314
Insurance Payables	30	123,467	123,467	98,539	98,539
Other liabilities	31	34,354	34,354	34,416	34,416
		1,528,389	**1,528,389**	**1,063,269**	**1,063,269**

4.7.3 Fair value methods and assumptions

Investment securities

Government bonds are classified as loans and receivables and are measured at amortised cost using the effective interest rate (EIR) method. This means The amortised cost is determined as the fair value of the bond at inception plus interest accrued using the effective interest rate.

4.7.4 Valuation technique using significant unobservable inputs - Level 2

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

4.7.5 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 result of significant inputs to the fair valuation process becoming observable or unobservable.

4.8 Offsetting financial assets and financial liabilities

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

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

5 **Segment information**

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

Revenue in these segments is derived primarily from insurance premium and investment income. Expenses for corporate units that render services for all business segments are initially paid by the general business segment and transferred to other business units at cost price. The expenses are allocated based on service man hours rendered by the corporate units to the various business segments.

Business segments

The Company operates the following main business segments:

Non- life (General) Business- Includes general insurance transactions with individual and corporate customers.

Life Business- Includes life insurance policies with individual and corporate customers.

The segment information for the reporting segments for the year ended 30 June 2023 is as follows:

5.1 **Statement of Financial Position - 30 June 2023**

	Note	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	14	354,958	15,230	370,188
Investment properties	15	212,929	65,458	278,387
Intangible assets	16	3,520	167	3,686
Right-of-use assets	32	19,048	-	19,048
Investment securities :				-
Available for sale	17	170,346	51,154	221,500
Loans and receivables	17	23,481	5,205	28,686
Statutory deposits	18	117,124	13,190	130,314
Reinsurance receivables	19	-	8,164	8,164
Insurance receivables	20	6,261	-	6,261
Reinsurance assets	21	315,623	18,166	333,789
Policy holder loans	22	-	97	97
Deferred acquisition costs	23	40,998	4,586	45,584
Salvage property held for sale	24	31,640	-	31,640
Other assets	25	22,635	8,843	31,478
Deposits with financial institutions	26	1,495,124	190,135	1,685,260
Cash and cash equivalents	26	82,272	13,968	96,240
Total assets		**2,895,960**	**394,364**	**3,290,324**
LIABILITIES				
Insurance contract liabilities/Gross/	27	1,276,715	93,853	1,370,568
Deferred reinsurance commission	28	42,854	154	43,007
Insurance Payables	29	107,004	16,463	123,467
Other liabilities	30	146,216	3,756	149,971
Current income tax liabilities	31	36,657	1,271	37,928

Chartered Certified Accountants (UK) Isokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Lease Liabilities	32	10,265	-	10,265
Defined benefit obligations	33	6,719	186	6,905
Deferred income tax	31	48,756	4,617	53,374
Total liabilities		**1,675,186**	**120,299**	**1,795,485**
EQUITY				
Share capital	34	757,596	83,000	840,596
Share premium	34	21,717	-	21,717
Retained earnings	36	322,710	37,552	360,262
Legal reserve	37	120,981	25,197	146,178
Life fund reserve	38	-	128,655	128,655
Other reserves	39	(2,230)	(339)	(2,569)
Total equity		**1,220,775**	**274,065**	**1,494,839**
Total equity and liabilities		**2,895,960**	**394,364**	**3,290,324**

5.2 **Statement of Financial Position - 30 June 2022**

		General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	14	330,292	15,755	346,048
Investment properties	15	238,566	46,491	285,057
Intangible assets	16	1,256	205	1,461
Right-of-use assets	32	14,539		14,539
Investment securities :				-
Available for sale	17	166,247	50,129	216,376
Loans and receivables	17	1,734	-	1,734
Statutory deposits	18	69,947	7,862	77,810
Reinsurance receivables	19	0	3,659	3,660
Insurance receivables	20	7,166	-	7,166
Reinsurance assets	21	199,593	8,071	207,664
Policy holder loans	22	-	101	101
Deferred acquisition costs	23	23,582	2,247	25,829
Salvage property held for sale	24	25,785		25,785
Other assets	25	26,915	5,042	31,958
Deposits with financial institutions	26	737,609	124,441	862,050
Cash and cash equivalents	26	48,648	2,532	51,180
Total assets		**1,891,881**	**266,537**	**2,158,418**
LIABILITIES				
Insurance contract liabilities/Gross/	27	871,844	58,470	930,315
Deferred reinsurance commission	28	33,196	134	33,329
Insurance Payables	29	91,373	7,166	98,539
Other liabilities	30	102,049	2,904	104,953
Current income tax liabilities	31	7,693	3,773	11,465
Lease Liabilities	32	6,778		6,778

Chartered Certified Accountants (UK) Isokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Defined benefit obligations	33	5,431	155	5,586
Deferred income tax	31	39,958	3,899	43,858
Total liabilities		**1,158,323**	**76,500**	**1,234,823**
EQUITY				
Share capital	34	449,278	50,000	499,278
Share premium	34	-	-	-
Retained earnings / Surplus fund	36	193,648	35,696	229,345
Legal reserve	37	91,954	21,522	113,476
Life fund reserve	38	-	82,843	82,843
Other reserves	39	(1,322)	(24)	(1,346)
Total equity		**733,558**	**190,037**	**923,595**
Total equity and liabilities		**1,891,881**	**266,537**	**2,158,418**

5.3 30 June 2023

		General Business	Life Business	Total
		Birr'000	Birr'000	Birr'000
Gross written premiums	6	1,353,272	153,937	1,507,209
Change in unearned premium reserve	6	219,326	22,087	241,413
Gross earned premiums		**1,133,946**	**131,850**	**1,265,796**
Less: Premiums ceded to reinsurers	6	358,389	32,189	390,577
Net earned premiums		**775,557**	**99,661**	**875,218**
Commission income	7	92,675	4,312	96,987
Net underwriting income		868,232	103,973	972,205
Claims and policy holder benefits payable	10	445,533	96,397	541,930
Less : claims recoveries from reinsurers	10	(65,161)	(13,227)	(78,387)
Net claims and benefits		380,373	83,170	463,543
Underwriting expenses	12	70,086	5,173	75,259
Total underwriting expenses		**450,459**	**88,343**	**538,802**
Underwriting profit		417,773	15,630	433,403
Investment income	8	218,573	37,031	255,604
Other income	9	4,296	148	4,443
Net income		**640,642**	**52,809**	**693,451**
Operating and other expense	11	286,998	12,809	299,807
Impairment on insurance receivables	11a	1,980	-	1,980
		351,664	**40,000**	**391,664**
Finance (income) / costs		944	-	944
Profit before tax from reportable segments		**350,720**	**40,000**	**390,720**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Income tax expense	(60,452)	(3,244)	(63,696)
Profit for the year	**290,269**	**36,755**	**327,024**
Assets and liabilities 2023			
Total assets	2,895,960	394,364	3,290,324
Total liabilities	1,675,186	120,299	1,795,485
Net assets/(liabilities)	1,220,775	274,065	1,494,839
External revenue 2022			
Net premium earned	775,557	99,661	875,218
Net underwriting income	868,232	103,973	972,205
Net investment income	218,573	37,031	255,604
Other income	4,296	148	4,443
Total segment revenue	**1,091,101**	**141,152**	**1,232,252**
Reportable segment profit before tax	**350,720**	**40,000**	**390,720**
Reportable segment assets	**2,895,960**	**394,364**	**3,290,324**
Reportable segment liabilities	**1,675,186**	**120,299**	**1,795,485**

5.4 30 June 2022

	Notes	General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	860,834	93,080	953,915
Change in unearned premium reserve	6	82,431	16,707	99,138
Gross earned premiums		**778,404**	**76,373**	**854,777**
Less: Premiums ceded to reinsurers	6	267,108	14,291	281,399
Net earned premiums		**511,296**	**62,083**	**573,378**
Commission income	7	73,124	1,405	74,529
Net underwriting income		**584,420**	**63,487**	**647,907**
Claims and policy holder benefits payable	10	343,677	46,520	390,197
Less : claims recoveries from reinsurers	10	(30,827)	(10,280)	(41,108)
Net claims and benefits		**312,850**	**36,240**	**349,090**
Underwriting expenses	12	45,325	5,668	50,993
Total underwriting expenses		**358,175**	**41,908**	**400,083**
Underwriting profit		**226,245**	**21,579**	**247,824**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Investment income	8	145,779	27,802	173,581
Other income	9	5,496	402	5,898
Net income		**377,521**	**49,783**	**427,304**
Operating and other expense	11	207,457	9,783	217,240
Impairment on insurance receivables	12a	1,816	-	1,816
Total benefits , claims and other expense		**168,248**	**40,000**	**208,248**
Finance (income) / costs	13	1,751	-	1,751
Profit before tax from reportable segments		**166,497**	**40,000**	**206,496**
Income tax expense	31	(19,630)	(5,305)	(24,934)
Profit for the year		**146,867**	**34,696**	**181,563**
Assets and liabilities 2021				
Total assets		1,891,881	266,537	2,158,418
Total liabilities		1,158,323	76,500	1,234,823
Net assets/(liabilities)		733,559	190,036	923,595
External revenue 2022				
Net premium earned		511,296	62,083	573,378
Net underwriting income		584,420	63,487	647,907
Net investment income		145,779	27,802	173,581
Other income		5,496	402	5,898
Total segment revenue		735,695	91,691	827,386
Reportable segment profit before tax		166,497	40,000	206,496
Reportable segment assets		1,891,881	266,537	2,158,418
Reportable segment liabilities		1,158,323	76,500	1,234,823

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023 Birr'000	30 June 2022 Birr'000
6	**Net premiums**		
a)	**Gross premiums on insurance contracts**		
	General business		
	Motor	864,491	487,209
	Good in transit	9,128	7,240
	Marine	17,765	18,234
	Accident	11,357	10,161
	Liability	58,585	33,261
	Workmen's compensation	15,601	12,220
	Fire	144,125	105,738
	Engineering	47,416	44,798
	Pecuniary	69,107	56,588
	Aviation	30,503	22,262
	Burglary and house breaking	6,074	4,005
	Miscellaneous	70,954	53,110
	Medical	8,166	6,008
	General business gross premiums	**1,353,272**	**860,834**
	Life business		
	Individual life	16,237	15,326
	Group life	93,836	54,795
	Medical	29,527	22,783
	Mortgage	13,972	
	Funeral	364	177
	Life business gross premiums	**153,937**	**93,080**
	Total	**1,507,209**	**953,915**

		30 June 2023 Birr'000	30 June 2022 Birr'000
b)	**Change in unearned premium reserve**		
	General business		
	Engineering	(1,799)	3,864
	Liability	6,807	4,550
	Pecuniary	6,987	17,766
	Fire	4,300	364
	Burglary and house breaking	162	593
	Accident	277	885
	Medical	483	420
	Workmen's compensation	1,242	10
	Motor	197,616	47,533
	Aviation	21	2,828
	Marine	1,794	2,103
	Goods in transit	731	1,251

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	Miscellaneous	705	265
	Unearned premium reserve	**219,326**	**82,431**
	Life business		
	Group Medical	1,028	3,208
	Group Life- Arab Travelers	15,853	12,167
	Group Funeral	27	62
	Mortgage	-	
	Group life	5,178	1,270
	Unearned premium reserve	**22,087**	**16,707**
	Total	**241,413**	**99,138**

		30 June 2023 Birr'000	30 June 2022 Birr'000
c)	**Premiums ceded to reinsurers**		
	General business		
	Motor	54,930	31,930
	Marine	3,345	4,080
	Goods in transit	1,186	1,065
	Accident	1,013	888
	Medical	2,297	1,372
	Workmen's compensation	1,080	826
	Liability	9,513	3,635
	Fire	115,736	85,987
	Burglary and house breaking	2,978	1,498
	Engineering	23,114	27,498
	Pecuniary	51,009	39,261
	Aviation	25,505	18,445
	Miscellaneous	66,682	50,622
	Premiums ceded to reinsurers	**358,389**	**267,108**
	Life business		
	Individual life	376	723
	Group life	21,087	12,420
	Group medical	1,476	1,139
	Mortgage	9,230	
	Group funeral	18	9
		32,189	**14,291**
	Total premiums ceded to reinsurers	**390,577**	**281,399**
	Total net earned premiums		
	General business	775,557	511,296
	Life business	99,661	62,083
		875,218	**573,378**

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023 Birr'000	30 June 2022 Birr'000
7	**Reinsurance Commission income**		
	General business		
	Reinsurance ceding commission	74,955	59,041
	Profit commission	17,720	14,083
	Commission income	**92,675**	**73,124**
	Life business		
	Reinsurance ceding commission	2,755	254
	Profit commission	1,557	1,150
	Commission income	**4,312**	**1,405**
	Total commission income	**96,987**	**74,529**

		30 June 2023 Birr'000	30 June 2022 Birr'000
8	**Investment income**		
	General business		
	Interest on time deposits	129,299	71,461
	Interest on savings	3,175	1,005
	Interest on staff loans	1,698	2,142
	Dividend income	28,489	25,134
	Interest on government bond	7,730	5,576
	Rent income	48,183	40,462
		218,573	**145,779**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
Interest on time deposits	19,550	13,803
Interest on savings	185	139
Interest on staff loans	11	2
Interest on policy loans	10	14
Dividend income	8,945	7,918
Interest on government bond	978	563
Rent income	7,352	5,362
	37,031	**27,802**
Total investment income	**255,604**	**173,581**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023 Birr'000	30 June 2022 Birr'000
9	**Other income**		
	General business		
	Service charge	1,579	1,175
	Provision for bad debts	-	-
	Gain on disposal of Fixed Assets	753	3,050
	Gain on sale of Shares	1,277	-
	Gain on foreign exchange	4	47
	Miscellaneous income	682	1,224
		4,296	**5,496**
	Life business		
	Gain on sale of equity investment	-	-
	Miscellaneous income	148	402
		148	402
	Total other income	**4,443**	**5,898**

		30 June 2023 Birr'000	30 June 2022 Birr'000
10	**Claims and policy holder benefits payable**		
	General business		
	Benefits and claims paid	371,544	275,259
	Change in claims outstanding	40,950	56,492
	Change in incurred but not reported reserve	27,246	7,649
	Other Technical expenses	4,474	3,681
	Change in unallocated loss adjustment expense	1,320	596
		445,533	**343,677**
	Recoverable from reinsurance:		
	Claims recoveries from reinsurers	(65,161)	(30,827)
	Net claims and loss adjustment expense	**380,373**	**312,850**
	Life business		
	Benefits and claims paid	47,986	42,488
	Change in Life fund	45,186	2,760
	Change in claims outstanding	1,045	165
	Other Technical expenses	25	92
	Change in incurred but not reported reserve	2,155	1,016
		96,397	**46,520**
	Recoverable from reinsurance:		
	Claims recoveries from reinsurers	(13,227)	(10,280)
	Net claims and loss adjustment expense	**83,170**	**36,240**
	Total	**463,543**	**349,090**

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023 Birr'000	30 June 2022 Birr'000
11	**Operating and other expense**		
	General business		
	Director fixed emoluments	705	800
	Shareholders meeting expense	518	347
	Depreciation	25,595	21,835
	Amortization	492	344
	Depreciation-ROU	9,473	7,881
	Financial expense	6,867	3,642
	Office rent	4,876	4,264
	Auditor remuneration	210	192
	Other general expense	15,214	9,452
	Repair and maintenance	10,721	7,074
	Stationeries and office supplies	9,896	4,908
	Gifts and donations	5,679	1,695
	Communication costs	3,126	2,945
	Transportation costs	7,402	3,986
	Advertising and promotion	5,950	5,657
	Insurance costs	2,194	1,663
	Annual general meeting	-	
	Professional services	1,521	585
		110,439	**77,271**
	Employee benefits expense		
	Salaries and wages	96,688	78,492
	Staff insurance	3,462	3,772
	Leave pay	2,946	2,901
	Staff bonus	35,077	19,588
	Staff training expense	6,409	1,608
	Defined contribution costs- employers" contribution	13,275	10,584
	Defined benefit costs- severance pay	3,037	1,429
	Other staff expenses	15,663	11,811
		176,558	**130,185**
		286,998	**207,457**
	Operating and other expense		
	Life business		
	Director fixed emoluments	77	-
	Depreciation	1,624	1,486
	Amortization	38	38
	Financial expense	138	107
	Auditor remuneration	25	21
	Other general expense	498	360

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	Actuarial fee	197	194
	Gifts and donations	50	
	Repair and maintenance	22	62
	Stationeries and office supplies	1,123	473
	Communication costs	106	125
	Insurance costs	96	
	Transportation costs	367	421
	Advertising and promotion	414	514
		4,773	**3,800**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
	Employee benefits expense		
	Salaries and wages	3,338	2,450
	Staff insurance	122	129
	Leave pay	168	105
	Staff bonus	1,514	1,063
	Defined contribution costs	354	284
	Defined benefit costs	30	42
	Other staff expenses	2,510	1,910
		8,036	**5,983**
		12,809	**9,783**
	Total operating and Other Expenses	**299,807**	**217,240**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
11a	**Impairment of receivables-provision**		
	Insurance /Other assets- Charge for the year	2,350	1,816
	Change for the year	(370)	-
		1,980	**1,816**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
12	**Underwriting expenses**		
	General business		
	Commission expense	87,502	50,803
	Changes in deferred acquisition cost	(17,416)	(5,478)
		70,086	**45,325**
	Life business		
	Commission expense	7,512	5,745
	Changes in deferred acquisition cost	(2,339)	(77)
		5,173	**5,668**
	Total underwriting expenses	**75,259**	**50,993**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

		30 June 2023 Birr'000	30 June 2022 Birr'000
13	**Finance (income) / costs**		
	General business		
	Finance costs-Lease	944	763
	Bank Loan	-	988
	Life business		
	Finance costs-Lease	-	-
		944	**1,751**

Finance cost is the interest cost paid on unpaid portion of long term loan, interest paid on leased office premises and for land leased at Quality recovery site.

14 **Property, plant and equipment**

a) **General Business**

	Buildings Birr'000	Office equip Birr'000	Computer equip Birr'000	Furni and fittings Birr'000	Motor vehicle Birr'000	Fence and recovery Birr'000	Total Birr'000
Cost							
As at 1 July 2021	266,146	9,242	11,660	13,536	66,890	1,059	368,533
Additions	89	310	2,457	1,638	22,379	-	26,873
Disposals / Transfer	-	(183)	(621)	(495)	(2,060)	-	(3,359)
Reclassification	-	-	-	-	-	-	-
As at 30 June 2022	**266,235**	**9,369**	**13,496**	**14,678**	**87,209**	**1,059**	**392,045**
As at 1 July 2022	266,235	9,369	13,496	14,678	87,209	1,059	392,045
Additions	3,448	1,222	15,433	2,527	15,214	-	37,844
Disposals / Transfer	-		(65)		(830)	-	(895)
Reclassification	-	-	-	-	7,100	-	7,100
As at 30 June 2023	**269,683**	**10,591**	**28,863**	**17,205**	**108,693**	**1,059**	**436,095**
Accumulated depreciation							
As at 1 July 2021	10,338	5,712	6,133	5,399	20,207	314	48,103
Charge for the year	5,174	746	1,403	1,187	7,234	105	15,849
Disposals		(174)	(557)	(408)	(1,060)		(2,199)
Reclassification	-	-	-	0	-	-	-
As at 30 June 2022	**15,512**	**6,284**	**6,979**	**6,178**	**26,381**	**419**	**61,753**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

As at 1 July 2022	15,512	6,284	6,979	6,178	26,381	419	61,754
Charge for the year	5,433	851	3,112	1,369	8,946	105	19,815
Disposals	-	-	-	-	(433)	-	(433)
Reclassification		-	-	-	-	-	-
As at 30 June 2023	**20,944**	**7,135**	**10,091**	**7,547**	**34,895**	**524**	**81,136**
Net book value							
As at 1 July 2021	255,808	3,530	5,527	8,137	46,683	745	320,430
As at 30 June 2022	250,723	3,085	6,517	8,500	60,828	640	330,292
As at 30 June 2023	**248,739**	**3,456**	**18,772**	**9,658**	**73,799**	**535**	**354,958**

b) **Life business**

	Buildings	Office equip	Computer equipment	Furniture and fittings	Motor vehicles	Fence and recovery	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2021	15,000	75	324	460	2,195	-	18,054
Additions	-	-	-	-	-	-	-
Disposals/Transfer	-	8	37	54	-	-	99
Disposals	-	-	-	-	-	-	-
As at 30 June 2022	**15,000**	**83**	**361**	**514**	**2,195**	**-**	**18,153**
As at 1 July 2022	15,000	83	361	514	2,195	-	18,153
Additions	-		-	-	-	-	-
Disposals/Transfer	-	-	65	-	-	-	65
Reclassification	-	-	-	-	-	-	-
As at 30 June 2023	**15,000**	**83**	**426**	**514**	**2,195**	**-**	**18,218**
Accumulated depreciation							
As at 1 July 2021	571	52	161	156	879	-	1,819
Charge for the year	285	6	35	45	209	-	579
Disposals/Transfer	-	-	-		-	-	-
As at 30 June 2022	**856**	**58**	**196**	**201**	**1,088**	**-**	**2,398**
As at 1 July 2022	856	58	196	201	1,088	-	2,398
Charge for the year	285	6	45	46	209	-	591
Disposals	-	-	-	-	-	-	-
As at 30 June 2023	**1,141**	**64**	**241**	**247**	**1,296**	**-**	**2,988**
Net book value							

Chartered Certified Accountants (UK)
Nexia Tokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

As at 1 July 2021	14,429	23	163	304	1,316	-	16,235
As at 30 June 2022	14,144	25	166	313	1,107	-	15,755
As at 30 June 2023	**13,859**	**19**	**186**	**267**	**899**	**-**	**15,230**

Total Net book value Summary

As at 1 July 2021	270,237	3,553	5,690	8,441	47,999	745	336,665
As at 30 June 2022	264,867	3,110	6,682	8,813	61,935	640	346,048
As at 30 June 2023	**262,598**	**3,475**	**18,958**	**9,925**	**74,698**	**535**	**370,188**

		30 June 2023 Birr'000	30 June 2022 Birr'000
15	**Investment property**		
a)	**General business**		
	Cost:		
	Bole Medhanialem Building	76,370	99,396
	Kality Building	117,371	117,228
	Barhidar Building	48,000	48,000
		241,741	**264,624**
	Accumulated depreciation:		
	Bole Medhanialem Building	11,018	11,459
	Kality Building	11,409	9,127
	Bahirdar Building	6,384	5,472
		28,811	**26,058**
	Net book value	**212,929**	**238,566**
b)	**Life business**		
	Cost:		
	Bole Medhanialem Building	75,504	52,476
	Accumulated depreciation:		
	Bole Medhanialem Building	10,046	5,985
		10,046	**5,985**
	Net book value	**65,458**	**46,491**
	Net book value Summary	**278,387**	**285,057**

Transfers from property, plant and equipment relates to buildings recognized under property, plant and equipment which are held to earn rental income and fall under the Company's definition of an investment property.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

c) **Amounts recognized in profit or loss for investment properties**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Rental income	55,534	45,824
Direct operating expenses	(12,780)	(11,046)
Net income	**42,754**	**34,778**

d) **Fair value measurement of the Company's investment properties**

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

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

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: where fair values are based on non-adjusted quoted prices in active markets for identical financial assets.
Level 2: where fair values are based on adjusted quoted prices and observable prices of similar financial assets.
Level 3: where fair values are not based on observable market data.

e) **Fair value hierarchy**

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

30 June 2023	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-		151,874
Kality Building	-		117,371
Bahidar building	-		48,000
	-		**317,245**

30 June 2022	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-		151,872
Kality Building			117,228
Bahidar building	-		48,000
	-		**317,100**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

16 **Intangible Assets**

	General business	Long term business	Computer software
	Comp software	Comp software	Total
	Birr'000	Birr'000	Birr'000
Cost:			
As at 1 July 2021	7,699	304	8,003
Acquisitions	1,145	-	1,145
Internal development	-	-	-
Transfer from property, plant and equipment	-	-	-
As at 30 June 2022	**8,843**	**304**	**9,147**
As at 1 July 2022	8,843	304	9,147
Acquisitions	2,660	-	2,660
Internal development	-	-	-
Transfer from property and equipment	-	-	-
As at 30 June 2023	**11,504**	**304**	**11,808**

	General business	Long term business	Computer software
	Comp software	Comp software	Total
	Birr'000	Birr'000	Birr'000
Accumulated amortization and impairment losses			
As at 1 July 2021	7,338	61	7,399
Amortization for the year	249	38	287
As at 30 June 2022	**7,587**	**99**	**7,686**
As at 1 July 2022	7,587	99	7,686
Amortization for the year	397	38	435
Impairment losses	-	-	-
As at 30 June 2023	**7,984**	**137**	**8,121**
Net book value			
As at 1 July 2021	361	243	604
As at 30 June 2022	1,256	205	1,461
As at 30 June 2023	**3,520**	**167**	**3,686**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023 Birr'000	30 June 2022 Birr'000
17	**Investment securities :**		
(a)	**Available for sale**		
	General business		
	Equity Investments	170,346	166,247
	Less: Impairment	-	-
		170,346	**166,247**
	Life business		
	Equity Investments	51,154	50,129
	Less: Impairment	-	-
		51,154	50,129
	At end of year	**221,500**	**216,376**

The Company holds equity investments in the following entities;

	30 June 2023 Birr'000		30 June 2022 Birr'000	
	Number of Shares	Percentage of ownership	Number of shares	Percentage of ownership
United Bank SC	176,393	3.8%	160,596	3.8%
Ethiopian Reinsurance S.C	39,806	2.5%	25,250	2.5%
Habesha Cement Factory SC	5,300	0.5%	5,300	0.5%
	221,499	**221499**	**191,146**	

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

		30 June 2023 Birr'000	30 June 2022 Birr'000
(b)	**Loans and receivables**		
	General business		
	Government securities held to maturity	22,031	1,668
	Additions		
	Interest received on Government Bond	-	-
	Interest receivable on Government Bond	1,450	66
		23,481	**1,734**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
Development Bank Bond-Investment	5,205	
Government securities held to maturity		-
Additions		
Government securities held to maturity		-
Interest received on Government Bond		-
Interest receivable on Government Bond	-	-
	5,205	**-**
At end of year	**28,686**	**1,734**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	28,686	-
Non - Current	221,499	218,111
	250,185	**218,111**

18 Statutory deposits

Government security comprise of bonds held by the National Bank of Ethiopia (NBE) . The bonds are held as statutory deposits in compliance with article 20 of the licensing and supervision of insurance as per business proclamation number 746/2012 SG 18. The law requires that in respect of each main class of insurance, the insurer carries an amount equal to 15% of the company's paid up capital in cash or government securities.

The bonds bear interest at the rate of 6% per annum and repayable after six years from date of acquisition.

	30 June 2023 Birr'000	30 June 2022 Birr'000
General business		
Statutory deposits	113,505	67,392
Reclassification	134	-
Interest receivable on Government Bond	3,485	2,556
	117,124	**69,947**
Life business		
Statutory deposits	12,450	7,500
Interest receivable on Government Bond	740	362
Statutory deposits	**13,190**	**7,862**
	130,314	**77,810**

The movement of statutory deposit during the year is as follows:

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the Year	77,810	73,762
Additions	51,197	4,008
Interest received on statutory deposit invested in Government Bond	(2,918)	(2,878)
Interest receivable on statutory deposit invested in Government Bond	4,225	2,918
At the end of the Year	**130,314**	**77,810**

The minimum amount required to be set aside is Br126,089 (2022 : Br74,892, 2021: Br71,003), accrued interest receivable on the statutory deposit transferred to Ethiopian Government savings Bond of Br4,225(2021: Br2,918 2021: Br2,878) has been included in the above figures.

19 **Reinsurance receivables**

	30 June 2023 Birr'000	30 June 2022 Birr'000
General Business		
Gross receivables	5,351	5,382
Recovered receivable	-	(31)
Impairment provision	(5,351)	(5,351)
	-	-

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
Gross receivables	8,164	3,659
Impairment provision	-	-
	8,164	**3,659**
	8,164	**3,659**

These are receivables that arise from reinsurance policies that provides an insurer with coverage for specific individual risks that are unusual or so large that they are not covered in the Company's reinsurance treaties.

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	8,164	3,659
Non- current		-
	8,164	**3,659**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

20 **Insurance Receivables**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Due from policyholders	3,172	11,038
Due from risk sharing (local insurers)	5,438	7,053
	8,611	18,091
Provision for impairment	(2,350)	(10,925)
	6,261	**7,166**

Movements on the provision for impairment of receivables arising out of direct insurance arrangements are as follows:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At start of the year	10,925	9,084
Increase/ (Decrease) in the year	(8,575)	1,841
As at the end of the year	**2,350**	**10,925**

21 **Reinsurers' share of technical provision and reserves/Reinsurance assets**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
General business		
Unearned premium	175,340	134,183
Notified claims outstanding	121,964	54,684
Claims incurred but not reported	18,318	10,726
At end of year	**315,623**	**199,593**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Life business		
Unearned premium	16,290	5,538
Notified claims outstanding	1,588	2,358
Claims incurred but not reported	287	174
At end of year	**18,166**	**8,071**
Total General and Life Business	**333,789**	**207,664**

Maturity analysis

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	333,789	207,664
Non Current	-	-
	333,789	**207,664**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

These are Reinsurers' share of technical provisions and reserves. The Company has made a review of an impairment test to the reinsurance assets and no impairment is required in respect of these assets as the Company has the right to set-off reinsurance assets against reinsurance liabilities on settlement. The carrying amounts disclosed above is in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

		30 June 2023 Birr'000	30 June 2022 Birr'000
22	**Policy holder loans**		
	Life Business		
	Policy holder loans	97	101
	At end of year	**97**	**101**
	Maturity profile of policy loans		
	Loans maturing :		
	Within 1 year	16	30
	Within 1 - 5 years	81	71
	In over 5 years	-	
		97	**101**

23 **Deferred acquisition costs**

A commission on unearned premium relating the unexpired tenure of risk.

	30 June 2023 Birr'000	30 June 2022 Birr'000
General business	40,998	23,582
Life business	4,586	2,247
At end of year	**45,584**	**25,829**

The movement in deferred acquisition cost is as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the Year	25,829	15,468
Change during the year	19,755	10,361
At the end of the Year	**45,584**	**25,829**

24 **Salvage property held for sale**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Non-current asset held for sale	31,640	25,785
	31,640	**25,785**

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

The movement in Non current assets held for sale is as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the Year	25,785	4,839
Additions during the year	31,640	25,785
Sold during the year	(25,785)	(4,839)
At the end of the Year	**31,640**	**25,785**

These Non-current assets held for sale represents salvage properties that are fully or partially damaged and fully compensated to the policyholders by the Company. These assets are recognised and classified as held for sale in the financial statement by their carrying amount and fair value less cost of disposal as per IFRS 5.The Company's management intention regarding these assets is to dispose through public auction. These assets will not be held for more than a year from the date of compensation and their carrying value will only be recovered through disposal rather than continuing use. These assets salvage value is estimated by Company's in-house surveyors at the reporting date.

		30 June 2023 Birr'000	30 June 2022 Birr'000
25	**Other assets**		
	Loans and receivables:		
	General business		
	Rent receivable	889	464
	Restricted cash	-	1,081
	Inter office receivable - Life	-	-
	Staff debtors	15,841	11,176
	Sundry debtors	1,635	1,591
		18,366	**14,311**
	Non financial assets:		
	Deposits and prepayments	2,314	11,289
	Prepaid staff assets	664	411
	Deferred tax assets. Employee benefit	1,291	902
	Prepayments For Building	-	-
		4,270	**12,602**
	Less impairment loss on other assets:		
	On other receivables	-	-
	on non financial assets	-	-
		22,635	**26,913**
	Loans and receivables:		
	Life business		
	Receivables on policy loan	17	22
	Inter office receivable - Life	7,729	4,446
	Sundry debtors	937	549
		8,683	**5,017**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Non financial assets:		
Deposits	-	-
Deferred tax assets. Employee benefit	160	25
Prepayments	-	-
	160	**25**
Less impairment loss on other assets:		
On other receivables	-	-
on non financial assets	-	-
	8,843	**5,042**
	31,478	**31,956**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	31,478	31,956
Non Current	-	-
	31,478	**31,956**

At 30 June, there is no allowance for impairment losses

		30 June 2023	30 June 2022
		Birr'000	Birr'000
26	**Cash and Bank balances**		
	General business		
	Cash in hand	15,713	11,705
	Cash at bank	66,560	36,943
	Deposits with financial institutions	1,495,124	737,609
		1,577,396	**786,257**

Maturity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	1,577,396	731,257
Non- current	-	55,000
	1,577,396	**786,257**

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.

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023	30 June 2022
Cash and Bank balances	Birr'000	Birr'000
Life business		
Cash in hand	31	22
Cash at bank	13,937	2,509
Deposits with financial institutions	190,135	124,441
	204,103	**126,973**

Maturity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	204,103	126,973
Non- current	-	-
	204,103	126,973
Total Cash and Bank balances	**1,781,500**	**913,230**

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Cash and cash equivalents		
General business		
Cash in hand	15,713	11,705
Cash at bank	66,560	36,943
Short term deposits with bank		
	82,272	**48,648**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Life business		
Cash and cash equivalents		
Cash in hand	31	22
Cash at bank	13,937	2,509
Short term deposits with bank		
	-	-
	13,968	2,532
Total cash and cash equivalents	96,240	51,180
Total deposits with fiancial institutions	**1,685,260**	**862,050**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

The movement of deposits with financial institutions

	30 June 2023 Birr'000	30 June 2022 Birr'000
General business		
As at 1 July	737,609	342,454
Additions	693,124	155,054
Interest received on Fixed time deposit	(23,435)	(15,015)
Interest receivable on fixed time deposit	86,758	23,435
As at 30 June	**1,494,057**	**737,609**

The movement of deposits with financial institutions

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
As at 1 July	113,807	122,049
Additions	72,779	(8,232)
Interest received on Fixed time deposit	(3,877)	(3,887)
Interest receivable on fixed time deposit	7,426	3,877
As at 30 June	**190,135**	**113,807**

27 **Insurance contract liabilities**

a) **General business**

Gross insurance contracts :		
Claims reported and loss adjustment expenses	454,082	345,852
Claims incurred but not reported IBNR	91,603	56,765
Additional unexpired risk reserve	726,406	465,923
Unallocated loss adjustment expense	4,624	3,304
Total insurance liabilities, gross	**1,276,715**	**871,844**
Recoverable from reinsurers:		
Notified claims outstanding	121,964	54,684
Claims incurred but not reported	18,318	10,726
Additional unexpired risk reserves	175,340	134,183
Total reinsurers' share of insurance liabilities	**315,623**	**199,593**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	332,118	291,169
Claims incurred but not reported IBNR	73,285	46,039
Additional unexpired risk reserve	551,065	331,739
Unallocated loss adjustment expense	4,624	3,304
Total insurance contract liabilities, net	**961,092**	**672,251**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

b)	**Gross Life business insurance contracts:**		
	Gross insurance contracts :		
	Claims reported and loss adjustment expenses	5,680	5,405
	Claims incurred but not reported IBNR	5,749	3,480
	Additional unexpired risk reserves	82,424	49,586
c)	**Total insurance liabilities, gross**	**93,853**	**58,470**
	Recoverable from reinsurers		
	Notified claims outstanding	1,588	2,358
	Claims incurred but not reported	287	174
	Additional unexpired risk reserve	16,290	5,538
	Unallocated loss adjustment expense	-	-
	Total reinsurers' share of insurance liabilities	**18,166**	**8,071**
	Net Insurance contracts liabilities:		
	Claims reported and loss adjustment expense	4,092	3,046
	Claims incurred but not reported IBNR	5,461	3,306
	Additional unexpired risk reserve	66,134	44,047
	Unallocated loss adjustment expense	-	-
	Total insurance contract liabilities, net	**75,687**	**50,400**
	Total insurance liabilities, gross	1,370,568	930,315
	Total reinsurers' share of insurance liabilities	333,789	207,664
	Total insurance contract liabilities, net	**1,036,779**	**722,651**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	1,036,779	722,651
Non- current	-	-
	1,036,779	**722,651**

These provisions represent the liability for Company's insurance business contracts where the Company's obligations are not expired at the year end. Except unearned premium reserve, the Company's insurance contract liability was tested for adequacy by Actuarial Services (act serve) Ltd,an actuary located in Kenya.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Movements in insurance Liabilities and reinsurance assets

d) **General Business insurance contracts:**

		30 June 2023 Birr'000			30 June 2022 Birr'000		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
(i)	**Outstanding**	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
	At the beginning of the year						
	Notified claims	345,852	54,684	291,169	276,628	41,951	234,677
	IBNR	56,765	10,726	46,039	47,631	9,241	38,390
	ULAE	3,304		3,304	2,708	0	2,708
	At the end of the year	**405,922**	**65,410**	**340,512**	**326,967**	**51,192**	**275,775**
	At the beginning of the year						
	Paid claims for the year	(445,533)	(65,161)	(380,373)	(343,677)	(30,827)	(312,850)
	Increase In Liability:						
	Current and prior period	995,843	205,443	790,400	749,599	96,237	653,362
	At the end of the year	**550,310**	**140,283**	**410,027**	**405,922**	**65,410**	**275,775**
	Notified claims (Outstanding plus disputed)	454,082	121,964	332,118	345,852	54,684	291,169
	IBNR	91,603	18,318	73,285	56,765	10,726	46,039
	ULAE	4,624	-	4,624	3,304		3,304
	At the end of the year	**550,310**	**140,283**	**410,027**	**405,922**	**65,410**	**340,512**

(ii) **Provision for unearned premiums**

30 June 2023

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering	24,829	9,152	15,677
Liability	26,619	3,661	22,958
Pecuniary	68,487	30,375	38,112
Fire	71,739	56,935	14,804
Burglary and House breaking	2,609	1,353	1,256
Accident	4,577	320	4,257
Medical	3,037	986	2,051
Workmen's Compensation	6,714	401	6,314
Motor	452,722	24,380	428,342
Aviation	17,158	14,166	2,993
Marine	9,217	959	8,258
Goods in transit	4,387	291	4,096
Miscellaneous	34,310	32,362	1,949
	726,406	**175,340**	**551,065**

Chartered Certified Accountants (UK)
Tsokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

30 June 2022	Gross	Reinsurance	Net
Class of Business	Birr'000	Birr'000	Birr'000
Engineering	29,362	11,888	17,474
Liability	17,735	1,584	16,151
Pecuniary	53,578	22,452	31,127
Fire	54,737	44,234	10,503
Burglary and House breaking	1,666	572	1,094
Accident	4,260	280	3,980
Medical	2,342	774	1,568
Workmen's Compensation	5,358	286	5,072
Motor	243,470	12,744	230,726
Aviation	16,954	13,982	2,972
Marine	8,064	1,600	6,464
Goods in transit	3,682	317	3,365
Miscellaneous	24,714	23,470	1,244
	465,923	**134,183**	**331,739**

	30 June 2023			30 June 2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Movement	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
At 1 July	465,923	134,183	331,739	251,114	51,923	199,191
Change in unearned income	260,483	41,157	219,326	214,809	82,260	132,548
As at 30 June	**726,406**	**175,340**	**551,065**	**465,923**	**134,183**	**331,739**

e) **Life business insurance contracts:**

(i) **Provision for unearned premiums**

30 June 2023	Gross	Reinsurance	Net
Class of Business	Birr'000	Birr'000	Birr'000
Group Term	25,124	13,425	11,698
Arab travelers	43,920	2,196	41,724
Funeral	94	5	90
Mortgage	0	-	0
Group medical	13,286	664	12,622
	82,424	**16,290**	**66,134**

30 June 2022	Gross	Reinsurance	Net
Class of Business	Birr'000	Birr'000	Birr'000
Group Term	10,083	3,563	6,520
Arab travelers	27,233	1,362	25,871
Funeral	66	3	62
Group medical	12,204	610	11,594
	49,586	**5,538**	**44,047**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023			30 June 2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Movement	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
At the beginning of the year	49,586	5,538	44,047	14,653	2,472	12,181
Change in unearned income	32,838	10,752	22,087	34,933	3,066	31,866
At the end of the year	**82,424**	**16,290**	**66,134**	**49,586**	**5,538**	**44,047**

(ii) **Life insurance funds**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At the beginning of the year	82,843	79,925
Net premium received investment income	121,748	78,790
Change in net UPR	(22,087)	(16,707)
Investment income	37,031	27,802
other income	148	402
claims paid	(34,133)	(42,324)
Claims recovered from reinsurers management expenses	0	10,280
Change in net IBNR	(2,155)	(1,016)
Management expenses	(12,809)	(9,783)
Net commission paid/(Received)	(861)	(4,270)
Changes in outstanding claims	(1,045)	(164)
Distribution to policy holders	0	0
Other outgo	(25)	(92)
Distribution to shareholders	(40,000)	(40,000)
At the end of the year	**128,655**	**82,843**

The Company carried out an actuarial valuation to determine the actuarial liabilities for its life fund as at the reporting date. The out come of the Actuarial valuation are shown below:

	30 June 2023	30 June 2022
Life Fund Movement	Birr'000	Birr'000
Actuarial Liabilities	82,843	92,380
Actuarial surplus	85,812	34,463
Distribution to Shareholders	(40,000)	(44,000)
Life Fund	**128,655**	**82,843**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

(iii) **Outstanding claims provision**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At the beginning of the year	1,800	1,635
Change in Outstanding claim	(755)	165
At the end of the year	**1,045**	**1,800**

28 **Deferred reinsurance commission**	30 June 2023 Birr'000	30 June 2022 Birr'000
General business	42,854	33,196
Life business	154	134
	43,007	**33,329**

29 **Insurance payables**	30 June 2023 Birr'000	30 June 2022 Birr'000
General business		
Due to Reinsurers	98,223	86,370
Payable to local Insurance	8,781	5,003
Impairment provision	-	-
At end of the year	**107,004**	**91,373**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Life business		
Due to Reinsurers	16,463	7,166
Payable to local Insurance	-	-
Impairment provision	-	-
At end of the year	16,463	7,166
Gross amount	**123,467**	**98,539**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	123,467	98,539
Non- current	-	-
	123,467	**98,539**

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.

Isokeb&Melkamu Audit Work Partnership Chartered Certified Accountants (UK)

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023 Birr'000	30 June 2022 Birr'000
30	**Other liabilities**		
a)	**General business**		
	Financial liabilities		
	Dividend payable	21,433	23,231
	Directors' Fee	-	-
	Commission payable	12,922	11,185
		34,354	**34,416**
	Non financial liabilities		
	Sundry creditors	13,484	9,139
	Uncollected cheques	6,435	4,334
	Deferred tax employee liability	-	
	Deferred income	10,866	3,075
	Retention fee payable	2,293	2,872
	Inter office A/C with life	7,729	4,402
	Provisions	57,697	29,655
	Rent advance	10,607	9,617
	Debtors with credit balance	2,752	4,540
		111,861	**67,633**
		146,216	**102,049**
b)	**Life business**		
	Financial liabilities		
	Dividend payable	-	-
	Directors' Fee	-	
	Commission payable	-	-
		-	-
	Non financial liabilities		
	Sundry creditors	3,168	1,626
	Uncollected cheques	-	-
	Withholding tax	-	-
	Inter office A/C with Non life	-	-
	Retention fee payable		
	Provisions	586	1,277
	Rent advance	-	-
	Debtors with credit balance	-	-
		3,755	2,904
		3,755	2,904
	Gross amount	**149,970**	**104,953**

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	149,970	104,953
Non- current		
	149,970	**104,953**

31 **Company income and deferred tax**

a) **Current income tax**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Company income tax	54,180	21,939
Prior year (over)/ under provision	-	-
Deferred income tax/(credit) to profit or loss	10,040	3,412
Total charge to profit or loss	64,220	25,351
Balance charged to undistributable		
Tax (credit) on other comprehensive income	(524)	(417)
Total tax in statement of comprehensive income	**63,696**	**24,934**

b) **Reconciliation of effective tax to statutory tax-30 June 2023**

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:

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Profit before tax	**350,720**	**40,000**	**390,720**
Add : Disallowed expenses			
Entertainment	2,917	238	3,156
Penalty	36	-	36
Leave - Provision	2,290	168	2,458
Gifts and donations	10	-	10
Shareholders' meeting expenses	518	-	518
Giveaway items	799	67	865
Medical expenses for UNIC-staff employee family	486	-	486
Staff award expense	148	-	148
Severance pay- provision	1,287	31	1,318
Impairment of receivables-Provision	1,980	-	1,980
Depreciation for right of use asset	9,473	-	9,473
Interest on lease liability of right of use asset	396	-	396
Additional tax paid for previous years	2,315	-	2,315
Depreciation for IFRS accounting purpose	25,595	1,624	27,218
Amortization for IFRS accounting purpose	492	38	530
Total disallowable expenses	**48,742**	**2,166**	**50,908**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Less : Allowable expense			
Depreciation for tax purpose	45,829	4,058	49,887
Amortization for tax purposes	1,099	29	1,128
Dividend income taxed at source	28,489	8,945	37,434
Gain on sale of Shares taxed at source	1,277	-	1,277
Rent expenses lease term over a year	10,386	-	10,386
Interest income taxed at source-Local Deposit	140,203	20,713	160,917
Total allowable expenses	**227,283**	**33,746**	**261,029**
Taxable profit	**172,179**	**8,420**	**180,599**
Current tax at 30%	**51,654**	**2,526**	**54,180**

C) **Reconciliation of effective tax to statutory tax-30 June 2022**

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:

	General Business	Life Business	Total
	Birr'000	Birr'000	Birr'000
Profit before tax	**166,497**	**40,000**	**206,497**
Add : Disallowed expenses			
Entertainment	986	58	1,044
Penalty	15	-	15
Gifts and donations		-	-
Shareholders' meeting expenses	347	-	347
Giveaway items	477	64	542
25th Anniversary & inauguration expense	-	-	-
Additional prior period profit tax	15	-	15
Medical expenses for UNIC-staff employee family	399	-	399
Staff award expense	390	-	390
Severance Liability	214	12	226
Impairment of receivables-Provision	1,816	-	1,816
Depreciation for right of use asset	7,881		7,881
Interest on lease liability of right of use asset	672		672
Depreciation for IFRS accounting purpose	21,835	1,486	23,321
Amortization for IFRS accounting purpose	344	38	382
Total disallowable expenses	**35,391**	**1,658**	**37,049**
Less: Allowable expense			
Depreciation for tax purpose	32,504	3,601	36,105
Amortization for tax purposes	529	43	572
Dividend income taxed at source	25,134	7,918	33,052
Gain on sale of equity	8,138	-	8,138

Chartered Certified Accountants (UK)
Tsokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Interest income taxed at source-Local Deposit	78,042	14,506	92,547
Total allowable expenses	**144,347**	**26,068**	**170,415**
Taxable profit	**57,541**	**15,591**	**73,131**
Current tax at 30%	**17,262**	**4,677**	**21,939**

d) **Current income tax assets / (liability)**

	30 June 2023 Birr'000	30 June 2022 Birr'000
Balance at the beginning of the year	(11,465)	(14,901)
Current year provision	(54,180)	(21,939)
WHT Not utilized	16,252	10,474
Payment during the year	11,465	14,901
Balance at the end of the year	**(37,928)**	**(11,465)**

e) Deferred income tax

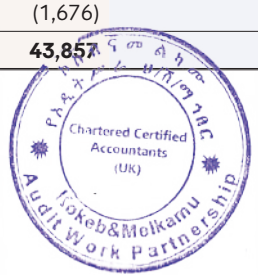
Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

	30 June 2023 Birr'000	30 June 2022 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	53,374	43,858
To be recovered within 12 months	-	-
	53,374	**43,858**

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

30 June 2023

Deferred income tax assets/(liabilities):	At 1 July 2022 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Property, plant and equipment	45,524	9,736		55,260
Intangibles	9	176		185
Unrealized exchange gain	-			-
Tax losses charged to profit or loss	-	-		-
Post employment benefit obligation	(1,676)	128	(524)	(2,071)
Total deferred tax assets/(liabilities)	**43,857**	**10,040**	**(524)**	**53,374**



THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

30 June 2022	At 1 July 2021	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2022
Deferred income tax assets/(liabilities):	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	42,119	3,405		45,524
Intangibles	(65)	74		9
Unrealized exchange gain	-			-
Tax losses charged to profit or loss	-	-		-
Post employment benefit obligation	(1,191)	(68)	(417)	(1,676)
Total deferred tax assets/(liabilities)	**40,863**	**3,412**	**(417)**	**43,858**

32 Leases as a lessee

The Company leases land and buildings for its own use principally for office premises. These leases have a non-cancellable term of lease, with an option to extend or terminate the lease at the end of the lease term. The Company also has a lease term with no renewal options or variable payments.

A right-of-use asset and a lease liability are recognized at the commencement date of a lease. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date, and any initial direct costs incurred. lease liabilities are initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate. The Company typically uses National Bank of Ethiopian average lending rate as Company's incremental borrowing rate. Right-of-use assets are presented in the financial position separately from other assets.Lease liabilities are also presented in the financial position separately from other liabilities.

Subsequent to initial recognition, right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the right-of-use asset's useful life, with depreciation expense recorded as operating expenses or other expenses in the statement of profit or loss and other comprehensive income, and lease liabilities are measured at amortised cost using the effective interest method, with accretion of lease liabilities recorded as interest expense in the statement of profit or loss and other comprehensive income. Each lease payment is allocated between principal and interest expense to produce a constant periodic rate of interest on the remaining balance of the lease liability. The interest and principal portions cash payments on lease liabilities are reported as operating activities and financing activities respectively in the statement of cash flows.

Right-of-use assets and lease liabilities are not recognized for short-term leases that have a lease term of twelve months or less, or for low value leases, which principally relate to office premises. Payments for short-term and low value leases are recorded on a straight-line basis over the lease term in the statement of profit or loss and comprehensive income and reported as operating activities in the statement of cash flows.

Set out below are the carrying amounts of right-of use assets recognised and the movements during the period.

		Office premises	
a)	**Right- of use assets**	30 June 2023	30 June 2022
		Birr'000	Birr'000
	At the beginning of the year	10,580	7,517
	Additions	14,076	10,944
	Depreciations expenses	(9,473)	(7,881)
	At the end of the year	**15,183**	**10,580**

b) **Right of use assets/Prepaid operating leasehold land**

The Company has leased land for its use. The lease hold period for land at Bahirdar, Kality and Bole medhanialem is 60,50 and 12 years respectively. Information about the leases in which the Company is a lessee is presented below:

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023	30 June 2022
Cost:	Birr'000	Birr'000
At the beginning of the year	3,959	5,421
Accumulated depreciation from prepaid operating lease holding land	(95)	(1,462)
At the end of the year	3,864	3,959
Depreciation		
At the beginning of the year	-	-
Charge for the year	95	95
	3,864	3,959
Total Right of use assets	**19,048**	**14,539**

c) **Lease liabilities**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At the beginning of the year	6,531	3,755
Additions	7,907	6,191
Accretion of interest		
payments	(4,173)	(3,415)
At the end of the year	**10,265**	**6,531**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
d) **Leasehold land lease liability**		
Land Lease Payable	-	246
	-	246
Total lease Liability	**10,265**	**6,778**

Maturity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	10,265	6,531
Non current	0	246
	10,265	**6,778**

	30 June 2023	30 June 2022
Amount recognised in profit or loss	Birr'000	Birr'000
Depreciation expense of right of use assets	9,473	7,881
Interest expense on lease liabilities	396	672
Expense relating to short term leases (included in other lease expenses)		
Expenses relating to leases of low value assets (included in admin. expenses)	4,876	4,264
Variable lease payments	0	
Total amount recognized in profit or loss	**14,745**	**12,818**
Amount recognised in the statement of cash flows		

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Total cash out flow for leases	**4,173**	**3,415**

As a lessor

The Company has entered into operating leases on its investment property portfolio consisting of certain office premises. These leases have terms of leases between one and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.
Payments received from operating leases are recorded on a straight-line basis over the lease term as investment income in the statement of profit or loss and other comprehensive income. Lease income recognised from investment property by the Company during the year is Birr 55,535,000 (2022: Birr 45,824,000).
Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2021are as follows:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Within one year	60,732	48,115
After one year but not more than five years	245,385	240,574
More than five years	294,463	288,689
	600,580	**577,378**

			30 June 2023	30 June 2022
			Birr'000	Birr'000
33	**Defined benefit liability**			
	Defined benefits liabilities:			
	Severance pay - Life business	Note 36(a)	186	155
	Severance pay - Non life business	Note 36(a)	6,719	5,431
	Liability in the company statement of financial position		**6,905**	**5,586**
	Income statement charge included in personnel expenses:			
	Severance costs - Life business	Note 36(a)	153	110
	Severance costs - Non life business	Note 36(a)	6,719	3,403
	Total defined benefit expenses		**6,276**	**3,513**
	Remeasurement for:			
	Life business			
	Remeasurement (gains)/losses - Life business		450	17
	Deferred tax (liability)/asset on Remeasurement gain or loss		135	5
			315	12
	General business			
	Remeasurement (gains)/losses - Non life business		1,296	1,373
	Deferred tax (liability)/asset on Remeasurement gain or loss		389	412
			907	961
	Gross amount		**1,222**	**973**

Chartered Certified Accountants (UK)
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THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

a) **Severance pay**

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

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

		30 June 2023 Birr'000	30 June 2022 Birr'000
A	**Defined benefit liability**		
	Liability recognized in the financial position - Life business	186	155
	Liability recognized in the financial position - General business	6,719	5,431
		6,905	**5,586**

		30 June 2023 Birr'000	30 June 2022 Birr'000
B	**Amount recognized in the profit or loss**		
	Life business		
	Current service cost	160	92
	Interest cost	(7)	17
	Past service cost	-	-
		153	**109**
	General business		
	Current service cost	5,401	2,877
	Interest cost	722	526
	Past service cost	-	-
		6,123	3,403
	Gross amount	**6,276**	**3,512**
C	**Amount recognized in other comprehensive income:**		
	Remeasurement (gains)/losses arising from changes in demographic assumptions - Life	450	17
	Remeasurement (gains)/losses arising from changes in demographic assumptions - General	1,296	1,373
		1,746	**1,390**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
At the beginning of the year	155	127
Current service cost	160	92
Interest cost	(7)	17
Remeasurement (gains)/ losses	450	17
Past service cost	-	-
Benefits paid	(572)	(98)
At the end of the year	**186**	**155**
General business		
At the beginning of the year	5,431	3,844
Current service cost	5,401	2,877
Interest cost	722	526
Remeasurement (gains)/ losses	1,296	1,373
Past service cost	-	-
Benefits paid	(6,131)	(3,189)
At the end of the year	**6,719**	**5,431**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2023 Birr'000	30 June 2022 Birr'000
Discount rate (p.a)	14.30%	14.25%
Long term salary Increase rate (p.a)	12.30%	12.25%

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:

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Age	Mortality rate	
	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	0.330	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 as summarized below :

Age	Resignation rates per annum	
	Male	Female
20	15.000%	15.000%
25	12.000%	12.000%
30	6.000%	6.000%
35	2.500%	2.500%
40	1.800%	1.800%
45	1.000%	1.000%
50	0.180%	0.080%
55	0.080%	0.080%
60	0.080%	0.080%

iv) Ill-Health/Disability

The withdrawal rates are as summarized below :

Age	Resignation rates per annum	
	Male	Female
20	0.040%	0.040%
25	0.040%	0.040%
30	0.040%	0.040%
35	0.040%	0.040%
40	0.063%	0.050%
45	0.110%	0.080%
50	0.200%	0.140%
50	0.350%	0.250%
55	0.570%	0.420%
60		

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

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

General business

	30 June 2022				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.30%	15.30%	14.30%	13.30%	14.30%
Salary rate	12.30%	12.30%	13.30%	12.30%	11.30%
Net liability at start of period	**5,431,228**	**5,431,228**	**5,431,228**	**5,431,228**	**5,431,228**
Total net expense recognized in income statement	6,122,914	6,122,914	6,122,914	6,122,914	6,122,914
Net expense recognized in other comprehensive income	1,295,909	904,030	1,725,798	1,740,294	912,333
Employer contribution	(6,131,413)	(6,131,413)	(6,131,413)	(6,131,413)	(6,131,413)
Net liability at end of period	**6,718,638**	**6,326,759**	**7,148,527**	**7,163,023**	**6,335,062**

	30 June 2022				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate	12.25%	12.50%	13.25%	12.25%	11.25%
Net liability at start of period	**3,843,754**	**3,843,754**	**3,843,754**	**3,843,754**	**3,843,754**
Total net expense recognized in income statement	3,403,038	3,403,038	3,403,038	3,403,038	3,403,038
Net increase recognized in other comprehensive income	1,373,440	1,053,431	1,723,952	1,736,867	1,061,255
Employer contribution	(3,189,004)	(3,189,004)	(3,189,004)	(3,189,004)	(3,189,004)
Net liability at end of period	**5,431,228**	**5,111,219**	**5,781,740**	**5,794,655**	**5,119,043**

Life business

	30 June 2023				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.30%	14.30%	14.30%	14.30%	14.30%
Salary rate	12.30%	12.30%	12.30%	12.30%	12.30%
Net liability at start of period	**155,237**	**155,237**	**155,237**	**155,237**	**155,237**
Total net expense recognized in income statement	152,534	152,534	152,534	152,534	152,534
Net expense recognized in other comprehensive income	450,117	439,502	461,646	462,269	439,950
Employer contribution	(571,903)	(571,903)	(571,903)	(571,903)	(571,903)
Net liability at end of period	**185,985**	**175,370**	**197,514**	**198,137**	**175,818**

Chartered Certified Accountants (UK)
Isokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2022				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate	12.25%	12.25%	1.25%	12.25%	11.25%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	**126,679**	**126,679**	**126,679**	**126,679**	**126,679**
Total net expense recognized in income statement	109,564	109,564	109,564	109,564	109,564
Net increase recognized in other comprehensive income	16,648	7,998	26,049	26,418	8,227
Employer contribution	(97,654)	(97,654)	(97,654)	(97,654)	(97,654)
Net liability at end of period	**155,237**	**146,587**	**164,638**	**165,007**	**146,816**

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The weighted average duration of defined benefit obligation at the end of the reporting period for general insurance staff is 6.3 years and for long term insurance staff is 5.5 years.

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

		30 June 2023 Birr'000	30 June 2022 Birr'000
34	**Ordinary share capital**		
	Authorized:		
	1,500,000 ordinary shares of Birr 1000 each	1,500,000	500,000
	Issued and fully paid:		
	499,278 ordinary shares of Birr 1000 each	499,278	473,416
	341,318 ordinary shares of Birr 1000 each	341,318	25,862
	Total share capital & share premium	**840,596**	**499,278**
	Share Premium	**21,717**	**-**

The movements in issued ordinary shares and fully paid share :

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	No. of shares (thousands)	Share Capital ETB'000	Total ETB"000
At 1 July 2021	473,416	473,416	473,416
Issue of ordinary shares	25,862	25,862	25,862
As at 30 June 2022	**499,278**	**499,278**	**473,416**
At 1 July 2022	499,278	499,278	499,278
Issue of ordinary shares	341,318	341,318	341,318
As at 30 June 2023	**840,596**	**840,596**	**840,596**

35 **Earnings per share**

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year

	30 June 2023 Birr'000	30 June 2022 Birr'000
Current year profit Attributable to the shareholders	**327,024**	**181,563**
Weighted Average number of ordinary share in issue	**681,512**	**489,664**
Earnings per share in BIRR	**479.85**	**370.79**

Earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding at the end of the year. There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and of compilation of these financial statements.

36 **Retained earnings**

	30 June 2023 Birr'000	30 June 2022 Birr'000
General business		
At the beginning of the year distributable earnings	132,180	97,245
At the beginning of the year undistributable earnings	61,468	61,468
Profit/ (Loss) for the year	290,269	146,867
Transfer to legal reserve	(29,027)	(14,687)
Transfer to capital	(116,218)	(23,152)
Transfer to life fund	-	0
Dividend provided for	(15,962)	(74,093)
Total retained earnings- General business	**322,710**	**193,648**
At the end of the year undistributable earnings	61,468	61,468
At the end of the year distributable earnings	**261,242**	**132,180**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
Life business		
At the beginning of the year distributable earnings	31,224	33,359
At the beginning of the year undistributable earnings	4,472	4,472
Profit/ (Loss) for the year	36,755	34,696
Transfer to legal reserve	(3,676)	(3,470)
Transfer to Capital	(31,224)	(2,710)
Dividend provided for	0	(30,651)
Total retained earnings- Life business	**37,552**	**35,696**
At the end of the year undistributable earnings	**4,472**	**4,472**
At the end of the year distributable earnings	**33,080**	**31,224**
	360,262	**229,345**

		30 June 2023 Birr'000	30 June 2022 Birr'000
37	**Legal reserve**		
	General business		
	At the beginning of the year	91,954	77,267
	Transfer from profit or loss	29,027	14,687
	At the end of the year	**120,981**	**91,954**
	Life business		
	At the beginning of the year	21,522	18,052
	Transfer from profit or loss	3,676	3,470
	At the end of the year	**25,197**	**21,522**
		146,178	**113,476**

This is a reserve constituted in accordance with Article 22 of Proclamation No. 746/2012 Licensing and Supervision of insurance business. The law requires the insurer to transfer 10% of its annual net profit to its legal reserve account until such account equals its capital.

		30 June 2023 Birr'000	30 June 2022 Birr'000
38	**Life fund reserve**		
	Life business		
	At the beginning of the year	82,843	79,925
	Transfer from / to retained earnings	45,812	2,918
	At the end of the year	**128,655**	**82,843**

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Life fund reserve represents accumulated life fund inclusive of surpluses distributable to shareholders. The amount determined after actuarial valuation has been conducted .

		30 June 2023 Birr'000	30 June 2022 Birr'000
39	**Actuarial (gain)/Loss of employee**		
	General Business		
	At the beginning of the year	1,322	361
	Gross (gain)/loss	1,296	1,373
	Deferred tax asset/(liability)	389	412
	Net (gain)/Loss	**2,229**	**1,322**
	Life business		
	At the beginning of the year	24	12
	Gross (gain)/loss	450	17
	Deferred tax asset/(liability)	135	(5)
	Net (gain)/Loss	**339**	**24**
		2,568	**1,346**

		Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
40	**Cash generated from operating activities**			
	Profit before tax	31(b)	**390,720**	**206,497**
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment	14,15	27,220	23,322
	Amortization of intangible assets	16	435	287
	Right of use asset -depreciation	33	9,568	7,976
	Gain/(Loss) on disposal of property, plant and equipment	40	(753)	(3,050)
	Fixed assets adjustment	14	(7,100)	-
	Change in operational assets:			
	Decrease/(Increase) Reinsurance receivables	19	(4,504)	642
	Decrease/(Increase) Insurance receivables	20	905	182
	Decrease/(Increase) Reinsurance assets	21	(126,125)	(54,285)
	-Decrease/ (Increase deferred acquisition costs	23	(19,755)	(5,555)
	Decrease/(Increase) other assets	25	479	(4,713)
	Decrease/(Increase) loan and receivable	17	(26,952)	3,946
	Decrease/ (Increase) salvage property held for sales	24	(5,855)	(8,982)
	Change in operational liabilities:			
	-Increase/ (decrease) insurance contract liabilities	27	440,254	219,341
	-Increase/ (decrease) deferred reinsurance commission	28	9,678	6,024
	-Increase/ (decrease) Insurance payables	29	24,928	42,801
	-Increase/ (decrease) other liabilities	30	45,018	11,309
	Cash generated from operations		**758,162**	**445,742**

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work Partnership

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

In the statement of cash flows, profit on sale of property, plant and equipment comprise:	30 June 2023	30 June 2022
	Birr'000	Birr'000
Proceeds on disposal	1,150	4,092
Net book value of property, plant and equipment disposed	397	1,042
Gain/(loss) on sale of property, plant and equipment	**753**	**3,050**

41 Related party transactions

The Company is owned by several diverse shareholders with out ultimate parent Company. A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

		30 June 2023	30 June 2022
		Birr'000	Birr'000
a)	Transactions with related parties		
	Loan to key management personnel	28	104
		28	**104**

b) Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management for 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' ooo	Birr' ooo
Board of Directors Remuneration fee	1,188	1,188
Salaries and Bonuses of Chief Executive Officer	12,024	6,514
Salaries and Bonuses of Deputy General Managers	5,513	4,230
Post Employee benefits of Chief Executive Officer	336	252
Post Employee benefits of Deputy General Manager	252	202
Sitting Allowances of Chief Executive Officer	240	180
Sitting Allowances of Deputy General Managers	360	288
Sitting Allowance of Board of Directors	782	950
Termination Benefits of Chief Executive Officer	1,276	907
Termination Benefits of Deputy General Manager	454	323
Other expenses for Board of Directors	225	27
	22,650	15,061

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

42 Directors and employees

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Professionals and High Level Supervisors	72	45
Semi-professional, Administrative and Clerical	20	18
Technician and Skilled	-	5
Manual and Custodian	31	20
	123	**88**

ii) The table below shows the number of employees (excluding directors), who earned over Birr 10,000 as emoluments in the year and were within the bands stated.

	30 June 2023 Birr'000	30 June 2022 Birr'000
10,000 - 30,000	242	198
30,001 - 50,000	79	35
50,001 - 100,000	27	1
Above 100,000	3	-
	351	**234**

43 Contingent liabilities

43.1 Claims and litigation

The Company is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The legal department evaluates the status of these exposures on regular basis to assess the probabilities of the Company's incurring related liabilities. The liabilities are recognised and recorded in the financial statement after;

a) Assessing the existence of a present obligation (legal or constructive) as a result of a past event;

b) Assessing the probability that an outflow of resources embodying economic benefits will be required to settle claim;

c) Estimating the amount to be paid out.

Following the above facts, the Company has made a final assessment related to the claims under litigation for 21 cases amounting to Birr 27,256,145 is included in the current financial statement, However, 241 legal cases amounting to Birr 124,306,175 disclosed as contingent liability as the probability of payment is remote. The amount is subject of on going court cases between the plaintiff and defendant. Management are of the opinion that this will not be payable and as a result, no provision has been made in these financial statement as at 30 June 2023.

43.2 Tax dispute on reinvested dividend

The Company has received an illegitimate tax payment request from the Ministry of Revenues Large tax payers Branch Office on reinvested dividend, including interest and panality since 2016 to 2020 which totals Birr 21,832,381. The Company has disputed the request and is seeking legal advice and believes that the request is without merit and does not expect to incur any liability as aresult. This disclosure is important because it informs shareholders and other stakeholders of the potential financial impact of the tax office's request. It also demonstrates that the Company is taking the matter seriously and is taking steps to protect its interests.

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

44 Commitments

	30 June 2023 Birr'000	30 June 2022 Birr'000
Capital Expenditure	1,623	6,004
Rebranding cost	3,400	0
Subscribed shares in Ethiopian Reinsurance Company	23,174	28,296
	28,197	**34,300**

45 Operating lease commitments - Company as lessee

The Company leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of each lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
No later than 1 year	5,809	2,901
Later than 1 year and no later than 2 years	1,210	1,386
Later than 2 years but not later than 5 years	3,246	2,244
Total	**10,265**	**6,531**

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset and align with the Company's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (Note 3).

46 Currency

The financial statements are presented in thousands of Ethiopian Birr (Br'000).

47 Revaluation reserves at deemed cost

The revaluation reserve at deemed cost relates to investment, property and equipment. The reserve is non -distributable .The revaluation surplus amounting Birr 65.94 million net of deferred tax liability of Birr 31.73 million is included in the retained earning account. This represents the surplus on the revaluation of investment property and property and equipment.

48 Actuarial valuations

An actuarial valuation of the Company's Life business as of 30 June 2023 was carried out by our consulting actuaries, ZAMARA actuaries, administrator and consultant Limited. The valuation revealed Br40,000,000 for distribution from surplus to shareholders for the year ended 30 June 2023. The Company did not have any with profit policies as at 30 June 2023.

49 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.

ACTUARY CERTIFICATE

I have conducted an actuarial valuation of the general insurance liabilities and severance benefits of United Insurance Company S.C.

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

In completing the actuarial valuation, I have relied upon the data provided and the financial statements by the Company.

In my opinion,

(i) The actuarial value of the liabilities in respect of all classes of general insurance business of the company reflect a fair value as at 30 June 2023;

(ii) The severance benefit liability as at 30 June 2023 can be incorporated in the financial statements in line with the International Accounting Standards 19.

Signed in my capacity as an employee of Actuarial Services(EA) Ltd.

Abed Mureithi
Fellow of the Institute and Faculty of Actuaries
Actuary

Actuarial Services (EA) Ltd,
1113 Kayahwe Rd, Off Galana Rd, Kilimani,
P. O. Box 10472 – 00100, Nairobi, GPO Kenya.
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Website: www.actserv.co.ke

The United Insurance Company S.C.

Actuarial Valuation as at 30 June

Actuary's Solvency Certificate

I, James Israel Omanyala Olubayi of Zamara Actuaries Administrators and Consultants Limited Plaza, 10th Floor, Argwings Kodhek Road, P O Box 52439, Nairobi 00200, Kenya, being a fully qualified Actuary and having conducted an actuarial valuation of the Life Fund as at 30 June acceptable actuarial principles do hereby certify as

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

that I am satisfied that the value of assets adopted by me are, on th appended to the balance sheet, fully of the value so adopted.

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

Photo Gallery

28TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

SALES AGENTS' REFRESHMENT TRAINING

STAFF TRAINING

ANNUAL MANAGEMENT CONSULTATIVE MEETING

NEW SALES AGENTS ON TRAINING

ANNUAL STAFF DAY CELEBRATION

PARTICIPATION IN GREAT ETHIOPIAN RUN

PARTICIPATION IN EXHIBITION

CUSTOMER TRAINING

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THE UNITED INSURANCE COMPANY SC

Tomorrow's Company Today!

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HIBRET INSURANCE

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ANNUAL REPORT

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2024/25

Endowment Plan

This is one kind of life plans that brings together two plans in one, saving and protection. Our life insurance plans offer the building blocks to create a secure tomorrow. We believe in helping you protect what matters most, empowering you to achieve your dream and face life's challenges head-on.

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ANNUAL REPORT

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2024/25

Vision, Mission and Core Values

Vision

Hibret Insurance aims to be the best insurer in Ethiopia that is committed to a high standard of excellence.

Mission

To provide complete insurance covers at economic rates, honest, prompt, and courteous claims services, through the aid of state-of-the-art technology to fully satisfy its constituencies: Customers, Employees, Shareholders, Society, and the Environment.

Core Values

Customer Supremacy

We shall treat the customer as a "King" and/or "Queen". We will ensure that the environment in which service is delivered is conducive and make the service delivery experience memorable.

Honesty and Integrity

We shall strive to promote a culture of honesty and integrity and adhere to a set of high moral standards and uphold ethical values.

Teamwork

We recognize that the team shall always be greater than the individuals. While taking personal responsibility for our work, we shall promote teamwork to achieve our corporate goals.

Dynamism

We shall embrace an organizational culture that encourages professionalism, keenness, enthusiasm, creativity, innovation and a sense of urgency so that we are responsive to the dynamics of the internal and external environment in which we operate.

Fairness

We wish to be the Best Equal-Opportunity Employer in the country and strive to undertake actions that are just, equitable, and fair that have a positive impact on the lives of our customers, employees, shareholders and the society at large. We uphold the value o f fair Competition: Level P laying Field and Same Rule o f the Game.

Social Responsibility

In all our undertakings, we shall behave in a socially responsible and acceptable manner.

PERFORMANCE HIGHLIGHTS 2024/25

ETB
2,753,168,000
GROSS WRITTEN PREMIUM (GWP)

ETB
1,008,050,000
PROFIT BEFORE-TAX

ETB
843,149,000
PROFIT AFTER-TAX

ETB
765,372,000
INSURANCE SERVICE RESULT

73
MARKET OUTLETS

47.23%
LOSS RATIO

68.55%
EARNINGS PER SHARE (EPS)

57.41%
DIVIDEND PER SHARE

ETB
1,341,598,000
PAID-UP CAPITAL

584
WORKFORCE

ETB
6,039,501,000
TOTAL ASSETS

ETB
3,560,649,000
TOTAL LIABILITIES

Table of Contents

Notice of Annual General Meeting 9
Chairperson's Statement 10
Report of the Board of Directors 12
Statement of Directors' Responsibilities 25
Corporate Information 26
Auditors' Report 29
Statement of Profit or Loss and Other Comprehensive Income 32
Statement of Financial Position 33
Statement of Changes in Equity 34
Statement of Cash Flows 35
Notes to the Financial Statements 36
Actuary's Certificates 139

BOARD OF DIRECTORS

Wondwossen Teshome
Chairperson

Asrat Arega
Vice Chairperson

Mariamawit Getamesay
Director

Admasu Yitagesu
Director

Yinebeb Derseh
Director

Dereje Kebede
Director

Yanjabu Tadesse
Director

Robel Kebede
Director

Zouleka Mohammed
Director

EXECUTIVE MANAGEMENT

Meseret Bezabih
Chief Executive Officer

Tesfaye Desta
DCEO- Operations, General Insurance

Dawit G/Ammanuel
DCEO - Resources Management

Bethlehem Mekbib
Director- U/W & Tech. Services

Engida Kassaye
Director- Finance and Investments

Dereje Demessie
Director- Claims & Eng.

Tilahun Tadesse
Director- Business Dev. and Marketing

Aliye Mohammed
Director- Information Sys. Management

Aron Kassaye
Director- Legal Services

Tesfayesus Yitbarek
Director- Human Capital & Property Management

Wubalem Habtamu
Director- Long Term Insurance

Yealemayn H/Mariam
Manager- Internal Audit

Wubneh Alemu
Manager- Risk & Compliance

NOTICE OF THE 31ST ORDINARY ANNUAL & 15TH EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

In accordance with the provisions of Articles 366 (1), 367(1), 370, 371 and 372 of the 2021 Commercial Code of Ethiopia and according to the revised Memorandum of Association of the Company (Article 18), notice is hereby given to all shareholders that the 31st ordinary annual and 15th extraordinary general meeting of shareholders of Hibret Insurance S.C. will be held in Addis Ababa, Desalegn Hotel on the 4th of December 2025 from 8:00 a.m. to transact the following business.

1. Agenda of the 31st Ordinary Annual General Meeting of Shareholders

1.1. To Consider and Approve the Agenda Items of the Meeting;
1.2. To Approve the Sale and/or Transfer of Shares made up to and including December 3, 2025;
1.3. To hear the 2024/2025 Financial Year Annual Report of the Board of Directors;
1.4. To hear the External Auditors' Report for the 2024/2025 Financial Year;
1.5. To consider and approve the report of Board of Directors presented under agenda item No.1.3 above;
1.6. To consider and approve the External Auditors' Report presented under agenda item No.1.4 above;
1.7. To decide on the Allocation and Distribution of the Company's Profit for the 2024/2025 Financial Year to Shareholders;
1.8. To Consider and Approve Annual Board of Directors' remuneration for the 2024/2025 Financial Year and their Monthly Transport Fee for the 2025/2026 Financial Year;
1.9 To Consider and Approve the additional payment requested by Kokeb & Melkamu Audit Service LLP for auditing IFRS 9 and IFRS 17 transition and re-auditing on the 2023/2024 financial statements;
1.10. To report the changes made to the Board of Directors following the election conducted at the Company's 30th Annual General Meeting, and to approve the appointment of the elected Board members.

2. Agenda of the 15th Extraordinary General Meeting of Shareholders

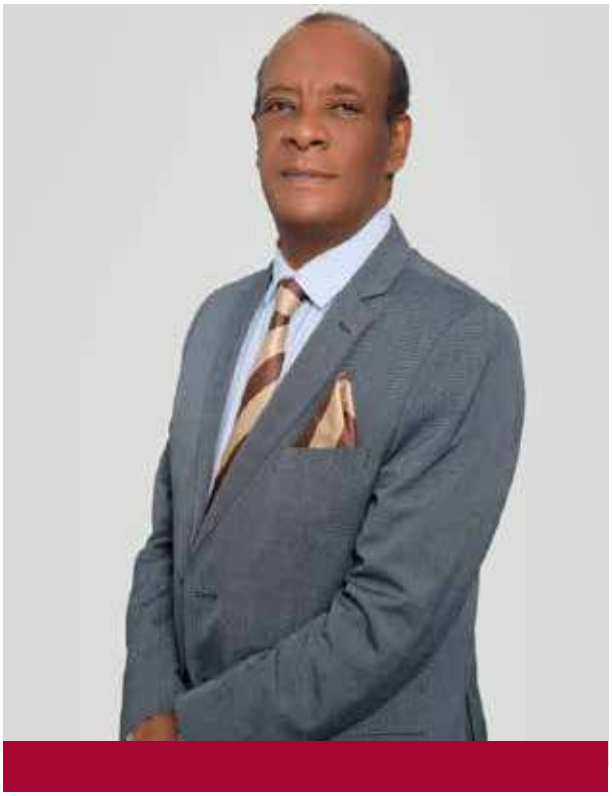
2.1 To Consider and Approve the Agenda Items of the Meeting;
2.2. To amend the resolution passed at the 13th Extraordinary General Meeting of Shareholders held on Hidar 1, 2015 E.C., which approved the increase of the Company's capital, by revising the payment completion deadline previously set for Tahsas 30, 2019 E.C.;
2.3. To discuss and decide on the proposed resolution to increase the Company's capital;
2.4. To amend the Company's Memorandum of Association.

By order of the Board of Directors

Sisay Shihunegn
Company Secretary
Dated 4th day of December 2025
Addis Ababa

NOTE: A shareholder entitled to attend and vote at the General Meeting may appoint a PROXY in his/her stead. A PROXY need not be a shareholder of the Company. To be valid, the PROXY FORM must be completed and presented to the Secretary of the Company at or before the General Meeting.
A PROXY or Shareholder must hold original and copy of renewed identity card, National ID, passport or yellow card for foreign nationals of Ethiopian origin

CHAIRPERSON'S LETTER TO SHAREHOLDERS



I am delighted to welcome you all, on behalf of the Board of Directors and myself, to the Thirty-First Annual General Meeting of Shareholders of Hibret Insurance Share Company.

It is a great privilege and honor for me to chair this important meeting, which is convened once a year in accordance with the provisions of the applicable laws and the Company's Memorandum of Association.

In line with the customary practice of the Company, the Board of Directors had decided to have the Annual Report printed and presented at this Meeting, with the strict understanding that it will not be shared with third parties until its approval by the Shareholders.

The financial year ended on 30 June 2025 posed various operational and market-related challenges. Political and social instabilities in some parts of the country affected our business activities to some extent. Macroeconomic pressures such as inflation, depreciation of the Birr, and limited foreign exchange also influenced our performance. Moreover, heightened market competition and certain unfair practices created pressure on pricing and market share. Rising operating costs, constraints in accessing skilled professionals, and occasional infrastructure interruptions further impacted our operations.

The Company adopted IFRS 17 (International Financial Reporting Standard 17) during the financial year ended 30 June 2025. IFRS 17 is the new global accounting standard for insurance contracts, replacing IFRS 4 to enhance transparency, consistency, and comparability in financial reporting across companies and countries. It fundamentally transforms how insurance companies measure performance and report profits. While it improves transparency, comparability, and the reliability of financial statements, its implementation has posed significant operational, technical, and financial challenges to the Company. These include complex measurement requirements, extensive data and system upgrades, close coordination between finance and external actuaries, increased disclosure obligations, and substantial implementation costs.

The challenges notwithstanding, the Company demonstrated resilience and achieved commendable results for the financial year ended 30 June 2025, maintaining its strong industry position and laying a solid foundation for sustainable growth. While the challenges persist, we remain optimistic about the opportunities ahead.

Life, Non-Life and General Takaful businesses combined, Gross Written Premium/Contribution for the year ended 30 June 2025 grew by about 40.31% to reach ETB2,753,168,000 as compared to ETB1,962,166,000 in 2023/24. While ETB2,579,325,000 was generated from Non-Life business, Life insurance produced ETB141,893,000 during the reporting year. The remaining ETB31,950,000 was Takaful contribution.

Total Insurance Revenue for the year ended 30 June 2025 was ETB2,337,309,000 as compared to ETB1,768,115,000 of the previous year registering a growth rate of about 32.20%.

Insurance Service Expense (before net reinsurance expense) decreased by 9.69% from ETB1,362,256,000 in 2023/24 to ETB1,230,222,000 in 2024/25.

Insurance Service Result increased considerably by about 77.63% and reached ETB765,372,000 in 2024/25 against ETB430,892,000 of the preceding year.

Net Investment Income grew by about 37.28% from ETB396,591,000 in 2023/24 to ETB544,434,000 in 2024/25.

Profit Before Tax for the reporting year registered a tremendous growth of about 79.04% to reach ETB1,008,050,000 from ETB563,024,000 in 2023/24.

The After-Tax Profit also grew considerably by about 79.03% from ETB470,955,000 in 2023/24 to ETB843,149,000 in 2024/25.

Income tax expense for the year was computed to be ETB164,901,000 as compared to the last year's figure of ETB92,069,000. We are proud that our Company has been recognized as a Loyal Taxpayer of the Year 2024/25, receiving the Gold Level Award at a national recognition ceremony held on 7 October 2025.

Following the decision made at the Thirteenth Extraordinary General Meeting of Shareholders held on November 10, 2022 to increase the Company's capital to ETB1,500,000,000, the paid-up capital rose by about 25.60% in 2024/25 to reach ETB1,341,598,000 from ETB1,068,175,000 of the previous year.

The Company's basic earnings per share (EPS) registered a notable increase, rising from 47.78% in 2023/24 to 68.55% in 2024/25, representing a growth of about 43.5%. In recognition of this strong performance, the Board of Directors has proposed the distribution of ETB 707,393,754 as dividends. This amount is calculated after deducting the legal reserve of ETB 84,315,000, the prior years' IFRS adjustment of ETB 51,440,000, and before deducting Board remuneration subject to approval by the General Assembly.

The consolidated results for the reporting year were commendable, reflecting the Company's resilience and sound financial management amidst substantial capital growth and the challenging economic environment faced during the period.

The Board held 14 regular meetings from 01 July 2024 to 30 June 2025, during which it approved the annual business plan and budget, reviewed policy documents and working manuals, and resolved on matters of strategic significance. It also assessed the Company's monthly performance based on Management reports and provided strategic direction as required.

The Financial Statements of the Company were prepared in line with IFRS 17 and other applicable laws. In accordance with Articles 15(2), 17(3), and 37(2) of the Company's Memorandum of Association as amended by the Fourteenth Extraordinary General Meeting of Shareholders held on 7 November 2024, as well as in compliance with Directives issued by the Supervisory Authority, the National Bank of Ethiopia (NBE), this Report of the Directors and Audited Accounts cover the financial year ended 30 June 2025.

In accordance with the Commercial Code of Ethiopia, Proclamation No. 1243/2021, Articles 393 and 394, and Articles 15(2), 17(3), and 37(2) of the Company's Memorandum of Association, I present, for your consideration and approval, as appropriate, the Report of the Directors and the Audited Financial Statements, together with the Report of the External Auditors, for the financial year ended 30 June 2025.

Finally, allow me to take this momentous occasion to extend my sincere appreciation to our valued customers for their continued trust and loyalty, our shareholders for their confidence, my fellow directors, the management team, and all staff members for their dedication and hard work. I also express gratitude to the National Bank of Ethiopia (NBE) for its regulatory support and guidance, and to our reinsurers, insurance and reinsurance intermediaries, and other business partners for their continued cooperation.

Thank you all and I wish Hibret Insurance many more years of success.

WONDWOSSEN TESHOME
Chairperson, Board of Directors and
The Annual General Meeting

REPORT OF THE BOARD OF DIRECTORS

In preparing the Board of Directors' Report, we followed the Company's long-standing reporting framework. As in previous years, the Thirty-First Annual Report of the Directors presents a brief assessment of the business environment, identifying the key events and factors that significantly affected the industry's performance, the Company's operations and results for the reporting period, and the outlook for the future.

1. THE BUSINESS ENVIRONMENT

1.1 The Country's Economic Overview

According to the Federal Democratic Republic of Ethiopia (FDRE) Ministry of Planning and Development Report of July 2024, Ethiopia's economy has demonstrated remarkable resilience, maintaining an average growth rate of 7.1% from 2017/18 to 2022/23 fiscal years. As stated in the Financial Stability Report of the NBE (November 2024) real GDP grew by 8.1% in the year 2023/24 and was anticipated to grow by 8.4% in 2024/25. On the other hand, the International Monetary Fund (IMF) forecasted a 6.6% growth in real GDP for 2025. The World Bank, however, offered a more conservative forecast, projecting 6.4% growth in 2025.

As indicated in the FDRE Ministry of Planning and Development Report, the real annual growth rates of the major economic sectors, i.e., agriculture, industry and services were 7.0 %, 9.2 % and 7.7%, respectively. The agriculture sector has shown improvement in growth rates to reach 7% in 2023/24 when compared to the 2022/23 growth rate of 6.3%. The industry sector also registered a promising growth relative to the previous year which was 9.2% in 2023/24 compared to 6.9% in the year 2022/23. The service sector's growth rate decreased to 7.7% in 2023/24 compared to the 7.9% in 2022/23.

Consistent with the Financial Stability Report of the NBE (November 2024), the share of services in GDP decreased slightly for the first time in years to 40.2% in 2023/24, from 40.3% a year earlier. The share of industry rose marginally from 28.8% to 29.1%, while agriculture continued its steady decline from 32.7% in 2020 to 31.8% in 2023/24.

As per the IMF's World Economic Outlook, Ethiopia's GDP per capita in 2025 was projected to be around USD 1,070. The World Bank also projected Ethiopia's GDP per capita to be around USD 1,003.68 in 2025. The IMF has projected Ethiopia's GDP for 2025 to reach USD 117.46 billion.

Based on FDRE Ministry of Planning and Development Report, total goods export earnings amounted to USD 3.8 billion in 2023/24 fiscal year, indicating a modest 4.8% increase compared to 2022/23. The total exports of non-factor services demonstrated growth, recording USD 7.8 billion which was a 9.3% increase compared to USD 7.1 billion of the previous year. Imports totaled USD 18.44 billion, reflecting a modest 7.5% increase compared to the previous year.

As indicated in the NBE's Financial Stability Report (November 2024), year-on-year inflation fell from 29.3% in June 2023 to 19.9% as of June 2024. Inflation continued to fall reaching 17.5% at the end of September 2024. According to data made available by the Ethiopian Statistical Service (ESS), the year-on-year, general inflation rate (annual percentage change) stood at 13.9% for the month of June 2025. The IMF projects annual inflation to fall to 12% in June 2026 and to drop further to 9.7% by June 2027.

Inflation is expected to decline gradually but remain moderately high in 2025/26. The continuous depreciation of the Ethiopian Birr owing to implementation of the new foreign exchange system, increased taxation and the ever rising fuel prices may further exacerbate the inflationary situation. High inflation drives up claims costs and expenses while dampening demand for insurance coverage as customers become more price sensitive.

According to the Ethiopian Investment Commission, Ethiopia attracted USD 3.92 billion in Foreign Direct Investment (FDI) in the 2023/24 fiscal year, an increase of about 13.9% from the previous year.

The Banking Business Proclamation No. 1360/2025 permits foreign banks to enter the Ethiopian market. Based on this proclamation, the National Bank of Ethiopia (NBE) unveiled a sweeping new directive that lays the groundwork for opening Ethiopia's banking sector to foreign banks under tightly controlled and highly regulated conditions. This move aims to attract more foreign investment, improve the competitiveness and efficiency of the banking industry, and modernize financial services. The increase in the number of domestic banks and entry of foreign banks will increase the demand for various insurance products. For instance, deregulation of the banking sector can facilitate the development of new business models in the insurance sector, such as bancassurance (insurance products offered through banks) and the development of new insurance products to cater to the needs of a wider consumer base.

The foreign exchange regime change allowed banks and other financial institutions to buy and sell foreign currencies at freely negotiated rates. This shift aims to address longstanding macroeconomic imbalances, including foreign exchange shortages and overvaluation of the Ethiopian Birr. The unification of exchange rates is expected to improve market efficiency and liquidity, leading to a more stable trading environment. The trends indicate that the gap between the official exchange rate and the parallel (or black market) rate are narrowing, moving to a more unified market.

The development of the capital market's ecosystem has recorded significant strides with the establishment of the Ethiopian Securities Exchange (ESX). Several state-owned enterprises are expected to list on the ESX, with the possibility that ownership of these groups to be transferred to private sector players. Such developments can provide greater investment opportunities to the Company, improved access to financing, and enhanced capabilities for risk management and diversification.

1.2 The Insurance Industry Performance

As at 30 June 2025, the number of insurance companies remained at 18, of which 17 were private and one state-owned. Out of the 18 insurance companies currently operating in Ethiopia, 14 were composite and four general insurers.

Unofficial sources suggest that some new insurance companies (full-fledged Takaful and Conventional) are under formation and are expected to commence operations in the new fiscal year (2025/26). As of this writing, one new composite insurer has already joined the industry.

Insurance companies continued to expand their market presence by opening new outlets. In 2024/25, the number of branches rose to 840 from 799 in 2023/24, an increase of about 5%. Of these, 56.6% were located in Addis Ababa (NBE Annual Report 2023/24).

There were three reinsurers in the market including the national reinsurer, Ethiopian Reinsurance Company SC (Ethio Re), and two others functioning through representative offices in Addis Ababa, namely, Africa Re (Africa Reinsurance Corporation) and ZEP-Re (PTA Reinsurance Company).

The total assets of the insurance industry grew by nearly 30% to reach ETB85.366 billion in 2024/25 from ETB65.790 billion a year ago. The total assets for Life business increased to ETB5.527 billion from ETB4.435 billion of the previous year. Similarly, the Non-Life business's total assets grew to ETB79.839 billion from ETB61.355 billion of the preceding year.

Market Gross Written Premiums (GWP), Life and Non-Life combined, grew considerably by about 45% to reach ETB41.184 billion at the year ended on 30 June 2025 from ETB28.360 billion in 2023/24. Non-Life business increased from ETB26.425 billion in 2023/24 to ETB38.550 billion in 2024/25, registering a considerable growth of 46%, while Life grew by about 36% to reach ETB2.634 billion in the current year from ETB1.935 billion of the preceding year.

Accounting for about 94%, Non-Life insurance business continued to take the lion's share of the premium portfolio for the reporting year. Its share was about 93% last year.

The industry's loss ratio in respect of Non-Life insurance decreased to 49% in the year under report from 51% a year before, while the loss ratio of Life business markedly decreased to 73% in 2024/25 from 77% in 2023/24 (NBE Report).

The Ethiopian insurance industry is characterized by intense competition primarily driven by premium undercutting.

In addition to this widely criticized practice, insurers often relax their underwriting standards inappropriately to attract new customers or retain existing ones. Competition also extends to the availability of trained personnel, which is in high demand. Most insurance providers offer standardized and similar products, resulting in fierce price competition due to lack of product differentiation and innovation. As the products offered by competitors are largely indistinguishable, price becomes the main factor in competition. Ethiopian insurance customers are highly price-sensitive, further fueling this aggressive price-focused environment.

1.3 Status Report on Matters Having Impact on the Insurance Industry

Our Company has a longstanding tradition of highlighting key and significant issues directly affecting the insurance industry. Each year, Hibret Insurance's Annual Reports of the Board of Directors aim to shed light on these important matters. We believe that addressing these issues is essential for the industry's growth and the benefit of all stakeholders. Therefore, unless the appropriate measures are taken by the relevant authorities, we will continue to raise awareness of these concerns in our reports even if it may sound redundant, in order to advocate for their resolution.

The Board of Directors wishes to seize this opportunity to pay special tribute to the National Bank of Ethiopia (NBE) for its effective administration, supervision, and control of insurance business. While strictly complying with all the directives issued by the regulator and the laws of the land, we would like to reveal particular concerns and make some recommendations on the following for consideration by the concerned government organs and the NBE.

1.3.1 Review and Feedback on Draft NBE Directives

The National Bank of Ethiopia (NBE) has drafted a series of directives aimed at enhancing governance, transparency, and financial soundness in the insurance industry. While these initiatives are commendable, active engagement with industry stakeholders remains crucial to enhance compliance, operational efficiency, and alignment with market realities.

Accordingly, we have carefully reviewed and submitted our comments and recommendations on the draft directives outlined below, with the expectation that our constructive inputs will be duly considered and incorporated prior to their final issuance. We reaffirm our commitment to maintaining open and constructive discussion with the NBE toward achieving a resilient, well-regulated, and sustainable insurance sector.

a) Licensing of Insurance Broker

The Directive was drafted to specify the manner of conducting of business by insurance brokers. We have provided feedback regarding the fit and proper criteria for an individual applying for the chief executive position at a broking firm. Given the duties and responsibilities of an insurance broker, we hold the view that persons who served in managerial position at the head office of insurance company should also be considered for chief executive officer position of an insurance broker.

b) Requirements for Persons with Significant Influence in Insurance Company

The Directive was drafted among others to ensure sound practices, stability and long-term institutional success in the insurance sector. The NBE tightened the fitness and propriety requirements for chief and senior executive officers positions. However, given the severe shortage of skilled and experienced professionals in the industry, it is our view that the application of the fit and proper criteria be relaxed to a reasonable extent.

c) External Auditor of an Insurer

The Directive was drafted among others to ensure that an insurer maintains accurate and reliable records and prepares financial statements in line with International Financial Reporting Standards (IFRS) and other regulatory requirements. We consider this as a positive development.

d) Insurance Risk Based Capital

The draft Directive focuses on ensuring insurance companies maintain capital adequacy levels commensurate with their risk profiles, reinforcing financial soundness and proper risk management. We welcome the development.

e) Valuation of Insurance Liabilities

The Directive requires an appropriate valuation of the insurance company's liabilities after considering actuarial and other advices. Proper valuation of insurance liabilities is important for the financial soundness of an insurance company, and ultimately for the protection of policyholders, that insurance liabilities are valued in a realistic and consistent manner. We consider this as an important step taken by the NBE in the right direction.

f) Financial Reporting and Related Matters

The Directive is designed to ensure that the information submitted in the standardized return formats required from insurance companies complies with IFRS standards, particularly IFRS 17 and other regulatory requirements. A great deal of challenges has been encountered in implementing this new reporting standard, primarily due to the shortage of actuarial firms in the country and the limited availability of skilled and experienced professionals.

g) Insurance Corporate Governance

The draft Directive is prepared to ensure that insurers are soundly and prudently managed and directed. To enhance corporate objectivity, accountability and transparency, insurance companies are now required to have independent directors to be nominated by the existing board and elected by all shareholders. The process to nominate and elect directors has also been streamlined to make it more efficient. Moreover, in recognition of inclusion and diversity, board of directors should have at least two women directors. Lastly, a maximum of two employees of an insurance company may be elected to the board of the insurance company. our Company gladly welcomes this critical amendment made to corporate governance Directive.

1.3.2 Review of Key NBE Directives in force and Industry Observations

In recent years, the National Bank of Ethiopia (NBE) has issued a number of directives intended to strengthen the regulatory framework of the insurance industry and enhance financial sector stability. While we fully acknowledge and appreciate these commendable efforts, certain provisions of the directives have posed practical challenges to insurers and, in some cases, may not fully align with prevailing economic realities. Therefore, we wish to reiterate our key concerns and constructive recommendations for the consideration of the NBE and other relevant government authorities.

a) Directive No. SIB/52/2020: Amendment to Investment of Insurance Funds

This Directive came into force as of the 4th day of August 2020. The amended Directive requires insurance companies to invest not less than 60% of their total admitted assets in treasury bills and bank deposits. The Directive reduced the earlier limit of 65% to only 60%. This may expose the companies to higher financial risks and endanger the safety of their investments. We are of the opinion that the investment limit in treasury bills and bank deposits should further be decreased to a reasonable level considering the interest of the policyholders and the insurance industry.

The Directive further requires insurers not to invest more than 10% of their total assets in the purchase or construction of buildings exclusively or predominantly used for rent (real estate) and capital appreciation. In this regard, no change was made to the threshold indicated in the previous Directive in spite of the strong expectation of the industry to increase the limit to a reasonable level. More investment in real estate would be difficult due to the restrictions imposed by this Directive.

We, therefore, continue appealing to the NBE for revision of the amended Directive in light of economic realities of the country, experience of the insurance industry and protection of the rights of policyholders.

b) Directive No. FCP/01/2020: Financial Consumer Protection

This Directive came into force as of the 25th day of August 2020. The primary objective of the Directive is to build trust and confidence of financial consumers which in turn promote financial inclusion, healthy financial transactions, and stimulate growth, stability, ethical innovation and efficiency in the financial system. It established financial consumer protection regulation, supervision, complaint handling and dispute resolution mechanisms. Among others, the Directive prohibits the financial service providers from requiring their customers to take out insurance policies from a particular insurer. And yet, consumers are said to be unduly pressurised by some entities to get insurance covers from a given insurer.

We suggest strong monitoring from the concerned organs for proper enforcement of this vital Directive.

c) Directive No. SIB/54/2021: Investing in Development Bank Bond

The Directive entered into force as of the 1st day of September 2021. It requires insurers to invest an amount equivalent to a minimum of 15% of their net income (profit after tax) in Development Bank Ethiopia's (DBE) Bond within 90 days after the close of each financial year.

The Directive further states that DBE shall pay a bond rate at least 2 percentage points higher than the minimum interest rate paid on saving deposit at the time of issuance. However, the proposed rate is not attractive owing to the existing high inflationary situation on the one hand and is very low compared to the better rates existing in the market on the other.

We call upon all concerned to either put the Directive aside as ineffective or increase the applicable interest rate to at least average market lending rate so that insurers could be able to earn reasonable returns on the resources they helped generate in order for them to meet obligations as it falls due.

d) Directive No. SIB/57/2022: Minimum Paid-Up Capital for Insurance Companies

The Directive that sets a limit on the minimum paid-up capital for an insurance company was issued effective from the 15th day of September 2022. The minimum paid-up capital required to obtain both general and long-term insurance businesses license was increased to Birr500 million from Birr75 million. All existing composite insurers whose paid-up capital, on the effective date of this Directive, was below Birr500 million are supposed to raise their paid-up capital to the stated level within five years. An insurance company that is unable to meet the minimum paid-up capital requirement may undertake voluntary merger or acquisition transactions with another insurance company before the lapse of the stated period.

We are of the view that the minimum paid-up capital requirement is still on the low side owing to the continuous depreciation of the Birr on the one hand and ever growing inflationary pressure on the other. We thus recommend that the paid-up capital be increased to the level that matches up with economic realities of the country.

e) Directive No. SIB/60/2023: Motor Insurance Minimum Premium Rate

As subsequent event, the long awaited Directive that set minimum premium rate for Motor Own Damage Insurance was issued on 24th day of August 2023. The rate is net of all discounts and rebates and applicable to all categories of motor vehicles.

We are extremely grateful to the National Bank of Ethiopia for the practical and sound actions it has taken to improve the regulatory environment in general and the introduction of minimum premium rate for motor insurance in particular. The Directive may ease, to some extent, the existing unhealthy competition based primarily on premium undercutting.

However, we would like to point out that the minimum premium rate set by the regulatory body, NBE, is neither adequate nor commensurate with the risks proposed for insurance. The rate is insufficient to cover the ever escalating motor claim costs.

Therefore, we strongly appeal to the National Bank of Ethiopia to reconsider its decision and set a more equitable minimum premium rate

mutually beneficial to all stakeholders on the basis of actuarial study conducted under the auspices of the Association of Ethiopian Insurers (AEI) and submitted to NBE by AEI for this purpose.

f) Lack of Level Playing Field

Hibret Insurance has never faltered to point out the uneven nature of the industry's playing field and its role in distorting the market environment. We had openly expressed our concerns and continue to do so that some entities still receive preferential treatments thereby depriving all the other players of the single most important benefit of a market-oriented economic regime - that of "fair competition". While entities receiving favors of one form or the other become dependent on such "indirect subsidies", the others are deprived of their legitimate right to fair treatment under the law.

We hope that the Government will take appropriate measures to uphold the principle and value of fair competition: **"Level Playing Field and Same Rules of the Game".**

g) The Need for an Independent Regulatory Body

While the process for the establishment of an independent regulator for the insurance sector has been somewhat slow, we remain optimistic that it will be finalized in the new budget year (2025/26), leading to a more conducive regulatory environment for the Ethiopian insurance industry.

1.3.3 Tax Proclamations and their Implications for the Insurance Industry

The recent tax reforms made by the government have significant implications for the insurance industry. While we recognize the government's efforts to enhance revenue collection and promote fiscal discipline, certain provisions and their current enforcement have created operational challenges, financial burdens, and unintended consequences for insurers and policyholders alike. While highlighting our key concerns regarding these proclamations, regulations and directives, we respectfully urge the relevant authorities to carefully consider the concerns and recommendations presented herein. Aligning the enforcement and implementation of these tax proclamations with their original intent will not only facilitate compliance by insurers but also encourage investment, promote sustainable growth, and protect policyholders' interests. We remain committed to engaging constructively with the authorities to ensure that taxation policies support a resilient, transparent, and thriving insurance sector, while balancing the government's revenue generation objectives with the practical realities of the market.

a) Income Tax Proclamation No. 979/2016 and Directive No. 7/2011 (2019) : Dividend Tax and Increase of Capital

As per Article 61 of the Income Tax Proclamation No. 979/2016 and as per Directive No. 7/2011 (2019), the law allows shareholders to plough back their dividends for capital increases without incurring dividend taxes. Unfortunately, the Ministry of Revenue is enforcing dividend tax payments with interest and penalties on many financial institutions, including Hibret Insurance, despite our compliance with the intent of the laws.

We believe that the original framework of the proclamation and the directive was designed as an incentive mechanism to encourage companies to raise capital and rekindle shareholders to reinvest earned dividends with the view to grow their companies' operations. However, the above mentioned action taken by the Ministry of Revenue undermines this objective, creating significant financial burdens for institutions that are attempting to comply with the law while simultaneously fostering growth and investment. As a result of these enforcement actions, our Company finds itself embroiled in litigation, which diverts valuable resources and attention away from our core business activities. This situation not only hampers our ability to expand and innovate but also negatively impacts the broader economic landscape by discouraging companies from pursuing similar capital-raising strategies.

We respectfully urge the Ministry of Finance and Ministry of Revenue to reconsider this stance and work towards a solution that aligns with the original intent of the law and to allow companies to utilize their dividends for capital increases without facing punitive taxation, so that we can be able to stimulate investment and drive economic growth. In addition, we humbly request the Ministry of Revenue to reconsider the administrative hurdles and procedures required for license renewal and capital updates related thereto.

b) The Value Added Tax Proclamation No. 1341/2024: VAT on General Insurance Business

The Value Added Tax Proclamation No. 1341/2024 has been enacted by the House of Peoples' Representatives on July 4, 2024 to be effective from the same date.

One of the key changes includes the introduction of Value Added Tax (VAT) on insurance premium, claim payments and subrogation processes. While we fully support the government's efforts to enhance the country's revenue, we believe this new policy may inadvertently undermine the very objectives it seeks to achieve.

First and foremost, the proclamation has generated considerable ambiguity, even with the lawmakers and executive organs expressing differing opinions on its implementation. With the view to clear up this confusion, we have actively engaged with the relevant authorities, sharing our insights and suggestions through emails, letters and meetings. We also presented our concerns directly to the Ministers of Ministry of Finance and Ministry of Revenue.

The imposition of VAT on insurance premiums could lead to increased costs for consumers, potentially discouraging them from purchasing insurance altogether. Many individuals and businesses may find themselves unable or unwilling to bear the additional financial burden, which could result in a significant reduction in insurance coverage across our communities. This outcome not only jeopardizes individual financial security but also poses risks to public property protection. The Ethiopian insurance industry is small and underdeveloped. The insurance penetration rate is also very low so that adding additional burden in such situations is totally inadvisable.

Moreover, the taxation of compensation payments raises further concerns. Insured individuals expect prompt and full compensation in times of need or at time of claims; introducing a VAT on these payments could diminish their rightful claims, leading to dissatisfaction and distrust in the insurance system. This could further discourage people from seeking necessary coverage, ultimately resulting in an increase in uninsured properties and assets.

Recoveries arising from subrogation rights should not have been the subject of taxation. Commencement day of the obligation to calculate attachable VAT (July 4, 2024) exposed insurers to extra costs as they were compelled to pay VAT they did not collect from insured persons for the period from July 4 to September 30, 2024. We are of the view that adequate time should have been provided to prepare for the implementation of VAT.

We, therefore, respectfully urge lawmakers to revisit this complex piece of proclamation and consider its long-term implications on both consumers and the insurance industry. A balanced approach that ensures government revenue while promoting public trust and participation in insurance is essential for sustaining a healthy economy.

We would also like to emphasize once again that while Proclamation No. 1341/2024 needs further clarity and revision, our commitment to ensuring the implementation of this Proclamation remains steadfast.

2. THE COMPANY'S PERFORMANCE

2.1. OPERATIONAL AND FINANCIAL PERFORMANCE AND RESULTS

2.2.1 Gross Written Premium and Insurance Service Result

Life, Non-Life and General Takaful businesses combined, Gross Written Premium/Contribution for the year ended 30 June 2025 grew by about 40.31% to reach ETB2,753,168,000 as compared to ETB1,962,166,000 in 2023/24. While ETB2,579,325,000 was generated from Non-Life business, Life insurance produced ETB141,893,000 during the reporting year. The remaining ETB31,950,000 was Takaful contribution. The Company attained commendable results in terms of gross written premium in spite of the challenges faced during the year.

Total Insurance Revenue for the year ended 30 June 2025 was ETB2,337,309,000 as compared to ETB1,768,115,000 of the previous year registering a growth rate of about 32.20%.

Insurance Service Expense (before net reinsurance expense) decreased by 9.69% from ETB1,362,256,000 in 2023/24 to ETB1,230,222,000 in 2024/25.

Insurance Service Result increased considerably by about 77.63% and reached ETB765,372,000 in 2024/25 against ETB430,892,000 of the preceding year.

Net Investment Income grew by about 37.28% from ETB396,591,000 in 2023/24 to ETB544,434,000 in 2024/25.

The growth in net earned premiums on the one hand and enhanced efficiency in claims management on the other were the major explanations for the laudable financial results achieved in the year under report.

2.2.2 Non-life business

Gross Premiums Written

As at 30 June 2025, the Company's Non-Life premium reached ETB2,579,325,000 registering a commendable growth of about 49.11% over the previous year of ETB1,729,776,000, higher than the industry's average growth rate of about 46%.

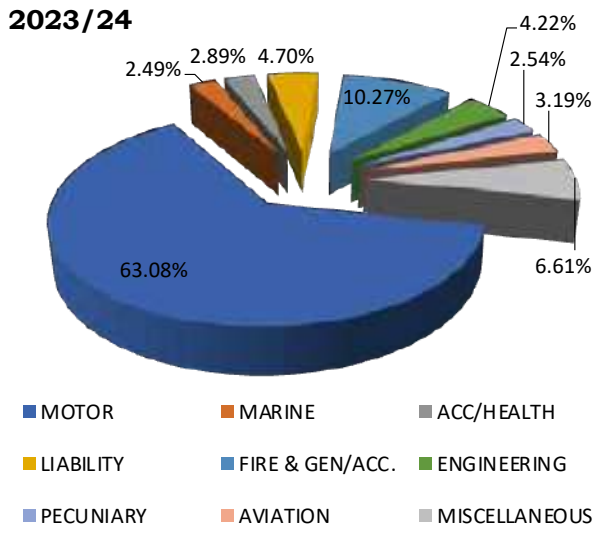
All classes of business recorded growth during the financial year under report with the exception of a slight decline by 0.97% in Pecuniary Insurance. The highest growth of 275.60% had occurred in the Engineering class of business. The Marine class of business grew by 85.36%; followed successively by Fire & General Accident which grew by 46.49%; Aviation by 42.12%; Miscellaneous by 39.50%; Motor by 39.18%; Liability by 26.26%; and Accident & Health by 24.11%.

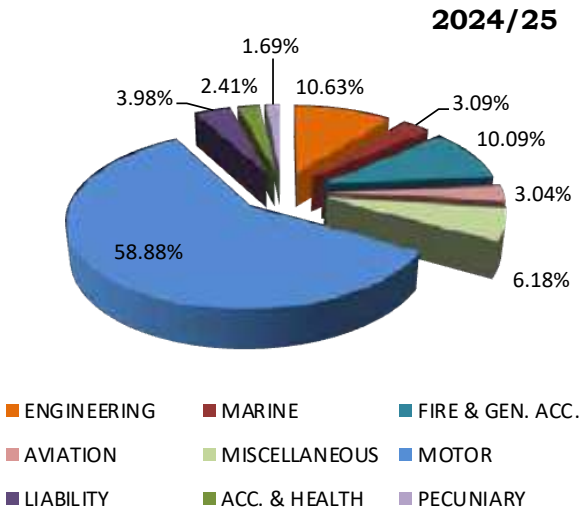
Portfolio Mix

Motor class of business had continued to dominate the Company's total premium portfolio accounting for 58.88% as at 30 June 2025, which was lower than the preceding year of 63.08%, an encouraging trend.

Engineering class of business became a very far second with a share of 10.63% followed by Fire and General Accident class of business at 10.09%. Miscellaneous accounted 6.18%; Liability took 3.98%; Marine 3.09%; and Aviation 3.04%. Accident & Health took 2.41% and Pecuniary shared the least 1.69%.

COMPARATIVE PREMIUM STRUCTURE /PORTFOLIO MIX





Insurance Service Result

Non-Life Insurance Revenue for the year ended 30 June 2025 was ETB 2,121,589,000 as compared to ETB1,642,503,000 of the previous year, registering a growth rate of about 29.17%.

Insurance Service Expense (before net reinsurance expense) for Non-Life business decreased by about 14.55% to reach ETB1,062,595,206 in 2024/2025 as compared to the previous year of ETB1,243,529,2060.

Claims normally grow along with increase in written premiums. Fortunately, claim costs of this reporting period were contained; primarily because of prudent underwriting combined with sound claims management.

Non-Life Insurance Service Result registered a tremendous growth rate of about 64.25% and reached ETB707,671,000 in 2024/25 against ETB430,856,000 of the preceding year. All Non-Life insurance classes of business underwritten during the year under report yielded positive contribution to the Insurance Service Resultt except Pecuniary class of business.

Net Investment Income for Non-Life business grew by about 37.77% from ETB338,584,000 in 2023/24 to ETB466,457,000 in 2024/25.

2.2.3 Life insurance

Gross Premiums Written

At the close of business on 30 June 2025, the Company's Life Insurance business recorded a decline of nearly 39%, generating a Gross Written Premium of ETB141,893,000 compared to ETB232,390,000 in the preceding year. The decline in premium income was primarily attributable to the loss of a major customer to competitors.

Insurance Service Result

Life Insurance Revenue for the year ended 30 June 2025 was ETB215,720,000 as compared to ETB125,613,000 of the previous year registering a substantial growth rate of about 71.73%.

Insurance Service Expense (before net reinsurance expense) for Life business increased by about 41.20% from ETB118,727,000 in 2023/24 to ETB167,627,000 in 2024/25.

Life Insurance Service Result rose to ETB57,700,000 in 2024/25 from ETB36,000 of the preceding year.

Net Investment Income for Life business grew by about 34.42% from ETB58,008,000 in 2023/24 to ETB77,977,000 in 2024/25.

2.2.4 General Takaful

Hibret Insurance launched its General Takaful line of business under the brand name "Barakah Takaful" in November 2024. As a trusted Takaful Window Operator, the Company offers a comprehensive range of Shariah-compliant General Takaful products designed to meet the diverse insurance needs of both individuals and businesses. Through these offerings, we provide our customers with security and peace of mind in full compliance with Islamic principles.

For the financial year ended 30 June 2025, the General Takaful contribution amounted to ETB31,950,000. Operating under the Wakala model, the Company earned a Wakala fee income of ETB 11,183,000 in the second half of the 2024/25 fiscal year but incurred a loss of ETB 11,674,000.

2.2.5 Consolidated Results: Profit – Life, and Non-Life

As can be seen from the IFRS Financial Statements for the year ended 30 June 2025, Profit Before Tax for the reporting year registered a tremendous growth of about 79.04% to reach ETB1,008,050,000 from ETB563,024,000 in 2023/24. The After-Tax Profit also grew considerably by about 79.03% from ETB470,955,000 in 2023/24 to ETB843,149,000 in 2024/25. Income tax expense for the year was computed to be ETB164,901,000 as compared to the last year's figure of ETB92,069,000.

The basic earnings per share (EPS) increased significantly from 47.78% in 2023/24 to 68.55% in 2024/25 representing a growth of about 43.5%. The consolidated result for the reporting year was commendable given the substantial growth of capital and the challenging economic conditions the country experienced during the year.

2.3 Human Resource Development

On 30 June 2025, the Company's total staff strength stood at 584. Out of the total, 294 (about 50%) were female and 290 (nearly 50%) were male. The gender mix remained almost the same as in the preceding year. The total number of staff were 563 last year.

The total staff was composed of 558 (nearly 96%) regular employees and 26 (about 4%) contract workers as at 30 June 2025. The proportion of contract workers decreased to 4% for the reporting year from 7% in the preceding year.

In terms of education, out of the total, 399 staff were degree holders (72 having second degree while 327 holding first degree), 98 had Diplomas while 87 held Certificates or pre-college papers.

During the year under review, 69 new staffs were employed and 48 employees resigned (37 regular and 11 contract) making employee attrition rate to be about 6.45%, a decrease of 0.75 percentage points compared to the previous year of 7.2%.

Various trainings were given to 426 staff members including senior management during the year under report, out of which 386 staffs attended short-term local trainings on different topics. Forty (40) staffs participated in overseas training (through correspondence and overseas travels). Total training cost for the year 2024/25 stood at ETB12,271,808 which was slightly above the budget of ETB 11,212,892 by 8%.

2.4 Market and Business Development

The total market outlets (Branches and Contact Offices) of the Company reached 73 as at 30 June 2025. Out of the 73 outlets, 39 were city and 19 upcountry branches and the remaining 15 were contact offices (7 city and 8 upcountry).

Fifty one (51) new General Insurance Sales Agents were recruited, trained, licensed and deployed to the market during the year under report. Furthermore, refreshment training was given to seventeen (17) existing sales agents.

The major challenge for the period was the ever skyrocketing office rental prices of the existing branches as well as for new market outlets expansion. The other notable challenge was outdoors advertisement removals in relation with the Addis Ababa City Corridor Development Project.

2.5 Information Technology Development

During the reporting year, the Company has developed a resilient IT infrastructure with a strong security posture, reinforced by multiple layers of cyber defense mechanisms including next-generation firewalls, intrusion detection and prevention systems, endpoint protection platforms, multi-factor authentication, and continuous monitoring through Security Information and Event Management (SIEM) solutions, ensuring proactive identification and mitigation of potential threats.

With the aim to support business growth and enhance customer satisfaction, the Company is accelerating its digital transformation initiatives. These include the implementation of a new core insurance system and the introduction of customer-centric solutions such as self-service portals, mobile applications, and integrated digital payment platforms designed to streamline payment processes, improve operational efficiency, and elevate the overall customer experience.

In parallel, a comprehensive Disaster Recovery and Business Continuity site has been established, featuring real-time data replication, automated fail-over systems, and tested recovery protocols that guarantee minimal downtime and operational resilience in the event of disruptions.

Complementing these advancements, the Company has continued its investment on software development team in order to focus on in-house software development to enhance its internal services by creating tailored applications, automating workflows, and deploying agile-driven innovations that will strengthen operational efficiency, reduce dependencies on external solutions, and enable continuous service improvement.

This combined approach demonstrates the Company's commitment to security, customer satisfaction, resilience, and innovation.

3. CORPORATE GOVERNANCE

During the reporting period, the Board conducted its duties with regular oversight and strategic stewardship. The Board held 14 regular meetings from 01 July 2024 to 30 June 2025, during which it approved the annual business plan and budget, reviewed policy documents and working manuals, and resolved on matters of strategic significance. It also assessed the Company's monthly performance based on Management reports and provided strategic direction as required.

The Board ensured rigorous follow-up on actions arising from the on-site examinations and off-site surveillance reports of the National Bank of Ethiopia (NBE), the External Auditors, the Company's Internal Audit and Risk Management and Compliance Office. It monitored regulatory and supervisory concerns and ensured timely and appropriate remedial actions. In addition, the Board established and maintained an effective internal audit function staffed with qualified personnel to carry out internal audit activities and oversight of operations.

Operational and administrative affairs were overseen by the Board in light of emerging risks and opportunities, promoting prudent conduct in all activities. The Board has four Sub-Committees: Audit, Risk Management and Compliance, Human Resources Affairs, and Business Development. All Sub-Committees except for Business Development met monthly and operated effectively throughout the year in alignment with the Corporate Governance Directive of the National Bank of Ethiopia.

Pursuant to the Thirteenth Extraordinary General Meeting of Shareholders held on 10 November 2022, the decision to increase the Company's paid-up capital to ETB 1,500,000,000 by November 2027; the paid-up capital of the Company stood at ETB1,341,598,000 as of 30 June 2025.

Overall, the Board ensured that the Company's operations were conducted prudently, in compliance with applicable laws, regulations, directives, and corporate policies and procedures.

4. FUTURE PROSPECTS

The financial year ended on 30 June 2025 presented various operational and market-related challenges. Political and social instabilities in parts of the country affected our business activities to some extent. Macroeconomic pressures such as inflation, depreciation of the Birr, and limited foreign exchange also influenced our performance. Moreover, heightened market competition and certain unfair practices created pressure on pricing and market share. Rising operating costs, constraints in accessing skilled professionals, and occasional infrastructure interruptions further affected our operations.

The Company adopted IFRS 17 (International Financial Reporting Standard 17) during the financial year ended 30 June 2025. IFRS 17 is the new global accounting standard for insurance contracts, replacing IFRS 4 to enhance transparency, consistency, and comparability in financial reporting across companies and countries. It introduces a principle-based framework for recognizing, measuring, and presenting insurance contracts, emphasizing the current value of future cash flows and the systematic recognition of profit over time.

IFRS 17 fundamentally transforms how insurance companies measure performance and report profits. While it improves transparency, comparability, and the reliability of financial statements, its implementation has posed significant operational, technical, and financial challenges to the Company. These include complex measurement requirements, extensive data and system upgrades, close coordination between finance and external actuaries, increased disclosure obligations, and substantial implementation costs.

Despite these challenges, the Company demonstrated resilience and achieved commendable results for the financial year ended 30 June 2025, maintaining its strong industry position and laying a solid foundation for sustainable growth.

While most of these challenges would certainly persist, we remain optimistic about the opportunities ahead. The 2025/26 Annual Business Plan, approved by the Board, outlines clear strategic priorities to strengthen our

market position and operational excellence. With commitment, focus, and strategic agility, Hibret Insurance is well-positioned to achieve continued growth and competitiveness in the year ahead as well.

We are committed to leveraging our strengths and implementing targeted strategies to ensure sustainable growth, improve market share, and enhance our competitive edge. Our key focus areas include expanding our market presence and customer base by strengthening efforts to retain renewal business through diligent follow-up and expanding our Life insurance and Takaful product offerings. We aim to target high-potential prospects and focus our sales efforts on clients most likely to engage with us. Customer service and relationship management will be reinforced through enhanced support to branches and contact offices, motivating sales teams to retain existing clients and acquire new business, and deepening relationships with insurance brokers. We will also seek partnerships with all financial institutions for mutual benefit.

In order to drive revenue growth and cost optimization, we plan to increase non-premium income streams such as rent income, recoveries, and salvage disposals. Effective cash flow management will be prioritized by investing excess liquidity in reliable short term investments and real estate ventures, while accelerating claims settlement processes to reduce costs and prevent leakages. Strict cost controls will be exercised across operational, administrative, and capital expenditures. Operational and system enhancements include accelerating the implementation of the new core insurance system to enhance efficiency, implementing our newly developed corporate brand across the Company to strengthen market presence, and reinforcing internal audit and risk management functions to ensure robust control systems. Ensuring full compliance with directives from the National Bank of Ethiopia (NBE) will remain a priority to maintain our financial integrity, soundness, and reputation.

Human resources will focus on competently executing the HR Strategy to recruit, develop, and retain skilled personnel. Additionally, monitoring external market developments and competitor activities will inform our strategic decisions, positioning us to adapt effectively to the dynamics in the operating environment.

In conclusion, while external challenges persist, we remain optimistic about the opportunities ahead. Our commitment to executing the strategies outlined in the 2025/26 Annual Business Plan, which has been approved by the Board of Directors, will guide us towards achieving our goals. We are confident that with focused effort and strategic agility, the Company will emerge stronger and more competitive in the coming year too. We sincerely appreciate the support of all stakeholders and look forward to a successful year ahead.

VOTE OF THANKS

The Board of Directors, Management, and entire Staff of Hibret Insurance sincerely extend their heartfelt gratitude to the esteemed customers of the Company for their continued support and loyalty. We also wish to acknowledge our shareholders for their wise investments and unwavering confidence in our Company.

We sincerely appreciate the valuable partnerships we have cultivated with our reinsurers and the mutually beneficial relationships we have established with both insurance and reinsurance brokers. These collaborations are instrumental to our ongoing success.

Our thanks also go to the National Bank of Ethiopia for its understanding, cooperation, and comprehensive support, which have significantly contributed to our progress.

A special note of appreciation is due to our field officers, whose dedication and pivotal role in the Company's growth cannot be overstated. They are essential in identifying the needs of our clients and serve as ambassadors of Hibret Insurance, embodying our commitment to service.

Finally, on behalf of the Board and myself, I reaffirm that the dedication, professionalism, and team spirit demonstrated by our management and staff are the driving forces behind our achievements. Their unwavering commitment to excellence has been vital to our continued progress and success.

Hibret Insurance SC
Report of the Directors
For The Year Ended 30 June 2025

The directors submit their report together with the financial statements for the period ended 30 June 2025, to the shareholders of Hibret insurance SC. This report discloses the financial performance and state of affairs of the Company .

Incorporation and address

Hibret Insurance SC was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Birr 25 million and an initial paid up capital of Birr 8.073 million. Following the merger with Lion Insurance Company SC in 2000, the Company is currently owned by more than 711 shareholders. As a result of the merger and the decision of the Thirteenth Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Birr 1.5 billion. The paid up capital is now Birr 1.34 billion.

Principal activities

The principal activities of the Company is the transaction of general insurance business (non - life) and life insurance business.

Results and dividends

The Company's results for the year ended 30 June 2025 are set out on page 32.The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Insurance Service Result	765,372	430,892
Profit before income tax	1,008,050	563,024
Income tax expense	(164,901)	(92,069)
Profit for the year	843,149	470,955
Other comprehensive income net of taxes	69,668	102,605
Total comprehensive income for the year	912,817	573,560

Directors

The directors who held office during the year and to the date of this report are set out on page 26

Wondwossen Teshome
Chairperson, Board of Directors
November 24, 2025

Meseret Bezabih
Chief Executive Officer
November 24, 2025

Hibret Insurance SC
Statement of Directors' Responsibilities
For The Year Ended 30 June 2025

In accordance with the financial reporting proclamation No. 847/2014 and Insurance Business proclamation No. 746/2012, all reporting entities established in accordance with the Ethiopian law or operating in Ethiopia are to prepare financial statements in line with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB").

The Company's board of directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1243/2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company is required to keep such records as are necessary to:

a. Exhibit clearly and correctly the state of its affairs;

b. Explain its transactions and financial position; and

c. Enable the Accounting and Audit Board of Ethiopia to determine whether the Insurance company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Company's board of directors accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Insurance Business Proclamation, Commercial code of 1243/2021 and the relevant Directives issued by the National Bank of Ethiopia.

The board of directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

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

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Wondwossen Teshome
Chairperson, Board of Directors
November 24, 2025

Meseret Bezabih
Chief Executive Officer
November 24, 2025

Chartered Certified Accountants (UK)
Tokeb&Molkamu Audit Work Partnership

Hibret Insurance SC
Directors, professional advisers and registered office
For The Year Ended 30 June 2025

Company registration number: MT/AA/3/0052572/2014
License number: 004/94

Directors ***(as of 30 June 2025)***

		Date of Appointmen
Wondwossen Teshome Tesema	Chairperson	*06/05/2025*
Asrat Arega Mengistu	V/Chairperson	*06/05/2025*
Hibret Bank SC. Represented by Dereje Kebede Admasu	Member	*06/05/2025*
Yinebeb Derseh Leyew	Member	*06/05/2025*
Omedad PVT.LTD.Co. rep by Mariamawit Getamesay	Member	*06/05/2025*
Zouleka Mohammed Gonji	Member	*06/05/2025*
KK PLC. Represented by Robel Kebede Asgelet	Member	*06/05/2025*
Yanjabu Tadesse Amde	Member	*06/05/2025*
Admasu Yitagesu Weldeyes	Member	*06/05/2025*

Executive management ***(as of 30 June 2025)***

Meseret Bezabih	Chief Executive Officer	*25/10/2011*
Tesfaye Desta	D/CEO - Operations-General Insurance	*01/09/2016*
Dawit Gebreammanuel	D/CEO- Resources Management	*03/02/2025*
Bethlehem Mekbib	Director, U/W & Tech. Services	*01/03/2015*
Dereje Demessie	Director, Claims and Engineering	*08/11/2021*
Engida Kassaye	Director, Fin. & Investment	*01/03/2015*
Aliye Mohammed	Director, Information Sys.Management	*01/07/2023*
Tilahun Tadesse	Director, BD and Marketing	*01/09/2021*
Yealemayn Hailemariam	Manager, Internal Audit	*01/07/2023*
Wubneh Alemu	Manager, Risk Management & Compliance	*01/07/2023*
Wubalem Habtamu	Director, Long Term Insurance	*01/01/2025*
Aron Kassaye	Director, Legal Service	*01/07/2023*

Independent Auditor

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia
Addis Ababa
Ethiopia

Corporate Office

Hibret Insurance SC
Corporate Head Office: Tewodros Square, Hibret Insurance BLDG,Arada Subcity, Woreda 02, H.No. 220
Addis Ababa, Ethiopia

Principal Bankers

Hibret Bank SC
Commercial Bank of Ethiopia
Bank of Abyssinia

Principal Reinsurers

Africa Re
Ethio Re
Hannover Re
ZEP Re

Consulting Actuaries
General and Life Business

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

SHARIA'H ADVISORY COUNCIL

Jemal Hassen
Chairperson, Sharia Advisory Council

Alfiya Ibrahim
Member, Sharia Advisory Council

Salahdin Ibrahim
Member, Sharia Advisory Council

STATEMENT OF THE SHARIA'H ADVISORY COUNCIL

In the Name of Allah, the Most Gracious, the Most Merciful

The Shariah Advisory Council (SAC) of Hibret Insurance S.C., comprising three members, has been duly appointed in accordance with the National Bank of Ethiopia's Directive STB/1/2020, titled "A Directive to License a Takaful Operator or Authorize a Takaful Window Operator." In line with this regulatory requirement, the SAC serves as the primary Shariah governance body responsible for overseeing, advising, and ensuring that all Takaful Window operations of the Company are fully compliant with the principles and guidelines of Islamic Sharia'h.

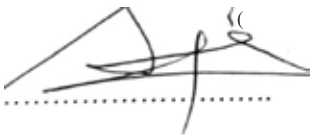
The Council oversees operations and has held seven meetings since the launch of the Takaful business in November 2024.

The Council verifies that the Company adheres to a Windows-based general Takaful Wakalah model, in accordance with NBE directives, Shariah standards, and current scholarly opinions. Segregation between the Participants' Risk Fund and Shareholders' Fund is maintained, ensuring compliance with Shariah principles.

In our opinion, Hibret Insurance S.C.'s Takaful operations are substantially compliant with Islamic Shariah for the period ending 30 June 2025.

May Allah guide us all to what pleases Him.

Signed on behalf of the Shariah Advisory Council (SAC)



24 November 2025

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HIBRET INSURANCE

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HIBRET INSURANCE SC

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Hibret Insurance (S.C.)** as at June 30, 2025, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

We have audited the financial statements of the Company, which comprise the Statement of Financial Position as at June 30, 2025, and statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Based on the report of the Insurance's Sharia Advisory Council, we note that the activities of the Takaful Insurance Business have been conducted in accordance with Sharia principles and are compliant with the applicable directives of the National Bank of Ethiopia.

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 within the meaning of Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

During the year, the Company adopted IFRS 9 and IFRS 17, which significantly changed the classification and measurement of financial assets and the recognition of insurance contract liabilities.

The transition involved substantial management judgement in developing models, determining contract boundaries, estimating discount rates and risk adjustments, and preparing transition adjustments.

Given the complexity of the standards and their material impact on this year's financial statements, we identified the adoption of IFRS 9 and IFRS 17 as a key audit matter.
Our procedures included evaluating the Company's transition approach, testing key controls, involving specialists to assess models and assumptions, and reviewing the accuracy of transition adjustments and disclosures..

Responsibilities of and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards and the Insurance Business Proclamation No. 746/2012 and directives and circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible of assessing the Company's ability to continue as a going concern, disclosing as applicable matters related going concern and using the going concern basis of accounting.

Those charged with governance 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, whether the financial statements are properly prepared in accordance with IFRS, the relevant provisions of the Commercial Code of Ethiopia 2021 the Insurance Business Proclamation No. 746/2012, Insurance Business Amendment Proclamation No. 1163/2019 and to issue and auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, and not a guarantee that and audit conducted in accordance with ISA(s) will always detect a material statement when it exits.

Misstatement 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit we also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that immaterial uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the data of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We have communicated with management of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

Report on other Legal and Regulatory Requirement

1. We have no comment to make on the report of your Board of Directors so far as it relates to the financial statements and pursuant to Article 349 (1, 2 & 3) of the Commercial Code of Ethiopia 2021, and recommend approval of the financial statements.

2. The Company's board of directors have recommended to the General Assembly of Shareholders that Birr 707,393,754 to be distributed as dividend payments before board remuneration and applicable dividend taxes. As proposed dividends are subject to approval by the shareholders, we have no reservation on the proposal.

Kokeb & Melkamu Audit Service LLP
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia

Addis Ababa
November 24, 2025

Hibret Insurance SC
Statement of Profit or Loss and Other Comprehensive Income
For The Year Ended 30 June 2025

	Notes	30 June 2025	30 June 2024
		Birr'000	Birr'000
Insurance Revenue	6.a	2,337,309	1,768,115
Insurance Service Expense	6.b	(1,230,222)	(1,362,256)
Net Expenses from Reinsurance Contracts Held	6.c	(341,716)	25,033
Insurance Service Result		765,372	430,892
Net Investment Income	12	544,434	396,591
Finance Income/(Expenses) from Insurance Contracts	6.d	164,002	49,179
Finance Income/(Expenses) from Reinsurance Contracts	6.d	(48,158)	(40,713)
Net Financial Result		660,278	405,058
Other income	13	8,481	3,391
Wakala fee income		11,183	
Other Operating Expense	7.2	(436,981)	(273,710)
Impairment of loss		729	(1,639)
Finance Cost	7.3	(1,012)	(969)
		(417,600)	(272,926)
Profit Before Tax		1,008,050	563,024
Income Tax Expense	27 a	(164,901)	(92,069)
Profit for the Year		843,149	470,955
Other Comprehensive Income			
Revaluation gain/loss on Equity Investments	11	72,747	103,452
Re-measurement gain/(loss) on retirement benefits obligations	29 C	(4,399)	(1,210)
Deferred tax (liability)/asset on Re-measurement gain or loss		1,320	363
Total comprehensive income for the year	31	912,817	573,560
Basic earnings per shares (in Birr)		685.56	477.81

Wondwossen Teshome
Chairperson, Board of Directors
November 24, 2025

Meseret Bezabih
Chief Executive Officer
November 24, 2025

Chartered Certified Accountants (UK)
Kokeb&Mekamu Audit Work Partnership

Hibret Insurance SC
Statement of Financial Position
For the year ended 30 June 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
ASSETS			
Property, plant and equipment	14	417,738	410,449
Investment properties	15	267,150	273,170
Intangible assets	16	15,314	11,514
Right-of-use assets	28	26,051	22,004
Investment securities :			
Financial Asset at FVOCI	17	426,324	389,826
Financial asset at Amortized Cost	17	163,281	81,382
Statutory deposits	18	204,576	165,511
Insurance Contract Assets	8 g	76,494	19,699
Reinsurance Contract Assets	8 a,b	855,143	812,006
Policy holder loans	21	92	87
Salvage property held for sale	22	13,037	19,302
Other assets	23	128,815	52,600
Deposits with financial institutions	24	3,156,572	2,377,634
Cash and cash equivalents	24	288,914	145,423
TOTAL ASSETS		**6,039,501**	**4,780,608**
EQUITY AND LIABILITIES			
Liabilities			
Insurance Contract Liabilities	8 d ,e	2,611,430	2,327,207
Reinsurance Contract Liabilities	8h	358,346	253,766
Other liabilities	26	371,636	190,462
Current income tax liabilities	27	117,933	64,046
Lease Liabilities	28	14,619	11,856
Defined benefit obligations	29	12,759	9,496
Deferred income tax	27	73,926	59,960
TOTAL LIABILITIES		**3,560,649**	**2,916,793**
EQUITY			
Share capital	30	1,341,598	1,068,175
Share premium	30	15,202	15,202
Retained earnings	31 b	707,394	416,310
IFRS Adoption Re-measurement Reserve		65,940	65,940
Legal reserve	32	282,466	198,151
Revaluation Reserve-Equity Investment	11	72,747	103,452
Other reserve	33	(6,495)	(3,415)
TOTAL EQUITY		**2,478,852**	**1,863,815**
TOTAL EQUITY AND LIABILITIES		**6,039,501**	**4,780,608**

The financial statements and notes to the financial statement shown on pages 32 to 138 were approved and authorized for issue by the board of directors on 24 November 2025 and were signed on its behalf by:

Wondwossen Teshome
Chairperson, Board of Directors
November 24, 2025

Chartered Certified Accountants (UK)
Tiokeb&Meikanu Audit Work Partnership

Meseret Bezabih
Chief Executive Officer
November 24, 2025

Hibret Insurance SC
Statement of Changes in equity
For the year ended 30 June 2025

	Notes	Share capital	Share premium	Retained earnings	IFRS Adop.Re-measurement Res	Legal reserve	Revaluation Equity Investment	Other reserves	Total
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2023		840,596	21,717	291,650	65,940	146,179	98,573	-2,569	1,462,086
Dividends declared and paid				(294,322)					(294,322)
Profit for the year	35			519,723		-		-	519,723
Transfer to legal reserve	36			(51,972)		51,972			-
Transfer to capital		227,578							227,578
Transfer to Rev surplus Equity Investment							4,879		4,879
Share Premium tax			(6,515)						(6,515)
Re-measurement gains on defined benefit plans (net of								(848)	(848)
IFRS 17&9 Impact				(48,769)					(48,769)
Total comprehensive income for the year		227,578	(6,515)	124,660	-	51,972	4,879	(848)	401,726
As at 30 June 2024		1,068,174	15,202	416,310	65,940	198,151	103,452	(3,417)	1,863,813
As at 1 July 2024		1,068,174	15,202	416,310	65,940	198,151	103,452	(3,417)	1,863,815
Dividends declared and paid				(467,752)					(467,752)
Profit for the year				843,149					843,149
Transfer to legal reserve				(84,315)		84,315			-
Transfer to Capital		273,423		-					273,423
Revaluation gain or loss on equity Inv							(30,705)		(30,705)
Re-measurement gains on defined benefit plans (net of								(3,079)	(3,079)
Total comprehensive income for the year		273,423	-	291,082	-	84,315	(30,705)	(3,079)	615,036
As at 30 June 2025		**1,341,597**	**15,202**	**707,393**	**65,940**	**282,466**	**72,747**	**(6,496)**	**2,478,852**

Wondwossen Teshome
Chairperson, Board of Directors
November 24, 2025

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work Partnership

Meseret Bezabih
Chief Executive Officer
November 24, 2025

Hibret Insurance SC
Statement of Cash Flows
For the year ended 30 June 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash flows from operating activities			
Cash generated from operations	31	1,376,368	1,054,209
Interest income	12	(404,568)	(279,679)
Dividend income	12	(57,408)	(54,924)
Income tax paid	27 d	(97,048)	(59,365)
Rent income	12	(79,402)	(59,542)
Net cash inflow from operating activities		**737,941**	**600,699**
Cash flows from investing activities			
Purchase of investment securities	17	(67,203)	(64,874)
Investment in Fixed time deposit	24	(778,938)	(692,516)
Purchase of investment property	15	(202)	(1,151)
Right of use assets	28	(8,471)	(5,417)
Purchase of intangible assets	16	(5,454)	(8,890)
Purchase of property, plant and equipment	14	(38,390)	(65,398)
Proceeds from sale of property, plant and equipment	33	3,145	622
Dividends received		57,408	54,924
Proceeds from policy loans		(5)	10
Rent income received		79,402	59,542
Interest income received		404,568	279,679
Increase in statutory deposit	18	(39,065)	(35,431)
Net cash outflow from investing activities		**(393,205)**	**478,900**
Cash flows from financing activities			
Dividends paid		(467,752)	(294,322)
Proceeds from issues of shares		273,423	227,579
Repayment of lease liability		(6,925)	(5,872)
Net cash (outflow)/inflow from financing activities		**(201,254)**	**(72,617)**
Net increase in cash and cash equivalents		**143,482**	**182**
Cash and cash equivalents at the beginning of the year	24	145,432	96,241
Cash and cash equivalents at the end of the year	24	**288,914**	**145,423**

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

1 General information

Hibret Insurance SC, was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Br 25 million and an initial paid up capital of Br 8.073 million. Since the merger with Lion Insurance Company SC in 2002, the Company is currently owned by more than 711 shareholders. As a result of the merger and the decision of the Eleventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Br 1.5 billion. The paid up Capital is now Birr 1.34 billion.

The Company's registered office is at:

Hibret Insurance SC
Corporate Head Office: Tewodros Square, Hibret Insurance BLDG, Arada Sub city, Worde 02,House No:220 ,Addis Ababa, Ethiopia.
The Company is principally engaged in the business of Non-life , Life and Takful General insurance services and other ancillary business activities for clients in Ethiopian Market.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the year ended 30 June 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes to the financial statements. Income and expenses, excluding the components of other comprehensive income, are recognized in profit or loss. Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss as required or permitted by IFRS. Transactions with the owners Company in their capacity as owners are recognized in the statement of changes in equity.

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

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

2.21 Adoption of IFRS 17 Insurance Contracts

Significant accounting policies

The accounting policies set out below have been applied consistently to the period presented in these Financial Statements.

Transition Approach

The Coampny adopted IFRS 17 as of 1 January 2023 on a full retrospective basis for all its portfolios. Comparative information has been restated as required by the transitional provisions of IFRS 17. Adoption of IFRS 17 gave rise to a transition adjustment that is presented in the statement of changes in equity.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated.

a) Classification and Measurement

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company. The company being engaged in insurance business classifies its contracts into insurance contracts and reinsurance contracts.

b) Presentation and Disclosure

For presentation of statement of financial position for the year, the Company aggregates insurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolio of insurance issued that are assets.
- Portfolio of insurance issued that are liabilities.
- Portfolio of reinsurance contracts held that are assets.
- Portfolio of reinsurance contracts held that are liabilities.

The portfolio referred to above are those established at initial recognition in accordance with IFRS 17 requirements.
The line-item description in the statement of profit or loss and other comprehensive income that have changed significantly compared with the previously reported are as follows:

Previously Reported Under IFRS 4:

- Gross premiums written.
- Net earned premiums.
- Gross claims incurred and policyholder benefits expenses.
- Net claims and benefits

Instead, IFRS 17 requires a separate presentation of:

Insurance revenue
Insurance service expenses
Net Expenses From reinsurance Contracts Held
Finance Income/Expenses From Insurance Contracts
Finance Income/Expenses From Reinsurance Contracts

Insurance and Reinsurance Contracts
Definition and Classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from an insured by agreeing to compensate the insured if a specified uncertain future event adversely affects the insured.

In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgment to assess whether a contract transfers insurance risk (i.e. if there is scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Company uses reinsurance agreements, to reduce its exposure to risks assumed, to increase its aggregate underwriting capacity. The ceding of risk to reinsurers does not relieve the Company from its direct obligations to its insured.

The Company does not write any investment contract with discretionary participation features or reinsurance contracts with direct participation features.

Summary of measurement models

The Company uses different measurement approaches, depending on the type of contract, as follows:

Type of Contract	Measurement model
Insurance contracts issued & Reinsurance contracts held	
Ordinary life contracts	General Measurement Model (GMM)
Mortgage contracts	General Measurement Model (GMM)
Group life contracts	Premium Allocation Approach (PAA)
Medical contracts	Premium Allocation Approach (PAA)
General business contracts	Premium Allocation Approach (PAA)

Separation of Components of Insurance Contracts

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- Cash flows relating to embedded derivatives that are required to be separated;
- Cash flows relating to distinct investment components; and
- Promises to transfer distinct goods or distinct non-insurance services.

The Company applies IFRS 17 to all remaining components of the contract.

Level of Aggregation of Insurance Contracts

The Company manages insurance contracts issued by product lines within an operating segment. Insurance contracts within a product line that are subject to similar risks and are managed together are aggregated into a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within the same year (annual cohorts) and are:

- Contracts that are onerous at initial recognition;
- Contracts that at initial recognition have no significant possibility of becoming onerous subsequently
- A group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such groups are not subsequently reconsidered.

Recognition

The Company recognizes groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due
- For a group of onerous contracts, if facts and circumstance indicate that the group is onerous.

The Company recognizes a group of reinsurance contracts held, it has entered into, from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held.
- The date the company recognizes an onerous group of underlying reinsurance contracts held at or before that date.

Modification

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the fulfillment cash flows (FCF), unless the conditions for the derecognition of the original contract are met. The Company derecognizes the original contract and recognizes the modified contract as a new contract if any of the following conditions are present:

- If the modified terms had been included at contract inception and the Group would have concluded that the modified contract: is not in scope of IFRS 17; results in different separable components; results in a different contract boundary; or; belongs to a different group of contracts;

- the original contract was accounted for under the premium allocation approach (PAA), but the modification means that the contract no longer meets the eligibility criteria for that approach.

Derecognition

When an insurance contract not accounted for under the PAA is derecognized from within a group of insurance contracts, the

a) adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the Company;

b) adjusts the contractual service margin (CSM) (unless the decrease in the FCF is allocated to the loss component of the liability for remaining coverage (LRC) of the Group) in the following manner, depending on the reason for the derecognition:

I) if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
ii) if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party;)
iii) if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (a) adjusted for the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification. When recognizing the new contract in this case, the Group assumes such a hypothetical premium was actually received;

c) adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognized, adjustments to the FCF to remove related rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a) if the contract is extinguished, any net difference between the derecognized part of the LRC of the original contract and any other cash flows arising from extinguishment;

b) if the contract is transferred to the third party, any net difference between the derecognized part of the LRC of the original contract and the premium charged by the third party;

c) if the original contract is modified resulting in its derecognition, any net difference between the derecognized part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Contract Boundary

The Company includes in the measurement of a group of insurance contract all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel policy holders to pay the premiums, or in which the Company has a substantive obligation to provide insurance contract services.

The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of the benefits that fully reflects those risks;

Both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as result, can set a price or level of benefits that fully reflects the risks of that portfolio,

- The pricing of the premiums up to the date when risks are assessed does not take into account the risks that relate to periods after reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.
Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all the cash flows within its boundary.
Cash flows outside the insurance contract's boundary relate to future insurance contracts and are recognized when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive services from the reinsurer.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

Insurance Contracts
Initial Measurement – Contracts not measured under PAA
Contractual Service Margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognize as it provides coverage in the future. At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:
a) the initial recognition of the FCF;
b) the initial recognition of the FCF;
c) cash flows arising from the contracts in the group at that date.

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognized in profit or loss immediately with no CSM recognized on the balance sheet on initial recognition.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognized as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognizes the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognize as a reinsurance expense as it receives reinsurance coverage in the future.

Subsequent Measurement – Contracts not measured under PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

a) the LRC, comprising: the FCF related to future service allocated to the group at that date; and the CSM of the group at that date; and

b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

a) the remaining coverage, comprising: the FCF related to future service allocated to the group at that date; and the CSM of the group at that date; and

b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For a group of contracts to which the premium allocation approach does not apply, the Company continues to treat the premiums receivable from the intermediary as future cash flows within the boundary of an insurance contract and, applying IFRS 17, includes them in the measurement of the group of insurance contracts until recovered in cash.

Changes in fulfillment Cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates. The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

For insurance contracts measured under the GMM, the following adjustments relate to future service and thus adjust the CSM:

a) experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

b) changes in estimates of the present value of future cash flows in the LRC, except those relating to the effect of the time value of money and the effect of financial risk and changes thereof;

c) changes in the risk adjustment for non-financial risk that relate to future service.

For insurance contracts under the general measurement model (GMM), the following adjustments do not relate to future service and thus do not adjust the CSM:
a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
b) changes in the FCF relating to the LIC; and
c) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Changes to the CSM

For insurance contracts issued, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:
a) the effect of any new contracts added to the group;

b) for contracts measured under the GMM, interest accreted on the carrying amount of the CSM;

c) changes in the FCF relating to future service are recognized by adjusting the CSM. Changes in the FCF are recognized in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognized in insurance service expenses and a loss component is recognized within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM;

d) the amount recognized as insurance revenue for services provided during the period determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to cash flows (locked-in discount rates).

Coverage units used for the release of the CSM

The amount of the CSM recognized in profit or loss for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. The coverage units used to release CSM into profit or loss over time is a key judgment. The CSM represents the unrecognized profits for long contract boundary business and should reflect the amount of services provided.

Loss Component for Onerous Contracts

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Company recognizes the excess in insurance service expenses and records it as a loss component of the LRC.

When a loss component exists, the Company allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts:
a) expected incurred claims and expenses for the period;
b) changes in the risk adjustment for non-financial risk for the risk expired;
c) finance income (expenses) from insurance contracts issued.
The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are not reflected in insurance service expenses. Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Loss Recovery for Onerous Contracts

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognized in profit or loss when the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts as presented in the Onerous contracts – loss component section above. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held.

Measurement – Contracts measured under the PAA

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issue and reinsurance contracts it

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or

- For contracts longer than one year, the Company has done Simple PAA Eligibility test to check the proportion of the premium of these contracts compared to the entire premium.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for the remaining coverage as follows:

- The premiums. If any, received at initial recognition,
- Minus any insurance acquisition cash flows at the date
- Plus or minus any amount arising from the derecognition at the date of the asset recognized for insurance acquisition cash flow
- Any other assets or liability previously recognized for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts recognized.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if net outflows is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfillment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

Subsequent Measurement

The Company measures the carrying amount of the liability for the remaining coverage at the end of each reporting period as the liability for the remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows
- Plus or minus any amount arising from the derecognition at that date of the asset recognized for insurance acquisition cash flows
- Plus any amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense in the reporting
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognized as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfillment cash flows related to incurred claims. The fulfillment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (risk adjustment).

Reinsurance Contracts Initial Measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognizes a loss on initial recognition of an onerous contract group of underlying reinsurance contracts or when further underlying onerous reinsurance contracts are added to a group, the Company establishes a loss -recovery component of the asset for the remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.
The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of Reinsurance UPR on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held.

Subsequent Measurement

The subsequent measurement of reinsurance contracts held follows the same principle as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Insurance Acquisition Cash flow

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows are included in the carrying amount of the related portfolios of contracts

The Company disaggregates amounts recognized in the statement of profit or loss and OCI into:

A insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses.

Income and expenses from insurance contracts are presented separately from income and expenses from reinsurance contracts

Income and expenses from reinsurance contracts, other than reinsurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the reinsurance service result.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue

Insurance revenue – Contracts not measured under the PAA

The Company recognizes insurance revenue as it satisfies its performance obligations, that is, as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items:

- Release of the CSM, measured based on coverage units;
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other directly attributable expenses incurred in the year, generally measured at the amounts expected at the beginning

•Other amounts, including experience adjustments for premium receipts for current or past services for the life risk segment and amounts related to incurred policyholder tax expenses for the participating segment.

In addition, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognizes the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

Insurance revenue – Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates expected premiums equally to each period of related insurance contract services, unless the expected pattern of the release of risk during the coverage period differs significantly from an even basis.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They comprise the following items.

- Incurred claims and other insurance service expenses:

- Amortization of insurance acquisition cash flows: For contracts measured under the PAA, the Company amortizes insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net Income Or Expenses From reinsurance Contracts Held

The Company presents separately on the face of statement of profit and loss, the amounts expected to be recovered from insurers, net of allocation of the insurance premiums paid.

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The Company recognizes an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

For contracts not measured under the PAA, the allocation of reinsurance premiums relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period. For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognized:

• On recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognized;

•Or changes in fulfillment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfillment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

Insurance Finance Income and Expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

• Future Cash flows Flow (FCF) and comprising the Present Value of Future Cash Flow (PVFC) with an appropriate

• The effect of the time value of money and changes in the time value of money; and

• The effect of financial risk and changes in financial risk.

The Company allocates reinsurance finance income or expenses on insurance contracts issued to profit or loss.

Discount Rates

The Company adopts a bottom-up approach in deriving the appropriate discount rates.

Under this approach, the discount rate determined is the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk- free yield and the relevant liability cash flows (known as illiquidity premiums).

Years	2025	2024
1	14.98%	11.58%
2	15.40%	11.78%
3	15.62%	11.92%
4	16.00%	12.25%
5	14.01%	10.22%
6	13.64%	9.88%
7	13.47%	9.75%
8	13.36%	9.66%
9	13.36%	9.69%
10	13.34%	9.69%
11	13.32%	9.69%
12	13.30%	9.69%
13	13.30%	9.70%
14	13.31%	9.73%
15	13.33%	9.77%

Risk Adjustment

IFRS 17 requires entities to measure reinsurance contracts at initial recognition as the sum of the

• Future Cash Flow (FCF) and comprising the Present Value of Future Cash Flows (PVFCF) with an appropriate Risk Adjustment (RA) for non-financial risk.

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Risk Adjustment

The Company has determined that the derivation of the risk adjustment shall be performed at the operating level using an appropriate methodology that is in line with IFRS17 guidelines

The Risk Adjustment for the Liability for Incurred Claims (LIC) has been estimated Value at Risk Method.

The Company applies judgment to determine the appropriate Risk Adjustment based on the non-financial risks associated with their portfolios of insurance and reinsurance contracts to determine the desired Risk Adjustments.

The Company will set confidence level in the range of the 60th to 90th percentile,

2.2.1 Going concern

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

2.2.2 Changes in accounting policies and disclosures

(I) New Standards, amendments and interpretations applied in financial year ended.

Effective July 1, 2024, the Company has adopted the following new or amended accounting standards that became effective during the current fiscal year. While several new standards, interpretations, and amendments to existing standards were published, the Company assessed their relevance to its operations and only adopted those that were applicable. Unless otherwise noted, the adoption of these new standards did not have a material impact on the Company's operations.

Amendments to IAS 1 Presentation of financial statements

Amendments to IAS 1, Presentation of financial statements" effective for annual periods beginning on or after 1 January 2024. These amendments clarify that liabilities are classified as either current or non current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The Company is currently assessing the impact of these amendments.

Disclosure of accounting policies (Amendments to IAS 1, presentation of financial statements, and IFRS practice statement2,making materiality judgments)

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarifying that entities are required to disclose their "material" rather than "significant" accounting policy, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

Amendments to IAS 8, accounting policies, change in accounting estimates and errors-definition of accounting estimate.

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. earlier application is permitted. Entities are required to apply the amendments prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

Amendments to IAS 12, income taxes. " deferred tax related to assets and liabilities arising from a single transaction"

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Entities should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date.

IFRS 17 & IFRS 9

Globally, IFRS 17 and IFRS 9 became effective for the insurance sector on January 1, 2023. While our company initially planned to adopt these standards in July 2023, alignment with our financial year and various internal challenges led us to defer implementation to the 2024/2025 fiscal year. This decision was driven by the significant complexity and cost associated with the new standards, as well as our aim to ensure a smoother transition and minimize operational and reporting disruptions. Despite the initial challenges, we are pleased to report that the implementation has now been successfully completed. The 2024 financial statements, including restated comparative figures, have been prepared in full compliance with IFRS 17 and IFRS 9. This achievement marks a major milestone in aligning our financial reporting with international standards and reflects the sustained collaboration and dedication of all stakeholders involved.

(ii) New Standards, amendments and interpretations applicable in future financial years.

Several new accounting standards and amendments became effective for annual periods beginning after June 30, 2024. These changes were not applied in preparing these financial statements. The Company expects that none of these new standards will have a material impact on its financial statements.

Amendments to IAS 1-Non current Liabilities with covenants

Amendments to IAS 1- Non - current liabilities with covenants. These amendments clarify how conditions with an entity must comply within twelve months after the reporting period affect the classification of liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. Published January 2020 and November 2022, with effect date annual periods beginning on or after 1 January 2024. The adoption is not expected to have a material impact on the Insurance's financial statements.

IFRS S1 General Requirements for Disclosure of sustainability - related Financial Information

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. An entity is required to apply IFRS S for annual reporting periods beginning on or after January 2024.

IFRS S2-Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. An entity is required to apply IFRS S2 for annual reporting periods beginning on or after 1 January 2024.

IFRS 18

The objectives of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 applies to all financial statements that are prepared and presented in accordance with International Financial Reporting Standards (IFRS).

IFRS 18 replaces IAS 1 and responds to investor demand for better information about an entity's financial performance. IFRS 18 sets out the general and specific requirements for the presentation of financial statements and for disclosures in the notes. The new requirements of the standard include:

. Required totals, subtotals and new categories for all income and expenses included in the statement of profit or loss.
. Disclosure about management -defined performance measures.
. Enhanced guidance on the grouping and location of information (aggregation and disaggregation)

Limited, but widely applicable, amendments have been made to other IFRS accounting standards, most notably IAS7, IAS33 and IAS34. Some requirements previously included in IAS 1 have been moved to IAS8, and that standard has also been renamed. IFRS 18, and the consequential amendments to other standards, are effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements along with specified reconciliations for certain comparative periods.

Amendment to IFRS 16- Leases on sale and leaseback

The amendments to IFRS 16 introduce a new accounting model for variable lease payments in sale-and-leaseback transactions. This new model requires seller-lessees to reassess and potentially restate these transactions entered into since 2019. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Key points of the amendments include:

New accounting model for variable lease payments: The amendments introduce a new model that simplifies the accounting treatment of variable lease payments in sale-and-leaseback transactions.

Retrospective application: Seller-lessees will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16, potentially resulting in the need to restate their financial statements.

Potential impact on financial statements: The amendments may have a significant impact on the financial statements of entities that have entered into sale-and-leaseback transactions due to the potential need to restate prior periods.

Amendment to supplier Finance arrangements (IAS7 and IFRS7)

The amendments introduce two new disclosure objectives-one in IAS7 and another in IFRS7- for a Company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the Company's liabilities and cash flows, and the Company's exposure to liquidity risk.

The amendments to IAS 21 (The Effects of Changes in Foreign Exchange Rates) regarding the lack of exchangeability of foreign currency provide clearer guidance on how entities should account for foreign exchange transactions in situations where the foreign currency is not readily convertible into other currencies.

Key Implications:

Lack of Exchangeability: When a foreign currency is not readily convertible, it is considered to be "lacking exchangeability." This could be due to various reasons, such as government restrictions or market limitations.

Functional Currency: The functional currency of an entity is the currency in which the entity primarily generates and expends cash. If the functional currency is different from the currency in which transactions are denominated, the entity needs to translate those transactions into the functional currency.

Translation Adjustments: When translating foreign currency transactions into the functional currency, entities may need to recognize translation adjustments. These adjustments are recognized in other comprehensive income (OCI).

Lack of Exchangeability and Translation Adjustments: The amendments clarify that when a foreign currency lacks exchangeability, entities should not recognize translation adjustments for transactions denominated in that currency. This is because there is no reliable exchange rate available to translate the transactions.

Disclosure Requirements: Entities are required to disclose the reasons for the lack of exchangeability of a foreign currency and the impact on the financial statements.

Detailed Summary:

1. Identify Lack of Exchangeability: Entities need to assess whether a foreign currency is readily convertible. If it is not, the currency is considered to lack exchangeability.

2. Determine Functional Currency: The functional currency of the entity is the primary currency used for generating and expending cash.

3. Translate Transactions: Transactions denominated in foreign currencies are translated into the functional currency using appropriate exchange rates.

4. Recognize Translation Adjustments: When translating transactions, entities may need to recognize translation adjustments in OCI.

5. No Translation Adjustments for Lack of Exchangeability: If a foreign currency lacks exchangeability, entities should not recognize translation adjustments for transactions denominated in that currency.

6. Disclosure Requirements: Entities must disclose the reasons for the lack of exchangeability and the impact on the financial statements.

Overall, the amendments to IAS 21 provide clearer guidance on the accounting treatment of foreign exchange transactions in situations where the foreign currency lacks exchangeability. This helps to ensure that financial statements accurately reflect the impact of foreign exchange fluctuations.

The above standards are not expected to materially affect the Company's financial statements.

2.3 Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate . Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share of profit of an associate and a joint venture' in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in income statement.

2.4 Foreign currency translation

a) Functional and presentation currency

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

b) *Transactions and balances*

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

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

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

2.5 Property, plant and equipment

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

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

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

Asset class	Depreciation rate (years)	Residual value (%)
Buildings	50	5%
Lifts	15	1%
Office and other equipment	7	1%
Furniture and fittings	10	1%
Computer equipment	7	1%
Motor vehicle	10	5%
Fence and recovery improvements	10	1%

The Company commences depreciation when the asset is available for use. Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. 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 derecognized.

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

2.6 Investment Property

1. Classification and Recognition

Property that is held by the entity to earn rental income or for capital appreciation, or both, and is not occupied by the entity (owner-occupied), is classified as Investment Property (IP).

Recognition of Investment Property takes place only when:

- It is probable that the future economic benefits that are associated with the property will flow to the entity, and
- The cost of the property can be reliably measured.

2. Subsequent Measurement (Cost Model)

The entity uses the Cost Model for the subsequent measurement of all Investment Property.
Under the Cost Model, Investment Property is carried at its cost less any accumulated depreciation and accumulated impairment losses.
The entity applies the same accounting policy to its Investment Property as it does to its Property, Plant and Equipment (PPE) under IAS 16,

- Depreciation: The cost of the Investment Property is depreciated over its estimated useful life. The residual value, useful life, and depreciation method are reviewed at each reporting date.
- Impairment: The property is tested for impairment in accordance with IAS 36 *Impairment of Assets* .

3. Subsequent Expenditure

Subsequent expenditure (e.g., major overhaul) is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the entity and the cost of the item can be measured reliably. This includes expenditure that increases the useful life or capacity of the asset. All other day-to-day repairs and maintenance costs are expensed when incurred. When part of an Investment Property is replaced, the carrying amount of the replaced part is derecognized.

4. Income and Derecognition

Earned rental income is recorded in profit or loss for the year, typically within 'Other operating income' or 'Rental income.

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2.7 Intangible assets

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

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

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

Intangible assets class	Useful lives	Residual value (%)
Computer software	8	0%

2.8 Deferred acquisition costs (DAC)

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

DAC is subsequently amortized over the life of the contracts as follows:

. For property, casualty and short-duration life insurance contracts, DAC is amortized over the terms of the policies as premium is earned;
. For long-term insurance contracts with fixed and guaranteed terms, DAC is amortized in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and
. For long-term insurance contracts without fixed terms and investment contracts with DPF, DAC is amortized over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts. The pattern of expected profit margins is based on historical and anticipated future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is charged to revenue.

DAC will not be presented as an asset under IFRS 17. Contract acquisition costs are included in insurance contrac

2.9 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 deposit is measured at cost.

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 unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2.10.1 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.

2.10.2 Financial assets

.10.2.1 Initial recognition and measurement

All financial assets are recognized initially at their fair value. For financial assets that are subsequently measured at amortized cost or Fair Value through Other Comprehensive Income (FVOCI), this initial fair value is adjusted plus or minus transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets subsequently measured at Fair Value through Profit or Loss (FVTPL) are not adjusted for these transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place regular way trades are recognized on the trade date, which is the date the entity commits to purchase or sell the asset.

.10.2.2 Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified into three main categories:

- Amortized Cost (AC)
- Fair Value Through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit or Loss (FVTPL)

a) *Amortized Cost*

Financial assets subsequently measured at Amortized Cost are non-derivative financial assets that meet two criteria:

- The entity's business model is to hold the financial asset to collect contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows on specified dates that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

After initial recognition, such financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the income statement.

b ***Fair Value through OCI (FVOCI)***

1. Classification Criteria

Financial assets subsequently measured at Fair Value Through Other Comprehensive Income (FVOCI) are non-derivative financial assets that meet

· Debt Instruments: The financial asset meets both the business model test (objective is achieved by both collecting contractual cash flows and selling financial assets) and the SPPI test (contractual cash flows are Solely Payments of Principal and Interest).

· Equity Instruments: The asset is a non-trading equity investment for which the entity has made an irrevocable election at initial recognition to present subsequent changes in fair value in Other Comprehensive Income (OCI).

2. Subsequent Measurement

After initial recognition, FVOCI financial assets are subsequently measured at fair value.

Debt Instruments (FVOCI with Recycling)

· Fair Value Changes: Unrealized gains and losses are recognized in OCI (Fair Value Reserve in equity).

Interest, Impairment, and Foreign Exchange: Interest income is recognized in the income statement using the Effective Interest Rate (EIR) method, and Expected Credit Loss (ECL) impairment losses are also recognized in the income statement. Foreign exchange gains and losses on the amortized cost basis are also recognized in the income statement

· Derecognition/Sale: When the debt investment is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified

Equity Instruments (FVOCI without Recycling)

· Derecognition/Sale: When the equity investment is derecognized, the cumulative gain or loss previously recognized in OCI remains in retained earnings and is not reclassified (not recycled) to the profit or loss. Dividends are recognized in the income statement unless they clearly represent a recovery of the cost of the investment. Unquoted equity instruments whose fair value cannot be reliably measured are no longer permitted to be carried at cost; they must be measured at fair value or written off if fair value cannot be determined.

3. Reclassification (Major Change)

Reclassification between categories is only permitted when the entity changes its business model for managing financial assets. Reclassification is applied prospectively from the reclassification date. The previous requirement to reclassify financial assets out of the AFS category due to inactive markets has been removed under IFRS 9.

c 'Day 1' Gain or Loss

When the transaction price of a financial instrument differs from its fair value at initial recognition, the difference (a 'Day 1' gain or loss) is accounted for as follows:

1. Fair Value Determined Using Observable Data
If the fair value is determined based on:

· Observable current market transactions in the same instrument, or
· A valuation technique whose inputs include only data from observable markets (Level 1 or Level 2 inputs, as per IFRS 13),

The entity immediately recognizes the difference between the transaction price and fair value (the 'Day 1' gain or loss) in profit or loss. This is typically recorded in 'Other operating income' or a similar line item.

2. Fair Value Determined Using Unobservable Data
If the fair value is determined using a valuation technique whose inputs include data that is not observable (Level 3 inputs, as per IFRS 13),

The difference between the transaction price and the model's fair value is deferred. This deferred amount is only recognized in profit or loss:

- When the inputs become observable, or
- When the instrument is derecognized (realized through disposal, expiry, or maturity).

This completes the review of initial recognition, subsequent measurement (Amortized Cost and FVOCI), and the 'Day 1' profit rule under IFRS 9.

d) Derecognition of financial assets

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

• the rights to receive cash flows from the asset have expired, or

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

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

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

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

e) Impairment of Financial Assets (Expected Credit Loss Model)

The Company recognizes a loss allowance for Expected Credit Losses (ECL) on all financial assets measured at Amortized Cost or Fair Value Through Other Comprehensive Income (FVOCI) (for debt instruments).

The ECL model is forward-looking and requires the recognition of a loss allowance based on the credit risk of the financial asset since initial recognition, rather than waiting for an incurred loss event.

ECL Stages

1. Stage 1 (12-month ECL):

o Applies to financial assets where credit risk has not increased significantly since initial recognition.

o The loss allowance is measured at an amount equal to the 12-month expected credit losses (losses resulting from default events that are possible within the next 12 months).

o Interest revenue is calculated on the gross carrying amount (before deduction of ECL).

2. Stage 2 (Lifetime ECL - Non-Credit-Impaired):

o Applies to financial assets where credit risk has increased significantly since initial recognition, but the assets are not yet credit-impaired.

o The loss allowance is measured at an amount equal to Lifetime Expected Credit Losses (losses resulting from all possible default events over the expected life of the financial instrument).

o Interest revenue is still calculated on the gross carrying amount.

3. Stage 3 (Lifetime ECL - Credit-Impaired):

o Applies to financial assets that are credit-impaired (i.e., objective evidence of a loss event exists).

o The loss allowance remains measured at Lifetime Expected Credit Losses.

o Interest revenue is calculated on the net carrying amount (after deduction of ECL allowance, effectively on the amortized cost).

The Company applies the simplified approach for trade receivables that do not contain a significant financing component, measuring the loss allowance at an amount equal to Lifetime Expected Credit Losses from initial recognition (Stage 2/3 treatment).

f) Impairment for FVOCI Assets

The assets previously classified as AFS are now generally classified as Fair Value Through Other Comprehensive Income (FVOCI), and their impairment treatment differs based on whether they are debt or equity instruments.

1. Debt Instruments Measured at FVOCI

Debt instruments measured at FVOCI are subject to the Expected Credit Loss (ECL) Model.

At each reporting date, the Company recognizes a loss allowance for Expected Credit Losses (ECL) on debt instruments classified as FVOCI. The impairment loss (or gain on reversal) determined under the ECL model is recognized immediately in profit or loss.

· Measurement: The ECL loss allowance is measured using the three-stage model (12-month ECL or Lifetime ECL) based on whether the credit risk has increased significantly since initial recognition (as outlined in the previous section on impairment).

· Fair Value: While the debt instrument is carried at fair value on the balance sheet, the ECL impairment amount affects the amortized cost component, and the resulting impairment charge is recognized in profit or loss.

· Reversal: If, in a subsequent period, the amount relating to an impairment loss decreases, the impairment loss is reversed through profit or loss.

2. Equity Instruments Designated at FVOCI

Equity instruments for which the entity has made an irrevocable election to present fair value changes in OCI are not subject to the ECL impairment model.

Equity instruments designated at FVOCI are not subject to the impairment requirements of the ECL model. The objective evidence rules (such as a significant or prolonged decline in fair value below cost) for recognizing an impairment loss in profit or loss are no longer applicable

· Losses in OCI: All gains and losses from changes in the fair value of these equity instruments, including those that may indicate impairment, are recognized in Other Comprehensive Income (OCI).

· No Recycling: When the asset is derecognized (sold), the cumulative gain or loss previously recognized in OCI is never reclassified (recycled) to profit or loss. Instead, the cumulative amount is transferred directly to retained earnings."

2.10.2 Financial liabilities

a) Initial Recognition and Measurement of Financial Liabilities

Financial liabilities are classified at initial recognition into two primary measurement categories under IFRS 9:

· Financial liabilities at Fair Value Through Profit or Loss (FVTPL)

· Financial liabilities at Amortized Cost (This category is typically used for most non-derivative financial liabilities, such as loans and borrowings.)

Note on Insurance Contracts (IFRS 17): Liabilities arising under insurance contracts are scoped out of IFRS 9 and are accounted for under IFRS 17 *Insurance Contracts* .

All financial liabilities within the scope of IFRS 9 are recognized initially at their fair value.

· For financial liabilities that are subsequently measured at Amortized Cost, the initial fair value is recognized net of transaction costs that are directly attributable to the issuance of the liability.

· For financial liabilities that are subsequently measured at FVTPL, transaction costs are immediately expensed in profit or loss and are not included in the initial carrying amount.

The entity's financial liabilities under IFRS 9 typically include customer deposits, trade payables, loans and borrowings, and other liabilities. Interest expenditure relating to liabilities measured at amortized cost is recognized in the income statement using the Effective Interest Rate (EIR) method.

b) Subsequent Measurement of Financial Liabilities at Amortized Cost

Financial liabilities are subsequently measured depending on their classification.

Financial Liabilities at Amortized Cost

Financial liabilities are classified and subsequently measured at Amortized Cost unless they are classified as FVTPL. This category typically

· Loans and Borrowings (e.g., bank loans, issued bonds)
· Customer Deposits
· Trade and Other Payables

After initial recognition, financial liabilities at amortized cost are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method.

Amortized cost is calculated by taking into account any discount or premium on the issue and transaction costs that are an integral part of the EIR. The EIR method amortizes the difference between the initial recognized amount (fair value less transaction costs) and the maturity amount over the expected life of the liability.

The interest expense (which includes the EIR amortization) is recognized in profit or loss.

c) Derecognition of Financial Liabilities

IFRS 9 Scope

The rules for derecognition of financial liabilities under IFRS 9 apply to all the entity's financial liabilities except those liabilities arising from insurance contracts, which are scoped out of IFRS 9 and subject to IFRS 17 *Insurance Contracts* .

Derecognition Principle
A financial liability is derecognized (removed from the statement of financial position) only when it is extinguished.

A liability is extinguished when the obligation specified in the contract is either:

1. Discharged: The entity discharges the liability by paying the creditor, typically in cash or other financial assets.
2. Cancelled: The liability is legally cancelled or expires (e.g., through a waiver by the creditor).
3. Expired: The underlying obligation expires.

Exchange or Modification of Terms
When an entity exchanges a financial liability for a new one with the same lender on substantially different terms, or when the terms of an existing financial liability are substantially modified, this transaction is accounted for as an extinguishment of the original liability and the initial recognition of a new liability.

· The difference between the carrying amount of the original financial liability and the consideration paid or new liability recognized is included in profit or loss.

2.10.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize 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.

2.11 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 the following:

(a) Prepayments

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

(b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise ,he Company's other receivables are rent receivables and other receivables from debtors.

2.12 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 and restricted balances with National Bank of Ethiopia.

2.13 Insurance and investment contracts

Classification

Under IFRS 17, an insurance contract is defined as one where the issuer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects them, while an investment contract transfers financial risk with no significant insurance risk; furthermore, IFRS 17 applies to investment contracts with discretionary participation features (DPF) provided the entity also issues insurance contracts, recognizing that a DPF grants the holder a contractual right to receive additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is at the issuer's discretion, and are contractually based on factors such as the performance of specified contracts, investment returns, or the profit or loss of the issuing entity.

2.14 Insurance contracts and investment contracts with DPF

(i) Under IFRS 17, insurance and investment contracts with a Discretionary Participation Feature (DPF) are aggregated into groups of contracts that are subject to similar risks and managed together, and further divided into groups of contracts that are onerous, have no significant possibility of becoming onerous, or are the remaining contracts. The contracts described as short-term, such as casualty, property, and short-duration life contracts, are typically measured using the optional Premium Allocation Approach (PAA) if the coverage period for each contract in the group is one year or less, or if the PAA liability would not materially differ from the full GMM liability

The liability for remaining coverage (LRC) under the PAA is initially measured as the premiums received at initial recognition, less any insurance acquisition cash flows unless the entity chooses to immediately expense them, resulting in a balance that approximates the unearned premium. Insurance revenue is then recognized over the coverage period, generally proportionally over time, but may be based on the expected pattern of incurred insurance service expenses if that differs significantly from the passage of time. Unlike IFRS 4, IFRS 17 explicitly separates insurance revenue, which only reflects the transfer of service, from any investment components within the premium.

The Liability for Incurred Claims (LIC) is measured using the Fulfillment Cash Flows (FCF) model, which equals the present value of estimated future claims and loss adjustment cash flows, plus a Risk Adjustment for non-financial risk. Claims and loss adjustment expenses, including direct and indirect claim settlement costs (which are now part of the FCF), are recognized in profit or loss as the entity is relieved of the liability for incurred claims. A key change is that the liability for unpaid claims must be discounted to reflect the time value of money, unless the cash flows are expected to be paid or received in one year or less from the date the claims are incurred.

(ii) Long-term insurance contracts with fixed and guaranteed terms

Long-term insurance contracts with fixed and guaranteed terms are typically measured using the General Measurement Model (GMM) under IFRS 17. Under this model, the insurance liability is a single, unified measure comprising two main components: the Liability for Remaining Coverage (LRC) for future service and the Liability for Incurred Claims (LIC) for past service.

The LRC is determined by the Fulfillment Cash Flows (FCF) plus a Contractual Service Margin (CSM), while the LIC comprises only the FCF. The FCF is the present value of future cash flows, including all expected premiums, claims, benefits, and expenses (e.g., policy administration and claims handling), and an explicit Risk Adjustment (RA) for non-financial risk. Crucially, IFRS 17 requires current assumptions for non-financial risks (like mortality and expenses) and current discount rates for the time value of money, which replaces the old practice of using locked-in assumptions and implicit margins for adverse deviations

Insurance revenue for these contracts is not the premium received but the amount recognized in profit or loss as the entity provides insurance services, which is determined by allocating the amount of the premium (excluding any investment component) and the release of the CSM over the coverage period, using a systematic approach that reflects the transfer of service. Benefits and claims paid or incurred, along with changes in the liability for incurred claims, are recognized as insurance service expenses in the period they occur, ensuring that the profit from the contract, represented by the CSM, is deferred and recognized only as service is delivered.

Furthermore, the initial measurement of the group of contracts must result in a zero net effect on profit or loss, meaning the initial contractual profit is captured in the CSM; the CSM, representing the unearned profit, is subsequently amortized to profit or loss over the service period. If, however, a group of contracts is identified as onerous (meaning the initial FCF are a net outflow, indicating a loss), that loss must be recognized immediately in profit or loss.

(iii) Long-term insurance contracts without fixed terms and with DPF – unit-linked and universal life

Long-term insurance contracts, such as unit-linked and certain universal life products, that meet the criteria for having a Discretionary Participation Feature (DPF), or contracts with a similar structure where a substantial share of the returns on the underlying assets is passed to the policyholder, are accounted for using the Variable Fee Approach (VFA) under IFRS 17. The VFA is a required modification of the General Measurement Model (GMM) that addresses the variability in the policyholder's returns.

A core principle of the VFA is that the entity's obligation to the policyholder is viewed as a net obligation, where the measurement of the Liability for Remaining Coverage (LRC) reflects changes in the fair value of the underlying items (the units or assets that determine the policyholder's returns). This is done by adjusting the Contractual Service Margin (CSM) for the portion of the change in the fair value of the underlying items that relates to the policyholder's benefits.

Under IFRS 17, an entity must assess at initial recognition and at each subsequent reporting date whether a group of insurance contracts is onerous. A group is onerous if the total of the Fulfillment Cash Flows (FCF)—which are the present value of future cash flows and the Risk Adjustment (RA)—is a net outflow.

The FCF calculation replaces the IFRS 4 requirement for a LAT. It inherently involves a comparison of estimated future cash outflows (benefits, expenses, claims) against expected cash inflows (premiums). Critically, the FCF calculation is always based on current estimates of all future cash flows and an explicit adjustment for the time value of money using current discount rates, and an explicit Risk Adjustment for non-financial risk. The concept of using "locked-in" assumptions (as was done in IFRS 4 for some contracts) is overridden by the requirement to use current estimates for the FCF components.

If a group is determined to be onerous, the expected loss is recognized immediately in profit or loss. This loss is measured as the amount by which the FCF (a net outflow) exceeds the Contractual Service Margin (CSM) balance (which is zero or less for onerous contracts).

A group of insurance contracts is **onerous** if the **Fulfillment Cash Flows (FCF)**—which include the present value of estimated future cash flows and the Risk Adjustment—are a net outflow. Any loss on an onerous group of contracts must be recognized **immediately in profit or loss**. The liability for an onerous group is increased by a **Loss Component** to make the carrying amount of the liability equal to the FCF. This loss component is then adjusted and systematically amortized to profit or loss over the remaining coverage period, ensuring that the remaining liability reflects the current expected cost of fulfilling the contracts. The previous practice of writing off DAC and establishing a separate unexpired risk provision is replaced by the immediate recognition of a loss and the establishment of a **Loss Component** within the insurance contract liability.

(d) Receivables and payables related to insurance contracts and investment contracts

Under IFRS 17, the recognition and measurement of assets and liabilities arising from premiums due from policyholders (receivables) and amounts due to agents, brokers, and others (payables) are excluded from the scope of IFRS 17's specific measurement models (GMM, PAA, VFA). Instead, these items are treated as non-insurance financial assets and liabilities and are accounted for under other applicable International Financial Reporting Standards (IFRS).

Specifically, insurance contract receivables (such as premiums due) are financial assets and are measured and accounted for under IFRS 9 *Financial Instruments* . This means they are initially measured at fair value and subsequently measured at either amortized cost or fair value through profit or loss, depending on the business model and cash flow characteristics. The most significant change is that impairment losses on these receivables must be calculated using the expected credit loss (ECL) model required by IFRS 9, which necessitates recognizing a loss provision based on expected future credit losses, not just losses that have already been incurred.

Insurance contract payables (amounts due to agents, brokers, etc.) are generally financial liabilities and are also accounted for under IFRS 9, typically at amortized cost. Therefore, the old approach of using an analogy to a specific "loans and receivables" impairment method is replaced by the mandatory application of the IFRS 9 ECL model.

(e) Salvage and subrogation reimbursements

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

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

2.15 Insurance contracts Liabilities

Under IFRS 17, Insurance Contract Liabilities are measured as the sum of the Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC). The measurement of the liabilities is based on a current estimate of the Fulfillment Cash Flows (FCF), which comprises the present value of estimated future cash flows (premiums, claims, expenses) and an explicit Risk Adjustment (RA) for non-financial risk. For profitable contracts, the LRC also includes the Contractual Service Margin (CSM), which is the unearned profit recognized over the service period. Groups of contracts that are expected to be loss-making (onerous) are measured at the FCF and result in an immediate loss recognized in profit or loss. For short-duration non-life contracts, the Premium Allocation Approach (PAA) is often applied as a simplification, where the LRC is measured as the unearned premium, and the LIC is measured using the FCF model.

Non- Life Insurance Contracts Level of Aggregation (LoA)

The Level of Aggregation (LoA) requirements. Contracts are first grouped into Portfolios (those with similar risks and management) and then separated into a minimum of three Groups based on profitability: onerous, non-onerous, and residual. All groups must also be disaggregated by contracts issued within a period of no more than one year.

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Life Insurance contracts

The liability is the single Insurance Contract Liability, calculated as the total of the Fulfillment Cash Flows (FCF)—which are the present value of best-estimate cash flows, plus a Risk Adjustment (RA)—and the Contractual Service Margin (CSM). Changes in this liability (the 'surplus or deficit') are recognized in profit or loss as the Insurance Service Result (from the release of the CSM and the service expenses) and Insurance Finance Income or Expense (from the effect of discounting and other financial movements). The old reserves (IBNR and UPR) are implicitly included in the Liability for Incurred Claims (LIC) and the Liability for Remaining Coverage (LRC), respectively.

2.16 Recognition of income and expenses

Insurance contract income is split into two main categories: Insurance Revenue and Insurance Finance Income or Expense. Insurance Revenue is recognized in profit or loss as the entity satisfies its performance obligations by providing insurance coverage and services. It is distinct from the receipt of a Gross Premium, as it excludes any amounts identified as investment components (deposits). Revenue is recognized by allocating the consideration and the systematic release of the Contractual Service Margin (CSM) over the service period. Insurance Service Expenses (claims and changes in the LIC) are recognized as incurred. Investment income is accounted for under IFRS 9 or IFRS 17's specific requirements for financial instruments.

Gross outward reinsurance premiums

Gross outward reinsurance premiums are not presented as a standalone expense when due. Instead, they are included in the measurement of the Reinsurance Contract Held Asset, along with the related claims, and an adjustment for the explicit Risk Adjustment passed to the reinsurer. The net impact of the reinsurance contract (premiums, claims recovered, and the movement of the asset's CSM) is presented in the statement of profit or loss as Income or Expenses from Reinsurance Contracts Held, either gross or netted depending on presentation choices. The deferral of "unearned reinsurance premiums" is replaced by the ongoing measurement and amortization of the Reinsurance Contract Held Asset.

Investment Income

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

Investment income also includes dividends when the right to receive payment is established.

Dividend income

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

2.17 Foreign exchange revaluation gains or losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the income statement and it is further broken down into realized and unrealized portion. The monetary assets and liabilities include financial assets within the foreign currencies deposits received and held on behalf of third parties.

2.18 Insurance Service Expenses

Insurance Service Expenses recognized in profit or loss comprise two main components:

1. Claims and other policyholder benefits incurred: This includes payments made to policyholders and other incurred amounts (e.g., death claims, maturities, surrenders, and general insurance claims) during the period, plus related claims handling costs (internal and external), and net of any recoveries (e.g., salvage). Claims are recognized when they occur, which is when the entity is relieved of the liability for incurred claims.

2. Change in the Liability for Incurred Claims (LIC): This is the movement in the liability (including IBNR and case reserves) calculated using the Fulfillment Cash Flows (FCF)—present value of future cash flows and the Risk Adjustment (RA). This replaces the "adjustments to claims outstanding from previous years" and the IFRS 4 "changes in the gross valuation of insurance liabilities."

3. Policyholder Bonuses/DPF: The impact of policyholder bonuses and changes in the underlying items for contracts with a Discretionary Participation Feature (DPF) are generally captured as adjustments to the Contractual Service Margin (CSM), with only the financial impact flowing through to Insurance Finance Income or Expense or directly recognized as an insurance service expense when incurred.

2.19 Reinsurance claims recovered (or expected to be recovered)

Reinsurance claims recovered (or expected to be recovered) are recognized as Income from Reinsurance Contracts Held when the liability for the underlying gross claim is incurred. The amount recognized reflects the expected recovery based on the terms of the reinsurance contract. This amount is presented separately in the statement of profit or loss and is part of the calculation for the overall movement of the Reinsurance Contract Held Asset.

2.20 Insurance Finance Income or Expense

The Insurance Finance Income or Expense is the financial result from the insurance contract liabilities and assets. It includes the effect of the unwinding of the discount rate (accretion of interest) on both the Fulfillment Cash Flows (FCF) and the Contractual Service Margin (CSM) (for the GMM/PAA). This accrual reflects the time value of money as the liability moves closer to settlement. For financial instruments, such as the interest-bearing financial liability mentioned, IFRS 9 requires the interest cost to be calculated using the Effective Interest Rate (EIR) method and recognized in profit or loss as a general finance cost, separate from the Insurance Finance Income or Expense.

2.21 Employee benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post employment 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*

i) pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively; with additional 3% Provident fund, funding for employees under pension scheme

ii) provident fund contribution, funding under this scheme is 6% and 14% by employees and the Company respectively based on the employees' salary

Once the contributions have been paid, the insurance 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 insurance's obligations are recognized in the profit and loss account

c Defined benefit plan

The insurance operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in service of the insurance are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of gratuity benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation

The liability recognized in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation. Company's contributions to this scheme are charged to profit or loss in the year in which they relate. 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 recognized immediately in profit or loss. Gains or losses on curtailment or settlement are recognized in profit or loss when the curtailment or settlement occurs

***d* Termination benefits**

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

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

2.21 Profit- sharing and bonus plan

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

2.22 Fair value measurements

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 disclose notes:

Disclosures for valuation methods, significant estimates and assumptions Note 4.7.1 and Notes 3
Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
Financial instruments (including those carried at amortized cost) Note 4.7.3

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

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

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

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

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

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

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

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

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

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.

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

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

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

2.24 Insurance payable

Insurance Payables are classified as financial liabilities and are accounted for under IFRS 9 *Financial Instruments* . They are measured initially at fair value and subsequently at amortized cost using the effective interest method. For payables with a short duration (typically less than one year), the difference between the face amount and the discounted amount is usually not significant, so the liability may be measured at the undiscounted amount due to a practical expedient.

2.25 Other payables

Other Payables are classified as financial liabilities and are accounted for under IFRS 9 *Financial Instruments* . They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method (EIR). For payables with a short duration, typically less than one year, the entity may use a practical expedient and measure the liability at the undiscounted amount, as the effect of discounting is generally considered immaterial.

2.26 Share Capital

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

2.27 Earnings per share

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

Diluted EPS is determined by adjusting the profit of loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the efforts of all diluted potential ordinary shares.

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

2.28 Retained earnings

The net profits or losses from operations in current and prior periods are accumulated in retained earnings less distributions to equity holders.

2.29 Legal reserves

In accordance with article 22 sub article (1) and (2), of insurance Business Proclamation No. 746/2012,the Company, at the end of each financial

2.30 Dividend

Dividends are recorded in equity in the period in which they are declared. Any dividend declared after the end of the reporting period and before the financial statements are authorized for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations.

2.31 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.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. If the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration-i.e. the customer has the rights to:

. obtain substantially all of the economic benefits from using the assets; and
. direct the use of the asset.

As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and right-of use assets representing the right to use the underlying assets.

a) Right-of use assets

The Company recognizes right-of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any Re-measurement of lease liabilities. The cost of right-of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of use assets arising from a lease are initially measured on a present value basis and also subject

b) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest bearing finance lease liabilities.

c) Short term leases and leases of low value assets

The Company applies the short term lease recognition exemption to its short term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognized as expense on a straight line basis over the lease term.

As A Lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases.

2.3 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 for each jurisdiction 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

b) Deferred Tax

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

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

Deferred tax assets 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

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

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

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously

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Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

3 Significant accounting judgments, estimates and assumptions

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

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

- Capital management Note 4.6
- Financial risk management and policies Note 4
- Sensitivity analyses disclosures Note 4.5.2

3.1 Judgments

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

Determining the lease term of contracts with renewal and termination options - as a lessee

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension option (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.20 *Operating lease commitments -Company as lessor*

The Company has entered into lease of Land and its office building. 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 Land and office building, that it does not retain all the significant risks and rewards of ownership of these properties and accounts

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.

Valuation of insurance contract liabilities

a) Life insurance contract liabilities

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

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

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 and mortality in estimating the required liabilities for life contracts.

b) 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 range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

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

c) *Impairment losses on loans and receivables*

The Company assesses at the end of every reporting period whether there is any objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, management has deemed that cash flow from collateral obtained would arise within 24 months.

a) The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgment applied in the calculation of the Company's impairment charge on financial assets are set out in the Financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

e) Retirement Benefit Obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of severance pay obligations. The assumptions used in determining the net cost (income) include the discount rate , rate of return on assets, future salary increments and mortality rates.

The Company determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Other key assumptions for retirement benefit obligations are based in part on current market conditions.

The estimation of the useful lives of assets is based on Management's judgment. The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. Property, plant and equipment is depreciated over its useful life. estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase expenses and decrease the carrying value of non-current assets.

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

f) *Depreciation and carrying value of property, plant and equipment*

Impairment of non- financial assets

a) The Company reviews other non-financial assets for possible impairment if there are events or changes in circumstances that indicate that the carrying values of the assets may not be recoverable, or at least at every reporting date, when there is any indication that the asset might be impaired. The Company is of the opinion that there is no impairment indicator on its non-financial assets as at the reporting date.

b) *Fair valuation of investment properties*

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is determined by reference to observable market prices. The fair value of investment property does not reflect the related future benefits from this future expenditure. These valuations are performed by external appraisers. Assumptions are made about expected future cash flows and the discounting rates.

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 judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.7.2 for further

Income taxes

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

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

4.1 Introduction

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

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 monitors 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 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 and compliance work unit is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the work Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company's overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board's Risk and Compliance Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management to ensure that procedures are compliant with the overall framework. The 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 and Investment work unit 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 as per the Company's approved investment and liquidity policy.

4.1.2 Risk Measurement and Reporting Systems

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statically model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected segments. In addition, the Company measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

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

Risk management reports are presented by the risk management work unit based on the National bank of Ethiopia risk parameters and company's identified risks. The reports are discussed in the quarterly report of the Risk management and Compliance committee meetings. Control processes are also regularly reviewed at Business unit level and changes agreed with the Board.

4.2 Insurance Risk

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

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting policy and procedures as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation programmed. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is surplus treaty 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 are determined based on the company's reinsurance policy and 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.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Life Insurance Contracts

The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

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Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

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 diversification across industry sectors and geography, 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, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

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 and national tables, according to the type of contract written and the territory in which the insured person resides. 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. Assumptions are differentiated by sex, underwriting class and contract type.

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 and national tables, 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 shareholders.

► Discount rate

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

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

Sensitivities Analysis

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. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

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.

Birr'000

Plan of assurance Individual policies	Best estimate	Mortality 10% increase	10% decrease	Lapses and surrenders 20% Increase	10% decrease	Expenses 10% Increase	10% decrease	Yield curve 10% increase	10% decrease
Ordinary endowment	11,056	113,159	112,952	109,503	116,761	121,937	104,704	106,225	120,592
Group endowment	1,996	1,997	1,995	1,976	2,016	2,032	1,961	1,908	2,089
Mortgage	40,094	43,707	36,445	40,094	40,094	40,464	39,787	36,168	44,730
Group Policies									
Group Life	71,002	71,002	71,002	71,002	71,002	71,002	71,002	71,002	71,002
Group Medical	23,252	23,252	23,252	23,252	23,252	23,252	23,252	23,252	23,252
Funeral	223	223	223	223	223	223	223	223	223
Totals	**249,624**	**253,340**	**245,870**	**246,051**	**253,349**	**258,911**	**240,929**	**238,779**	**261,888**

Non- Life Insurance Contracts

The Company principally issues the following types of general insurance contracts: Property ,Personal and Liability insurance coverage to policyholders and are not guaranteed as renewable. Most of Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from Natural and Man-made clay mates. For longer tail claims that take some years to settle, there is also inflation risk.

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 judgments are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivity analysis

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.

The table below looks at how changes in in the claims cost affects the current liability. A 10% increase will lead to liability increase of ETB 21.59 million and a 10% decrease will lead to a liability decrease of ETB21.59 million.

a) A 10% increase will lead to a liability increase of ETB 21.59 million

Birr'000

		June 30, 2025
Average claim cost	+10%	21,588
Average number of claims	+10%	21,588

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

		June 30, 2024 Birr'000
	Decrease in gross liabilities	
Average claim cost	-10%	21,588
Average number of claims	-10%	21,588

Claims development Triangle

The following table 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 2025:

Accident year	2019 & Prior Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000	2023 Birr'000	2024 Birr'000	2024 Birr'000	Total
At the end of claim year	1,695,007	260,610	343,366	424,231	787,620	754,883	731,554	4,997,270
One year later	36,000	7,799	4,066	8,200	16,435	11,173	-	83,673
Two year later	1,450	279	88,306	1,488	733	-	-	92,257
Three year later	640	759	455	348	-	-	-	2,202
Four year later	1,325	182	206	-	-	-	-	1,712
Five year later	62	14	-	-	-	-	-	76
Six years	-	-	-	-	-	-	-	0
Gross Cumulative Payments to date	(1,660,263)	(266,161)	(342,355)	(408,474)	(527,562)	(560,513)	(411,564)	-4,176,891
Gross Cumulative Liabilities	74,220	3,482	94,045	25,794	277,226	205,542	319,990	1,000,299,693
IBNR	-	-	-	1	26,510	44,806	144,565	215,881,859

4.2 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 amortized 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 summarized in the table below:

Financial Assets

June 30, 2025	Notes	Financial Assset at FVOCI Birr'000	Financial Asset at amortiazation cost Birr'000	Total Birr'000
Investment securities:				
- Financial assets at amortized costs	17		163,281	163,281
- Financial assets at FVTOCI	17	426,324		426,324
Other assets	23		128,815	128,815
Reinsurance Contract Assets	8		855,143	855,143
Loan to life policy holders	21		92	92
Deposit with financial institutions	24		3,156,572	3,156,572
Cash and cash equivalents	24		288,914	288,914
Total financial assets		**426,324**	**4,592,818**	**5,019,141**

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Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

	Notes	Financial Assset at FVOCI	Financial Asset at amortiazation cost	Total
June 30, 2024		**Birr'000**	**Birr'000**	**Birr'000**
Investment securities:				
- Financial assets at amortized costs	17		81,382	81,382
- Financial assets at FVTOCI	17	389,826		389,826
Other assets	23		52,600	52,600
Reinsurance Contract Assets	8		812,006	812,006
Loan to life policy holders	21		87	87
Deposit with financial institutions	24		2,377,634	2,377,634
Cash and cash equivalents	24		145,423	145,423
Total financial assets		**389,826**	**3,469,132**	**3,858,959**

Financial Liabilities

		Other financial liabilities Birr 000	Total
June 30, 2025		**Birr'000**	**Birr'000**
Reinsurance Contract Liabilities	8	358,346	358,346
Insurance Contract Liabilities	8	2,611,430	2,611,430
Other liabilities	26	362,427	362,427
Total financial Liabilities		**3,332,203**	**3,332,203**

		Other financial liabilities Birr 000	Birr'000
June 30, 2024			
Reinsurance Contract Liabilities	8	253,766	253,766
Insurance Contract Liabilities	8	2,327,207	2,327,207
Other liabilities	26	190,462	190,462
Total financial Liabilities		**2,771,435**	**2,771,435**

4.3 Credit Risk

Credit risk it the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment portfolio, long term staff loans and the reliance on reinsurers to make payment when certain loss conditions are met. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

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.

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)

. 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.

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.

In line with above policies and procedures, the Company's credit risk arises predominantly from Financing activities, investment activities and reinsurance activities. Key areas where the company is exposed to credit risk are:

. Receivables arising out of direct insurance arrangements;
. Receivables arising out of Re insurance arrangements ;and
. Receivables arising out of short term investments

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

		June 30, 2025	June 30, 2024
Investment securities:		Birr'000	Birr'000
- Financial assets at amortized costs	17	163,281	81,382
- Financial assets at FVTOCI	17	426,324	389,826
other assets	23	128,815	52,600
Reinsurance contract assets	8	855,143	812,006
Loan to life policy holders	21	92	87
Deposit with financial institutions	24	3,156,572	2,377,634
Cash and cash equivalents	24	288,914	145,423
Total financial assets		**5,019,141**	**3,858,959**

4.3.1 Management of Credit Risk

In measuring credit risk of loans and receivables to various counterparties, the Company considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out.

The risk associated with direct insurance arrangements is insignificant due to National Bank regulation which is "No Premium No Cover Credit" Insurance polices are sold on cash basis to all policyholders except governmental organizations which is not relevant to our case; As a result the risk of default is non-existence.

Reinsurance arrangements mitigate insurance risk but expose the Company to credit risk. Reinsurance is placed with companies based on an evaluation of the financial strength of the reinsurers, rating , terms of coverage and price. It is Company policy to only deal with reinsurers with credit ratings of at least B from known credit rating agency other than Ethiopian Reinsurance share Company which is not yet rated for mandatory policy and treaty cession as per local regulatory requirements.
The credit risk in the Reinsurance area arises:
• When the Company's reinsurers fails to make a claim reimbursement as and when it is claimed.
• The Company transfers a part of their portfolio to a reinsurer in exchange for a premium. A default on the part of the reinsurer can lead to adverse impacts, on the profitability solvency, underwriting abilities of the Company.

The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset counterparties are both debtors and creditors to the company. Provisions for impairment receivables and subsequent write-offs are presented to the top management and the board as appropriate as per the write off policy of the company. Internal audit makes regular reviews to assess the degree of compliance based on the company internal audit manual.

4.3.2 Concentration of Credit Risk

The credit risk of the company has been concentrated in the following key areas of activities;
(a) Investing/Lending activities
Credit risks associated with investments, risk happens when a firm invests' on debentures or loans to individuals having poor history in repayments or putting money into an asset with the expectation of capital appreciation, dividends and/or interest earnings. Such area is a major source of credit risk.
In our scenario neither debenture nor lending activities exists except policy loan where the long term business section of the company advances loan to life policy holders and the risk of default is totally non-existence as the collateral is the accumulated cash value. Other loan with small portfolio is given to staff based on property security and personal guarantee with low default risk
The current Company's equity investment is in banks and in local reinsurance company with low risk.
(b) Credit Concentration of a single counter party
There is a potential credit risk arising from the fact that banks may not settle time deposits on timely basis.

4.3.3 Credit Quality Analysis

a) Cash and cash equivalents

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

b) Investment securities

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

c) Reinsurance assets

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

d) Credit quality of other financial assets

June 30, 2025	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
Insurance Contract Assets					
Due from Contract holders	20			46,187	21,950
				46,187	**21,950**
Less : Impairment allowance	20			(12,499)	(10,700)
Net Insurance receivable				**33,688**	**11,250**
Other assets					
Rent receivable	23	1,293			1,293
Receivables on policy loan	23	18			18
Staff debtors	23	23,631			23,631
Sundry debtors	23	3,750			3,750
Gross amount		28,692			28,692
Net other assets		**28,692**			**28,692**

June 30, 2024		Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
Insurance contract assets :					
Due from Contract holders	20			8,611	8,611
Less : Impairment allowance	20			(2,350)	(2,350)
Net Insurance receivable				**6,261**	**6,261**
Other assets					
Rent receivable	23	1,293			1,293
Staff debtors	23	23,631			23,631
Sundry debtors	23	2,202			2,202
Gross amount		**27,126**			**27,126**
Less: Specific impairment allowance		(1,413)			(1,413)
Net other assets		**25,713**			**25,713**

Insurance receivables - neither past due nor impaired

The credit quality of the portfolio of insurance receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Insurance receivables in this category are receivables from contract holders (Government customers) that are past due for less than 30 (thirty) days. Insurance receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

Other assets

Other receivables balances constitute; rent receivables , other account receivables, Sundry debtors and Staff debtors. The Company has an internal system of assessing the credit quality of other receivables through established policies and approval systems. The Company constantly monitors its exposure to these receivables via periodic performance review. The Company further manages its exposure to credit risk through deduction of transactions at source. The exposure to credit risk associated with other receivables is low.

4.3.4 Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Companies of homogeneous assets in respect of losses that have been incurred but have not been identified on receivables subject to individual assessment for impairment.

	Notes	30/Jun/25 Birr'000	30/Jun/24 Birr'000
Due from contract holders	8	46,187	21,950
Other loans and receivables		(12,499)	(10,700)
Total allowance for impairment		**33,688**	**11,250**

4.4 Liquidity Risk

Liquidity refers to the Company's insufficient cash resources to meet financial obligations as and it is a measure of the ability of a debtor to pay his debts when they fall due (without affecting either the daily operations or the financial condition of the Company). It is also the risk that a financial institution will incur losses because it finds difficult to secure the necessary funds or forced to obtain funds at far higher interest rates than under normal conditions due to mismatch between the maturities of assets and liabilities or unexpected outflow of funds. In addition, liquidity risk is expressed as a financial institution that incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like. It is usually expressed as the ratio or a percentage of current liabilities to liquid assets.

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

4.4.1 Management of Liquidity Risk

Cash flow forecasting is performed by the finance and investment department. The department forecasts 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.

And the report include, among other items, the following;
- Factors that may seriously affect liquidity risks.
- External environment conditions such as the economic and market conditions.
- Urgency of funds need.
- Level of trend of liquidity risk.
- Status of compliance with limits and use thereof.
- Ensures that the liquidity policy is properly co-ordinate with other related assets/liability policies of the Company.
- Cash flow needs for the immediate future (one year);
- Previous years liquidity fluctuations (at least two years);
- Income requirements for the year;
- Volume of claims and other operational expenses;
- Any other known factors which may have an effect on available liquidity.

4.4.2 Measurement of Liquidity Risk

The Company has a process for measuring and monitoring its existing liquidity position as well as its net funding requirements. This involves forecasting cash inflows and outflows over various time horizons to identify potential cash imbalances.
Liquidity risk is primarily measured as the ratio of current liability to liquid assets. It is expected that the ratio should at all times be less than to 1.5(105%). i.e. the maximum tolerance liquidity rate the company should keep on hand is one birr for one birr and five cents obligation or liability.

In addition, the company should maintain at least 65% and 50% of admitted asset bank deposits and treasury bills, for General and Long term Insurance business respectively A minimum operating liquidity level should be established to maintain a comfortable cushion beyond the minimum statutory requirement, in order to meet cash needs. A desired target maximum for operating liquidity also needs to be established to reflect the fact that too much liquidity has a negative effect on earnings, There is some gab in liquidity ration as compared with the market ratio where the company has devised various mitigation strategy including capital raising and generating income from rent and other investment sources.

4.4.3 Maturity Analysis of Financial Liabilities

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

	Notes	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
June 30, 2025						
Insurance Contract Liabilities	8	2,611,430	-	-	-	2,327,207
Reinsurance Contract Liabilities	8	358,346	-	-	-	253,766
Other liabilities	26	371,636	-	-	-	190,461
Total financial liabilities		**2,771,434**	-	-	-	2,771,434

	Notes	0-1 year Birr '000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
June 30, 2024						
Insurance Contract Liabilities	8	2,327,207	-	-	-	2,611,430
Reinsurance Contract	8	253,766	-	-	-	358,346
Other liabilities	26	190,462	-	-		362,427
Total financial liabilities		**3,332,203**	**-**	**-**	**-**	3,332,203

4.5 Market Risk

Market risk is the risk of adverse financial impact due to changes in the value or future cash flows of financial instruments from fluctuations in , interest rates and equity prices. Changes in price may occur to a specific investment or in general to the portfolio of investment. Market risk encompasses the risk of financial loss resulting from movements in market prices which refers to the standard deviation of the change in value of a financial instrument with a specific time horizon. The Company does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 Management of Market Risk

To effectively control and manage market risk the need for establishing capital market is un questionable. The establishment and operation of a well regulated equity market could enhance initiatives to establish new and expand/diversify existing business by providing venture capital and the flexibility to exist from or simply change investment portfolio.
Market risk is Monitored by the risk management unit . It is responsible to prepare a quarterly investment report that will provide analysis of the status of the current investment portfolio and transactions made over the reporting period. Besides, investment committee has been established and it is responsible for assessing investment options and recommending the viable options to senior management.

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4.5.2 Measurement of Market Risk

The principle adopted in the management of investments is to closely match assets to the nature and term of insurance liabilities where possible. Total capital held in each entity reflects the results of internal models of economic capital, and takes in to account business growth plans ,as well as the likelihood of not being able to demonstrate an appropriate level of solvency.
Market risk is measured on the basis of investment capital or need of the company .Investment is made on evaluating the investee companies and the type of investment. Investment risk is measured on the basis of security of the investees, liquidity consideration, and interest rate offer, and investment period ,rate of return and feasibility study documents.

4.5.3 Monitoring of Market Risk

Market risk is monitored by performing regular asset liability matching exercises, monitoring market volatility ,comparing actual performance with benchmark performance, and tracking errors and distributions of fixed interest assets. Market risk is further monitored by measuring and comparing the actual risk exposure in terms of economic capital to an approved limit, based on a value at risk calculation.
. 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 its financial obligations and financial assets with fixed interest rates . the Company monitors this exposure through periodic reviews of the assets and liability position. Estimate of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modeled and reviewed. The overall objective these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable than the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products. The Company is also exposed to the risk of changes in future cash flows from fixed income securities arising from the changes in interest rates.

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

June 30, 2025	Notes	Fixed Birr'000	Non-Interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	24	3,445,486	-	3,445,486
- Financial assets at FVTOCI	17		426,324	426,324
- Financial assets at amortized costs	17	163,281	-	163,281
Insurance Contract Assets	8	76,494	-	76,494
Reinsurance Contract Assets	8	855,143	-	855,143
Other assets	23	128,815	-	128,815
Total		**4,669,220**	**426,324**	**5,095,544**
Liabilities				
Insurance contract liabilities	8	2,611,430	-	2,611,430
Reinsurance Contract Liabilities	8	358,346	-	358,346
Other liabilities	26	362,427	-	362,427
Total		**3,332,203**	**-**	**3,332,203**

30/Jun/24		Fixed Birr'000	Non-Interest bearing Birr'000	Total Birr'000
Assets				
Cash and bank balances	24	2,523,057	-	2,523,057
- Financial assets at FVTOCI	17	-	389,826	389,826
- Financial assets at amortized costs	17	81,382		81,382
Insurance Contract Assets	8	19,699		19,699
Reinsurance Contract Assets	8	812,006		812,006
Other assets	23	52,600	-	52,600
Total		**3,488,745**	**389,826**	**3,878,571**
Liabilities				
Insurance contract liabilities	8	2,327,207	-	2,327,207
Reinsurance Contract Liabilities	8	253,766	-	253,766
Other liabilities	26	190,462	-	190,462
Total		**2,771,435**	-	**2,771,435**

. Foreign Exchange Risk

Foreign exchange risk is the risk of loss arising from adverse exchange rate movements in foreign exchange exposures The company primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency. Therefore, the company is not exposed to currency risk.

. Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limit on investments in each sector and market.

The Company has no significant concentration of price risk as there is no active market in Ethiopia.

4.6 Capital Management

Capital management risk is failure to maintain adequate regulatory capital to meet NBE's capital requirements or the Company's internal capital target aiming to safeguard its ability to continue as ageing concern, and maintain strong capital base so as to maintain investors, creditors, and enhance market confidence and sustain future developments of business. Even though the current paid up capital of the company's seems above the regulatory threshold. The company contemplates to double the capital within the coming five years in order to meet the needs of policyholders and other stakeholders

4.6.1 Margin of Solvency Ratio

Solvency margin is the amount by which the asset of an insurer exceed its liabilities. Methods of calculating solvency margin of an insurer are prescribed in the margin of solvency (MOS) Directive No.SIB/45/2016 of National Bank of Ethiopia (NBE).

The directive stipulate the minimum solvency margin , which an insurer must maintain at all times .For instance, an insurer carrying on general business shall keep admitted capital amounting 25% of its technical provision (or 20% of the net Written premiums in the last preceding financial year, or the minimum paid up capital) .Whereas, an insurer carrying on long term business shall keep admitted capital amounting to the higher of 10% of technical provisions or the minimum paid up capital can be mentioned

The solvency of insurance company or its financial strength depends chiefly on whether sufficient technical reserves have been setup for the obligations entered in to and whether the company has adequate capital as security.

General business		**30-Jun-25**	**30-Jun-24**
Admissible assets	**A**		
Property, plant and equipment		350,192	344,996
Investment properties		204,565	209,151
- Financial assets at FVTOCI		330,241	301,309
- Financial assets at amortized costs		144,491	70,195
Statutory deposits		187,488	149,434
Insurance receivables		33,688	11,250
Reinsurance Contract Assets		837,556	787,229
Salvage property held for sale		13,038	19,302
Other assets		126,216	47,817
Deposits with financial institutions		2,825,206	2,061,851
Cash and cash equivalents		283,568	139,933
Total		**5,336,248**	**4,142,467**
Admissible Liabilities	**B**		
Insurance contract liabilities/Gross/		2,318,082	1,976,395
Reinsurance Contract Liabilities		330,043	230,111
Other liabilities		339,824	186,969
Current income tax liabilities		98,061	65,570
Lease Liabilities		14,619	11,856
Defined benefit obligations		12,376	9,203
Deferred income tax		66,688	54,484
Total		**3,179,693**	**2,534,588**

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Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

Excess (admitted capital) (A)-(B)	**C**	**2,156,554**	**1,607,879**
Net premium (preceding year)	**D**	1,255,683	994,883
Technical provision (current year)	**E**	2,318,082	1,976,395
Solvency margin			
Limit of net premium i.e. 20% of net premium	**F**	251,137	198,977
Limit of technical provision i.e. 25% of technical provision	**G**	579,521	494,099
Minimum paid up Capital		400,000	400,000
Higher of the three	**H**	579,521	494,099
Margin of solvency	**(C-H)**	**1,577,034**	**1,113,780**
Solvency ratio	**C/H**	**372%**	**325%**

Life business		June 30, 2025	June 30, 2024
		Birr'000	Birr'000
Admissible assets	**A**		
Property, plant and equipment		47,970	49,256
Investment properties		62,585	64,020
- Financial assets at FVTOCI		96,083	88,518
- Financial assets at amortized costs		18,790	11,187
Statutory deposits		17,088	16,077
Reinsurance Contract Assets		17,587	8,449
Insurance Contract Assets			
Other assets		2,599	4,783
Over investment		0	
Deposits with financial institutions		331,367	315,783
Cash and cash equivalents		5,346	5,490
Total		**599,415**	**563,563**
Admissible Liabilities	**B**		
Insurance Contract Liabilities		293,348	350,812
Deferred tax liability		7,237	5,476
Reinsurance Contract Liabilities		28,303	23,655
Other liabilities		22,604	3,492
Defined benefit obligations		383	293
Total		**351,875**	**383,728**
Excess (admitted capital) (A)-(B)	**C**	**247,540**	**179,835**
Technical provision (current year)	**D**	**293,348**	**350,812**
Solvency margin			
Limit of technical provision i.e. 10% of technical provision	**E**	**29,335**	**35,081**
Minimum Paid up capital	**F**	**100,000**	**100,000**
Higher of the two	**G**	**100,000**	**100,000**
Margin of solvency	**(C-G)**	**147,540**	**79,835**
Solvency ratio	**C/G**	**168%**	**225%**

As per the National Bank regulation, the admitted capital should be above 10% of technical provisions or the minimum paid up capital and the long term business solvency margin is above the minimum requirement as shown in the above table

4.7 Fair value of financial assets and liabilities

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

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

4.7.1 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 source; Unobservable input reflect the Company's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within
. 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 with in 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.

4.7.2 Financial instruments not measured at fair value

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

	Notes	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000
Financial assets					
Cash and Cash equivalents	24	288,914	288,914	145,423	145,423
Deposits with financial institutions	24	3,156,572	3,156,572	2,377,634	2,377,634
- Financial assets at FVTOCI	17	426,324	426,324	389,826	389,826
- Financial assets at amortized costs	17	163,281	163,281	81,382	81,382
Reinsurance Contract Assets	8	855,143	855,143	812,006	812,006
Other assets	23	128,815	128,815	52,600	52,600
Total		**5,019,049**	**5,019,049**	**3,858,872**	**3,858,872**
Financial Liabilities					
Insurance Contract Liabilities	8	2,611,430	2,611,430	2,327,207	2,327,207
Reinsurance Contract Liabilities	8	358,346	358,346	253,766	253,766
Other liabilities	26	371,636	362,427	190,462	190,462
		3,341,412	**3,332,203**	**2,771,435**	**2,771,435**

4.7.3 Fair value methods and assumptions

Investment securities

Government bonds are classified as loans and receivables and are measured at amortized cost using the effective interest rate (EIR) method. This means The amortized cost is determined as the fair value of the bond at inception plus interest accrued using the effective interest rate.

4.7.4 Valuation technique using significant unobservable inputs - Level 2

4.7.5 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 result of significant inputs to the fair valuation process becoming observable or unobservable.

4.8 Offsetting financial assets and financial liabilities

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

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

5 Segment information

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

Business segments

The Company operates the following main business segments:

Non- life (General) Business- Includes general insurance transactions with individual and corporate customers.

Life Business- Includes life insurance policies with individual and corporate customers.

General Takaful Business

The Company manages Takaful operations as a trustee under a wakalah agreement, charging a 35% wakalah fee on general Takaful contributions to cover operational expenses. It also manages Sharia-compliant Takaful Fund investments, with returns shared according to a mudarabah-like ratio on shareholder funds, incentivizing performance. A separate investment management fee compensates the Company for managing participant fund investments. A Shariah board ensures all activities comply with Islamic principles.

The segment information for the reporting segments for the year ended 30 June 2025 is as follows:

5.1 Statement of Financial Position - 30 June 2025

ASSETS	Notes	General Business Birr'000	Life Business Birr'000	Total Birr'000
Property, plant and equipment	14	369,386	48,352	417,738
Investment properties	15	204,565	62,585	267,150
Intangible assets	16	15,224	90	15,314
Right-of-use assets	28	26,051	-	26,051
Investment securities :				-
Financial Asset at FVOCI	17	330,241	96,083	426,324
Financial asset at Amortized Cost	17	144,491	18,790	163,281
Statutory deposits	18	187,488	17,088	204,576
Insurance Contract Assets	8g	33,688	42,806	76,494
Reinsurance Contract Assets	8 a,b	837,556	17,587	855,143
Policy holder loans	21	-	92	92
Salvage property held for sale	22	13,038	-	13,038
Other assets	23	126,216	2,599	128,815
Deposits with financial institutions	24	2,825,206	331,367	3,156,572
Cash and cash equivalents	24	283,568	5,346	288,914
Total assets		**5,396,717**	**642,785**	**6,039,502**
LIABILITIES				
Insurance contract liabilities	8 d.e	2,318,082	293,348	2,611,430
Reinsurance Contract Liabilities	8 H	330,043	28,303	358,346
Other liabilities	26	349,033	22,604	371,636
Current income tax liabilities	27	98,061	19,872	117,933
Lease Liabilities	28	14,619	-	14,619
Defined benefit obligations	29	12,376	383	12,759
Deferred income tax	27	66,688	7,237	73,926
Total liabilities		**3,188,902**	**371,747**	**3,560,649**
EQUITY				
Share capital	30	1,236,598	105,000	1,341,598
Share premium	30	15,202	-	15,202
Retained earnings	31	608,572	98,822	707,395
IFRS Adoption Re-measurement Reserve		61,468	4,472	65,940
Legal reserve	32	241,383	41,082	282,465
Revaluation Reserve-Equity Investment	11	56,699	16,048	72,747
Other reserves	33	(6,088)	(407)	(6,495)
Total equity		**2,213,835**	**265,018**	**2,478,852**
Total equity and liabilities		**5,396,717**	**642,785**	**6,039,502**

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5.2 Statement of Financial Position - 30 June 2024	Notes	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS		360,744	49,705	410,449
Property, plant and equipment	14	209,151	64,020	273,170
Investment properties	15	11,385	128	11,514
Intangible assets	16	22,004		22,004
Right-of-use assets	28			
Investment securities :		301,309	88,518	389,826
Financial Asset at FVOCI	17	70,195	11,187	81,382
Financial asset at Amortized Cost	17	149,434	16,077	165,511
Statutory deposits	18	11,250	8,449	19,699
Insurance Contract Assets	8g	787,229	24,777	812,006
Reinsurance Contract Assets	8 a,b	-	87	87
Policy holder loans	21	19,302		19,302
Salvage property held for sale	22	47,817	4,783	52,600
Other assets	23	2,061,851	315,783	2,377,634
Deposits with financial institutions	24	139,933	5,490	145,423
Cash and cash equivalents	24	**4,191,603**	**589,004**	**4,780,608**
Total assets				
LIABILITIES		1,976,395	350,812	2,327,207
Insurance contract liabilities	8 d.e	230,111	23,655	253,766
Reinsurance Contract Liabilities	8 H			-
Investment Contract Liabilities		196,178	3,492	190,462
Other liabilities	26	65,570	(1,524)	64,046
Current income tax liabilities	27	11,856		11,856
Lease Liabilities	28	9,203	293	9,496
Defined benefit obligations	29	54,484	5,476	59,960
EQUITY		**2,534,588**	**382,205**	**2,916,793**
Share capital	30			
Share premium	30	963,175	105,000	1,068,175
Retained earnings	31 b	15,202	-	15,202
IFRS Adoption Re-measurement Reserve		372,797	43,514	416,310
Legal reserve	32	61,468	4,472	65,940
Participants Takaful Fund		168,048	30,102	198,151
Revaluation Reserve-Equity Investment	33	79,321	24,131	103,452
Other reserves		(2,996)	(419)	(3,415)
		1,657,015	**206,800**	**1,863,815**
Total equity		**4,191,603**	**589,004**	**4,780,609**
Total equity and liabilities				

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

5.3 30 June 2025

	Notes	General Business Birr'000	Life Business Birr'000	Total Birr'000
Insurance Revenue	6.a	2,121,589	215,720	2,337,309
Insurance Service Expense	6.b	(1,062,595)	(167,627)	(1,230,222)
Net Expenses from Reinsurance Contracts Held	6.c	(351,323)	9,607	(341,716)
Insurance Service Result		**707,671**	**57,700**	**765,372**
Net Investment Income	12	466,457	77,977	544,434
Finance Income/(Expenses) from Insurance Contracts	6.d	156,924	7,079	164,002
Finance Income/Expenses)from Reinsurance Contracts	6.d	(48,829)	671	(48,158)
Net Financial Result		**574,551**	**85,727**	**660,278**
Other income	13	7,739	742	8,481
Wakala fee income		11,183		11,183
Other Operating Expense	7.2	(426,215)	(10,766)	(436,981)
Impairment of loss		85	644	729
Finance Cost	7.3	(1,012)	-	(1,012)
Profit before tax from reportable segments		**874,002**	**134,048**	**1,008,050**
Income tax expense	27 a	(140,656)	(24,245)	(164,901)
Profit for the year		**733,346**	**109,803**	**843,149**
Other Comprehensive Income				
Revaluation gain/loss on Equity Investments		**56,699**	**16,048**	**72,747**
Total Comprehensive Income		**790,046**	**125,851**	**915,897**
		614,022	**18,257**	632,280
Assets and liabilities 2025				
Total assets		5,396,717	642,785	6,039,502
Total liabilities		3,179,693	371,747	3,551,440
Net assets/(liabilities)				

5.4 30 June 2024

	Notes	General Business Birr'000	Life Business Birr'000	Total Birr'000
Insurance Revenue	6.a	1,642,503	125,613	1,768,115
Insurance Service Expense	6.b	(1,243,529)	(118,727)	(1,362,256)
Net Expenses from Reinsurance Contracts Held	6.c	31,883	(6,850)	25,033
Insurance Service Result		**430,856**	**36**	**430,892**
Net Investment Income	12	338,584	58,008	396,591
Finance Income/(Expenses)from Insurance Contracts	0	56,419	(7,240)	49,179
Finance Expenses/(Income) from Reinsurance Contracts	0	(41,362)	649	(40,713)
Net Financial Result		**353,641**	**51,417**	**405,058**
Other income	13	3,233	158	3,391
Other Operating Expense	7.2	(260,799)	(11,057)	(271,856)
Impairment of loss		(883)	(756)	(1,639)
Finance Cost	7.3	(969)	-	(969)
Profit before tax from reportable segments		**525,080**	**39,798**	**564,878**
Income tax expense	27 a	(91,116)	(953)	(92,069)
Profit for the year		**433,964**	**38,845**	**472,809**
Other Comprehensive Income				
Revaluation gain/loss on Equity Investments		**79,321**	**24,131**	103,452
Total Comprehensive Income		**513,285**	**62,976**	**576,261**
Assets and liabilities 2024				
Total assets		4,191,603	589,004	4,780,608
Total liabilities		2,534,588	382,205	2,916,793
Net assets/(liabilities)		1,657,015	206,800	1,863,815

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

Statement of Financial Position - Takaful 30 June 2025

	Note	General Takaful Business Birr'000	LifeTakaful Business Birr'000	Total Birr'000
ASSETS				
Insurance Contract Assets	8	263	-	263
Reinsurance Contract Assets	8	12,737	-	12,737
Other assets	25	1,188		1,188
Cash and cash equivalents	26	30,914	-	30,914
Total assets		**45,102**	**-**	**45,102**
LIABILITIES				
Insurance contract liabilities	8	27,724	-	27,724
Reinsurance Contract Liabilities	8	16,309		16,309
Total liabilities		**56,776**	**-**	**56,776**
EQUITY				
Participants Takaful Fund	38	(11,674)		(11,674)
Total equity		**(11,674)**	**-**	**(11,674)**
Total equity and liabilities		**45,102**	**-**	**45,102**

30 June 2025

		General Takaful Business Birr'000	Life Takaful Business Birr'000	Total Birr'000
Insurance Revenue	6.a	6,294	-	6,294
Insurance Service Expense	6.b	(3,928)	-	(3,928)
Net Expenses from Reinsurance Contracts Held	6.c	(14,525)		
Insurance Service Result		**(12,158)**	**-**	**(12,158)**
Net Investment Income				
Finance Income/(Expenses) Expenses from Insurance Contracts		**507**		
Finance Income/(Expenses) from Reinsurance Contracts		**(23)**		
Net Financial Result		**484**	**-**	**484**
Increase/(Decrease) in Participant Fund		(11,674)	**-**	**(11,674)**
Profit before tax from reportable segments		**-**		
Profit/(loss) for the year		**(11,674)**	**-**	(11,674)
Assets and liabilities 2025				
Total assets		45,102		45,102
Total liabilities		56,776		56,776
Net assets/(liabilities)		(11,674)		(11,674)

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

6.a Insurance Revenue

Non Life	30 June 2025	30 June 2024
Contracts measured under PAA	Birr'000	Birr'000
Engineering	151,001	73,963
Liability	87,872	71,104
Pecuniary	77,940	38,411
Fire	206,945	166,240
Burglary	7,073	5,370
Accident	22,653	15,570
Medical	12,275	9,430
WC	23,730	19,095
Motor	1,295,241	1,043,517
Aviation	62,102	54,322
Marine	34,508	21,648
Goods in transit	23,471	12,758
Miscellaneous	116,779	111,072
Total	**2,121,589**	**1,642,503**
Life Business		
Contracts measured under PAA	180,350	143,527
Contracts measured under GMM	35,370	(17,914)
	215,720	125,613
Total Insurance Revenue	**2,337,309**	**1,768,115**

Takaful	30 June 2025	30 June 2024
Contracts measured under PAA	Birr'000	Birr'000
Engineering	41	
Liability	108	
Fire	253	
Burglary	24	
WC	24	
Motor	4,472	
Miscellaneous	1,372	
Total	6,294	

6.b Insurance Service Expenses

Non Life	30 June 2025	30 June 2024
Contracts measured under PAA	Birr'000	Birr'000
Engineering	(61,014)	(17,357)
Liability	(42,576)	(44,301)
Pecuniary	125,957	(295,616)
Fire	(53,548)	(87,672)
Burglary	(487)	(1,398)
Accident	(19,209)	(14,960)
Medical	666	(2,028)
WC	(20,934)	(15,685)
Motor	(946,831)	(691,406)
Aviation	226	(8,485)
Marine	(23,145)	(9,620)
Goods in transit	(19,213)	(15,777)
Miscellaneous	(2,485)	(39,224)
Total	**(1,062,595)**	**(1,243,529)**

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

	30 June 2025	30 June 2024
Life Business	Birr'000	Birr'000
Contracts measured under PAA	131,368	96,216
Contracts measured under GMM	36,259	22,510
	167,627	118,727
Total Insurance Service Expenses	**1,230,222**	**1,362,256**

Takaful

	30 June 2025	30 June 2024
Contracts measured under PAA	Birr'000	Birr'000
Engineering	11	
Liability	38	
Fire	44	
Burglary	3	
WC	13	
Motor	3,645	
Miscellaneous	174	
Total	3,928	

6.c Net expenses from reinsurance contracts held

Non Life	30 June 2025	30 June 2024
Contracts measured under PAA	Birr'000	Birr'000
Engineering	(72,400)	(34,331)
Liability	(3,872)	(11,858)
Pecuniary	(144,488)	211,714
Fire	(91,909)	(35,388)
Burglary	(3,027)	287
Accident	23	277
Medical	(2,797)	(1,779)
WC	191	(354)
Motor	108,484	3,845
Aviation	(54,655)	(39,803)
Marine	(1,627)	(2,826)
Goods in transit	(2,812)	(1,206)
Miscellaneous	(82,433)	(56,695)
Total	(351,323)	31,883
Life Business		
Contracts measured under PAA	9,668	1,698
Contracts measured under GMM	(61)	5,152
	9,607	6,850
Total Net Expenses from Reinsurance Contracts Held	**(341,716)**	**38,733**

Takaful	30 June 2025	30 June 2024
Contracts measured under PAA	Birr'000	Birr'000
Engineering	(182)	
Liability	(268)	
Fire	(946)	
Burglary	(187)	
WC	(83)	
Motor	(10,057)	
Miscellaneous	(2,803)	
Total	**(14,525)**	

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6.d Finance (Expense)/Income From insurance Contracts:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Non Life	156,924	56,419
Life Business	**7,079**	**(7,240)**
	164,002	**49,179**
Takaful	**507**	

Finance Expenses From Reinsurance Contracts:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Non Life	(48,829)	(41,362)
Life Business	671	649
	(48,158)	(40,713)
Takaful	(23)	

7 Operating and other expenses:

General business	30 June 2025 Birr'000	30 June 2024 Birr'000
Director fixed emoluments	1,198	895
Shareholders meeting expense	952	557
Depreciation	34,301	29,164
Amortization	1,712	1,120
Depreciation-ROU	13,966	11,573
Financial expense	8,303	10,321
Office rent	8,568	6,104
Auditor remuneration	286	231
NBE Examination Fee	500	
Other general expense	13,538	16,240
Repair and maintenance	16,059	10,531
Stationeries and office supplies	14,427	11,670
Pr0perty tax expenses	7,348	6,716
Gifts and donations	6,617	126
Communication costs	5,039	4,344
Transportation costs	13,860	10,025
Advertising and promotion	32,730	12,124
30 years Anniversary cost	14,237	
Insurance costs	5,149	3,774
VAT paid to Tax office	64,434	
Professional services	5,423	2,303
	268,645	**137,816**

Staff insurance	10,197	8,097
Leave pay	4,659	4,497
Staff bonus	60,368	49,981
Staff training expense	8,359	9,005
Defined contribution costs- employers" contribution	24,393	18,259
Defined benefit costs- severance pay	3,281	2,632
Other staff expenses	39,648	29,083
Total	**333,072**	**257,429**
	601,716	**395,245**

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

Operating and other expense	30 June 2025	30 June 2024
Life business	Birr'000	Birr'000
Director fixed emoluments	63	114
Shareholders meeting expense	19	-
Depreciation	2,788	2,295
Amortization	38	38
Financial expense	129	14
Auditor remuneration	10	26
Other general expense	32	1,888
Actuarial fee	1,092	298
Repair and maintenance	49	70
Stationeries and office supplies	664	1,258
Pr0perty tax expenses	858	-
Communication costs	16	74
Insurance costs	-	148
Transportation costs	773	343
Advertising and promotion	1,158	634
	7,691	**7,200**

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Employee benefits expense		
Salaries and wages	7,693	5,072
Staff insurance	-	203
Leave pay	170	225
Staff bonus	2,548	2,379
Staff training expense	65	269
Defined contribution costs	619	594
Defined benefit costs	107	98
Other staff expenses	1,344	4,750
	12,545	**13,590**
	20,236	**20,790**
Total operating and Other Expenses	**621,952**	**416,035**

7.1 Directly Attributable Expenses

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Non Life	174,881	141,910
Life Business	9,470	9,733
	184,351	**151,643**

7.2 Non Attributable Expenses

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Non Life	426,215	262,653
Life Business	10,766	11,057
	436,981	**273,710**

7.3 Non Attributable Finance Cost	30 June 2025 Birr'000	30 June 2024 Birr'000
Non Life	1,012	969
Non Life	602,108	405,532
Life Business	20,236	20,790
	622,344	**426,322**

8a **Reinsurance Asset Non Life**	30 June 2025 Birr'000	30 June 2024 Birr'000
Unearned Premium Reserve	389,721	175,340
Loss Recovery	20,743	128,442
Asset for Remaining Coverage	410,464	253,029
Outstanding claims	419,905	419,905
Incurred But Not Record	48,515	48,771
Risk Adjustment	64,769	143,113
Effect of Discounting	(106,096)	(57,267)
Asset for Incurred Claims	427,093	554,522
Reinsurance Asset	**837,556**	**807,551**

8b Reinsurance Asset Life business

Measured by PAA model	30 June 2025	30 June 2024
Unearned Premium Reserve	Birr'000	Birr'000
Asset for Remaining Coverage	11,346	17,711
Outstanding claims	693	6,219
Incurred But Not Record	2,922	541
Risk Adjustment	237	83
Effect of Discounting	(169)	(835)
Asset for Incurred Claims	3,684	6,008
Reinsurance Asset	**15,030**	**23,719**

Measured by GMM Model	30 June 2025 Birr'000	30 June 2024 Birr'000
Long term Life Insurance	1,628	265
Contractual service margin	610	639
Risk Adjustment	319	154
Total	2,557	1,058
	17,587	**24,777**
Total Non life and Life	**855,143**	**832,328**

8c Reinsurance Asset Takaful	30 June 2025 Birr'000	30 June 2024 Birr'000
Unearned Premium Reserve	12,642	
Asset for Remaining Coverage	12,642	
Outstanding claims	89	
Incurred But Not Record	22	
Risk Adjustment	7	
Effect of Discounting	(23)	
Asset for Incurred Claims	**12,619**	

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

8d	**Insurance Contract Liability Non Life**	30 June 2025 Birr'000	30 June 2024 Birr'000
	Unearned Premium Reserve	1,271,415	813,679
	Differed Acquisition Cost	(68,172)	(48,998)
	Loss Recovery	22,048	157,555
	Liability for Remaining Coverage	1,225,290	922,236
	Outstanding claims	1,000,300	782,557
	Unallocated Loss Adjustment Expense ULAE	7,580	5,656
	Incurred But Not Record	215,882	160,377
	Risk Adjustment	127,543	207,159
	Effect of Discounting	(258,513)	(101,589)
	Liability for Incurred Claims	1,092,792	1,054,159
	Insurance Contract Liability	**2,318,082**	**1,976,395**

8e	**Insurance Contract Liability Life**	30 June 2025 Birr'000	30 June 2024 Birr'000
	Unearned Premium Reserve	76,601	140,327
	Differed Acquisition Cost	(5,831)	(5,079)
	Liability for Remaining Coverage	70,771	135,247
	Outstanding claims	13,867	14,514
	Incurred But Not Record	13,210	10,830
	Risk Adjustment	4,745	1,653
	Effect of Discounting	(3,372)	(2,783)
	Liability for Incurred Claims	28,451	24,214
	Insurance Contract Liability	99,222	159,461
		293,348	350,812
	Total Life and Non life	2,611,430	2,327,207

8f	Insurance Contract Liability Takaful	30 June 2025 Birr'000	30 June 2024 Birr'000
	Unearned Premium Reserve	25,565	
	Differed Acquisition Cost	(49)	
	Liability for Remaining Coverage	25,516	
	Outstanding claims	1,796	
	Incurred But Not Record	631	
	Risk Adjustment	197	
	Effect of Discounting	(507)	
	Liability for Incurred Claims	2,117	
	Insurance Contract Liability	**27,633**	

8g	Insurance Contract Assets		
	Insurance Contract Assets Takaful	**Birr'000**	**Birr'000**
	Non Life	33,688	11,250
	Life Business	42,806	8,449
		76,494	**19,699**

8h	**Reinsurance Contract Liabilities Takful**	**30 June 2025 Birr'000**	**30 June 2024 Birr'000**
	Non Life	330,043	230,111
	Life Business	28,303	23,655
		358,346	**253,766**

8i	**Reinsurance Contract Liabilities**	16,309	

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work Partnership

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

in 000 of Birr

9.a Reconciliation from opening to the closing balances for LIC & LRC

Non Life Business Contracts measured under PAA Gross Non Life June 2025

	Liability for Incurred claims Risk Adjustment	Liability for incurred claims Best Estimate	Liability for remaining coverage Excluding Loss Component	Loss Component	Total
Insurance Contract Liabilities Opening Balance	207,159	847,000	813,679	157,555	2,025,393
Insurance Contract Assets Opening Balance	-	-	(48,998)	-	(48,998)
Net Balance Opening balance	207,159	847,000	764,681	157,555	1,976,395
Insurance Revenue	-	-	(2,121,589)	-	(2,121,589)
Insurance Service Expense	(79,615)	1,159,310	118,408	(135,508)	1,062,595
Incurred Claims	-	984,429	-	-	984,429
Directly Attributable Expenses	-	174,881	-	-	174,881
Adjustment To Liabilities For Incurred Claims	(79,615)	-	-	-	(79,615)
Losses On Onerous Contracts And Reversal Of Those Losses	-	-	-	(135,508)	(135,508)
Acquisition Cash Flows Amortization	-	-	118,408	-	118,408
Insurance Service Result	(79,615)	1,159,310	(2,003,181)	(135,508)	(1,058,994)
Insurance Finance Expense Total	-	(156,924)	-	-	(156,924)
Recognized In P & L	-	(156,924)	-	-	(156,924)
Cash Flows	-	(884,138)	2,441,743	-	1,557,605
Premiums Received	-	-	2,579,325	-	2,579,325
Claims Excluding Non Distinct Investment Component	-	(709,257)	-	-	(709,257)
Non Distinct Investment Component Paid	-	-	-	-	-
Directly Attributable Expenses Paid	-	(174,881)	-	-	(174,881)
Insurance Acquisition Cash Flows	-	-	(137,582)	-	(137,582)
Insurance Contract Liabilities Closing balance	127,543	965,249	1,271,415	22,048	2,386,255
Insurance Contract Assets Closing balance	-	-	(68,172)	-	(68,172)
Net Balance Closing balance	127,543	965,249	1,203,242	22,048	2,318,082

100 PAA – GROSS June 30 2024

IFRS 17 – NON LIFE BUSINESS

	Liability for Incurred claims Risk Adjustment	Liability for incurred claims Best Estimate	Liability for remaining coverage Excluding Loss Component	Loss Component	Total
Insurance Contract Liabilities Opening balance	84,010	505,139	726,406	148,255	1,463,810
Insurance Contract Assets Opening balance	-	-	(40,998)	-	(40,998)
Net Balance Opening balance	84,010	505,139	685,408	148,255	1,422,812
Insurance Revenue	-	-	(1,642,503)	-	(1,642,503)
Insurance Service Expense	123,149	1,015,097	95,983	9,301	1,243,529
Incurred Claims	-	873,187	-	-	873,187
Directly Attributable Expenses	-	141,910	-	-	141,910
Adjustment To Liabilities For Incurred Claims	123,149	-	-	-	123,149
Losses On Onerous Contracts And Reversal Of Those	-	-	-	9,301	9,301
Acquisition Cash Flows Amortization	-	-	95,983	-	95,983
Insurance Service Result	123,149	1,015,097	(1,546,520)	9,301	(398,974)
Insurance Finance Expense Total	-	(56,419)	-	-	(56,419)
Recognized In P & L	-	(56,419)	-	-	(56,419)
Cash Flows	-	(616,818)	1,625,793	-	1,008,976
Premiums Received	-	-	1,729,776	-	1,729,776
Claims Excluding Non Distinct Investment Component	-	(474,907)	-	-	(474,907)
Directly Attributable Expenses Paid	-	(141,910)	-	-	(141,910)
Insurance Acquisition Cash Flows	-	-	(103,983)	-	(103,983)
Insurance Contract Liabilities Closing balance	207,159	847,000	813,679	157,555	2,025,393
Insurance Contract Assets Closing balance	-	-	(48,998)	-	(48,998)
Net Balance Closing balance	207,159	847,000	764,681	157,555	1,976,395

Chartered Certified Accountants (UK) Tokeb&Molkamu Audit Work Partnership

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

in 000 of Birr

9.b Contracts measured under the PAA Life Business

100 PAA – GROSS 30 June 2025

IFRS 17 – LIFE BUSINESS

	Liability for Incurred claims Risk Adjustment	Liability for incurred claims Best Estimate	Liability for remaining coverage Excluding Loss Component	Loss Component	Total
Insurance Contract Liabilities Opening balance	1,653	22,561	140,327	-	164,541
Insurance Contract Assets Opening balance	-	-	(5,079)	-	(5,079)
Net Balance Opening balance	1,653	22,561	135,247	-	159,461
Insurance Revenue	-	-	(180,350)	-	(180,350)
Insurance Service Expense	3,091	117,488	10,788	-	131,368
Incurred Claims	-	109,705	-	-	109,705
Directly Attributable Expenses	-	7,784	-	-	7,784
Adjustment To Liabilities For Incurred Claims	3,091	-	-	-	3,091
Acquisition Cash Flows Amortization	-	-	10,788	-	10,788
Insurance Service Result	3,091	117,488	(169,562)	-	(48,982)
Insurance Finance Expense Total	-	(588)	-	-	(588)
Recognized In P & L	-	(588)	-	-	(588)
Cash Flows	-	(115,755)	105,085	-	(10,669)
Premiums Received	-	-	116,624	-	116,624
Claims Excluding Non Distinct Investment Component	-	(107,971)	-	-	(107,971)
Directly Attributable Expenses Paid	-	(7,784)	-	-	(7,784)
Insurance Acquisition Cash Flows	-	-	(11,539)	-	(11,539)
Insurance Contract Liabilities Closing balance	4,745	23,706	76,601	-	105,052
Insurance Contract Assets Closing balance	-	-	(5,831)	-	(5,831)
Net Balance Closing balance	4,745	23,706	70,771	-	99,222

100 PAA – GROSS

IFRS 17 – LIFE BUSINESS 30 June 2024

	Liability for Incurred claims Risk Adjustment	Liability for incurred claims Best Estimate	Liability for remaining coverage Excluding Loss Component	Loss Component	Total
Insurance Contract Liabilities Opening balance	2,405	9,952	82,424	-	94,780
Insurance Contract Assets Opening balance	-	-	(4,560)	-	(4,560)
Net Balance Opening balance	2,405	9,952	77,864	-	90,220
Insurance Revenue	-	-	(143,527)	-	(143,527)
Insurance Service Expense	(751)	97,926	10,077	-	107,251
Incurred Claims	-	89,489	-	-	89,489
Directly Attributable Expenses	-	8,436	-	-	8,436
Adjustment To Liabilities For Incurred Claims	(751)	-	-	-	(751)
Acquisition Cash Flows Amortization	-	-	10,077	-	10,077
Insurance Service Result	(751)	97,926	(133,450)	-	(36,276)
Insurance Finance Expense Total	-	(1,863)	-	-	(1,863)
Recognized In P & L	-	(1,863)	-	-	(1,863)
Cash Flows	-	(83,453)	190,833	-	107,380
Premiums Received	-	-	201,430	-	201,430
Claims Excluding Non Distinct Investment Component	-	(75,017)	-	-	(75,017)
Directly Attributable Expenses Paid	-	(8,436)	-	-	(8,436)
Insurance Acquisition Cash Flows	-	-	(10,597)	-	(10,597)
Insurance Contract Liabilities Closing balance	1,653	22,561	140,327	-	164,541
Insurance Contract Assets Closing balance	-	-	(5,079)	-	(5,079)
Net Balance Closing balance	1,653	22,561	135,247	-	159,461

Chartered Certified Accountants (UK)
Kokeb&Molkamu Audit Work Partnership

Hibret Insurance S C
Notes to the financial Statements
For the year ended 30 June 2025

in 000 of Birr

9.c Contracts not measured under the PAA Life Business

IFRS 17 – LIFE BUSINESS_GROSS 30 June 2025

	Liability for the remaining coverage excluding loss component	Loss component	Liablity for Incurred Claims	Total
Opening insurance contract liabilities	189,076	1,930	-	191,006
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2022	189,076	1,930	-	191,006
Insurance revenue	(35,370)	-	-	(35,370)
Insurance service expenses	-	-	-	-
Incurred claims and other directly attributable expenses	-	-	16,384	16,384
Changes that relate to past service – adjustments to the LI	-	-	-	-
Losses on onerous contracts and reversal of those losses	-	18,876	-	18,876
Insurance acquisition cash flows amortization	999	-	-	999
Insurance service expenses	999	18,876	16,384	36,259
Insurance service result	(34,371)	18,876	16,384	889
Finance expense from insurance contracts issued	(6,425)	(66)	-	(6,491)
Total amounts recognized in comprehensive income	(40,796)	18,810	16,384	(5,602)
Cash flows	-	-	-	-
Premiums received	25,269	-	-	25,269
Claims and other directly attributable expenses paid	-	-	(16,384)	(16,384)
Insurance acquisition cash flows	(163)	-	-	(163)
Total cash flows	25,105	-	(16,384)	8,722
Net balance as at 30 June 2023	173,386	20,740	-	194,126
Closing insurance contract liabilities	173,386	20,740	-	194,126
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2023	173,386	20,740	-	194,126

30-Jun-24

IFRS 17 – LIFE BUSINESS_GROSS

	Liability for the remaining coverage excluding loss component	Loss component	Liability for Incurred Claims	Total
Opening insurance contract liabilities	119,946	1,157	219	121,322
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2022	119,946	1,157	219	121,322
Insurance revenue	(20,792)	-	-	(20,792)
Insurance service expenses	-	-	-	-
Incurred claims and other directly attributable expenses	1,297	-	9,025	10,321
Changes that relate to past service – adjustments to the LI	58,814	-	125	58,939
Losses on onerous contracts and reversal of those losses	-	773	-	773
Insurance acquisition cash flows amortization	(8,818)	-	-	(8,818)
Insurance service expenses	51,293	773	9,149	61,216
Insurance service result	30,502	773	9,149	40,425
Finance expense from insurance contracts issued	9,103	-	-	9,103
Total amounts recognized in comprehensive income	39,605	773	9,149	49,528
Investment components	-	-	-	-
Other changes	-	-	-	-
Cash flows	-	-	-	-
Premiums received	30,960	-	-	30,960
Claims and other directly attributable expenses paid	(1,297)	-	(9,025)	(10,321)
Insurance acquisition cash flows	(138)	-	-	(138)
Total cash flows	29,526	-	(9,025)	20,501
Net balance as at 30 June 2023	189,076	1,930	344	191,351
Closing insurance contract liabilities	189,076	1,930	344	191,351
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2023	189,076	1,930	344	191,351

Hibret Insurance S C
Notes to the financial Statements
For the year ended 30 June 2025

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30 June 2025
IFRS 17 – LIFE BUSINESS

	PV of future cash flows	Risk adj for non-financial risk	Contractual Service Margin	Total
Opening insurance contract liabilities	151,499	29,141	10,367	191,006
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2023	151,499	29,141	10,367	191,006
Changes that relate to current service	-	-	-	-
CSM recognized in profit or loss for the services provided	-	-	(1,637)	(1,637)
Changes in risk adjustment for non-financial risk for the risk expired	-	(1,609)	-	(1,609)
Experience adjustments	(15,000)	-	-	(15,000)
	(15,000)	(1,609)	(1,637)	(18,246)
Changes that relate to future service	-	-	-	-
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that result in onerous contract losses or reversal of losses	5,608	655	-	6,263
Contracts initially recognized in the period	10,775	2,097	-	12,872
	16,383	2,752	-	19,135
Changes that relate to past service	-	-	-	-
Changes that relate to past service adjustments to the	-	-	-	-
Insurance service result	1,382	1,143	(1,637)	889
Finance (income) expenses from insurance contracts	(6,456)	(1,291)	1,257	(6,491)
Total amounts recognized in comprehensive income	(5,074)	(148)	(380)	(5,602)
Cash flows	-	-	-	-
Premiums received	25,269	-	-	25,269
Claims and other directly attributable expenses paid	(16,384)	-	-	(16,384)
Insurance acquisition cash flows	(163)	-	-	(163)
Total cash flows	8,722	-	-	8,722
Net balance as at 30 June 2024	155,146	28,993	9,986	194,126
Closing insurance contract liabilities	155,146	28,993	9,986	194,126
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2024	155,146	28,993	9,986	194,126

30-Jun-24
IFRS 17 – LIFE BUSINESS

	PV of future cash flows	Risk adj for non-financial risk	Contractual Service Margin	Total
Opening insurance contract liabilities	97,298	16,552	7,252	121,103
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2022	97,298	16,552	7,252	121,103
Changes that relate to current service	-	-	-	-
CSM recognized in profit or loss for the services provided	-	-	(1,533)	(1,533)
Changes in risk adjustment for non-financial risk for the ris	-	11,291	-	11,291
Experience adjustments	26,191	-	-	26,191
	26,191	11,291	(1,533)	35,948
Changes that relate to future service	-	-	-	-
Changes in estimates that result in onerous contract losses or reversal of losses	773	-	-	773
Contracts initially recognized in the period	-	-	3,578	3,578
	773	-	3,578	4,352
Changes that relate to past service	-	-	-	-
Changes that relate to past service adjustments to the LIC	-	-	-	-
Insurance service result	26,964	11,291	2,045	40,300
Finance (income) expenses from insurance contracts held	6,736	1,298	1,069	9,103
Total amounts recognized in comprehensive income	33,700	12,588	3,114	49,403
Other changes	-	-	-	-
Cash flows	-	-	-	-
Premiums received	30,960	-	-	30,960
Claims and other directly attributable expenses paid	(10,321)	-	-	(10,321)
Insurance acquisition cash flows	(138)	-	-	(138)
Total cash flows	20,501	-	-	20,501
Net balance as at 30 June 2023	151,499	29,141	10,367	191,006
Closing insurance contract liabilities	151,499	29,141	10,367	191,006
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2023	151,499	29,141	10,367	191,006

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

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9.d Reconciliation from opening to the closing balances for AIC & ARC

Contracts measured under the PAA

100 PAA – RI 30 June 2025

IFRS 17 – NON LIFE BUSINESS

	Reinsurers Asset for remaining coverage Risk Adjustment	Reinsurers Asset for remaining coverage Best Estimatae	Reinsurers Asset for remaining coverage excluding Loss component	RI Loss Recovery	Total
Reinsurance Contract Assets Opening balance	143,113	340,334	175,340	128,442	787,229
Reinsurance Contract Liabilities Opening balance	-	-	(50,753)	-	(50,753)
Net Balance Opening balance	143,113	340,334	124,587	128,442	736,476
Allocation Of Reinsurance Premiums Paid	-	-	(590,106)	-	(590,106)
Amounts Recoverable From Reinsurers	(78,344)	260,479	164,348	(107,699)	238,784
Incurred Claims Recovered And Other Reinsurance Service Expenses	-	260,479	-	-	260,479
Adjustments To Assets For Incurred Claims	(78,344)	-	-	-	(78,344)
Recovery Of Losses And Reversal On Recovery Of	-	-	-	(107,699)	(107,699)
Amortization Of Reinsurance Acquisition Cash Flows	-	-	164,348	-	164,348
Reinsurance Service Result	(78,344)	260,479	(425,758)	(107,699)	(351,323)
Reinsurance Finance Expense Total	-	(48,829)	-	-	(48,829)
Recognized In P & L	-	(48,829)	-	-	(48,829)
Cash Flows	-	(189,660)	622,698	-	433,037
Premiums Paid	-	-	804,487	-	804,487
Claims Excluding Non Distinct Investment Component	-	(189,660)	-	-	(189,660)
Reinsurance Acquisition Cash Flows	-	-	(181,789)	-	(181,789)
Reinsurance Contract Assets Closing balance	64,769	362,323	389,721	20,743	837,556
Reinsurance Contract Liabilities Closing balance	-	-	(68,194)	-	(68,194)
Net Balance Closing balance	64,769	362,323	321,526	20,743	769,362

100 PAA – RI

IFRS 17 – NON LIFE BUSINESS 30 June 2024

	Reinsurers Asset for remaining coverage Risk Adjustment	Reinsurers Asset for remaining coverage Best Estimatae	Reinsurers Asset for remaining coverage excluding Loss component	RI Loss Recovery	Total
Reinsurance Contract Assets Opening balance	49,932	124,378	175,340	141,915	491,565
Reinsurance Contract Liabilities Opening balance	-	-	(42,854)	-	(42,854)
Net Balance Opening balance	49,932	124,378	132,486	141,915	448,711
Allocation Of Reinsurance Premiums Paid	-	-	(470,036)	-	(470,036)
Amounts Recoverable From Reinsurers	93,181	304,390	117,588	(13,473)	501,687
Incurred Claims Recovered And Other Reinsurance Service Expenses	-	304,390	-	-	304,390
Adjustments To Assets For Incurred Claims	93,181	-	-	-	93,181
Recovery Of Losses And Reversal On Recovery Of Lo	-	-	-	(13,473)	(13,473)
Amortization Of Reinsurance Acquisition Cash Flows	-	-	117,588	-	117,588
	-	-	-	-	-
Reinsurance Service Result	93,181	304,390	(352,447)	(13,473)	31,651
Reinsurance Finance Expense Total	-	(41,362)	-	-	(41,362)
Recognized In P & L	-	(41,362)	-	-	(41,362)
Cash Flows	-	(47,072)	344,548	-	297,476
Premiums Paid	-	-	470,036	-	470,036
Claims Excluding Non Distinct Investment Component	-	(47,072)	-	-	(47,072)
Directly Attributable Expenses Paid	-	-	-	-	-
Reinsurance Acquisition Cash Flows	-	-	(125,487)	-	(125,487)
Reinsurance Contract Assets Closing balance	143,113	340,334	175,340	128,442	787,229
Reinsurance Contract Liabilities Closing balance	-	-	(50,753)	-	(50,753)
Net Balance Closing balance	143,113	340,334	124,587	128,442	736,476

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

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9.e Contracts measured under the PAA Life Business

100 PAA – RI

IFRS 17 – NON LIFE BUSINESS 30 June 2025

	Reinsurers Asset for remaining coverage Risk Adjustment	Reinsurers Asset for remaining coverage Best Estimatae	Reinsurers Asset for remaining coverage excluding Loss component	RI Loss Recovery	Total
Reinsurance Contract Assets Opening balance	83	5,925	17,863	-	23,870
Reinsurance Contract Liabilities Opening balance	-	-	(151)	-	(151)
Net Balance Opening balance	83	5,925	17,711	-	23,719
Allocation Of Reinsurance Premiums Paid	-	-	(29,223)	-	(29,223)
Amounts Recoverable From Reinsurers	155	38,038	699	-	38,892
Incurred Claims Recovered And Other Reinsurance Service Expenses	-	38,038	-	-	38,038
Adjustments To Assets For Incurred Claims	155	-	-	-	155
Recovery Of Losses And Reversal On Recovery Of Lo	-	-	-	-	-
Amortization Of Reinsurance Acquisition Cash Flows	-	-	699	-	699
Reinsurance Service Result	155	38,038	(28,524)	-	9,668
Reinsurance Finance Expense Total	-	667	-	-	667
Recognized In P & L	-	667	-	-	667
Cash Flows	-	(41,182)	22,157	-	(19,025)
Premiums Paid	-	-	22,841	-	22,841
Claims Excluding Non Distinct Investment Component	-	(41,182)	-	-	(41,182)
Reinsurance Acquisition Cash Flows	-	-	(684)	-	(684)
Reinsurance Contract Assets Closing balance	237	3,447	11,480	-	15,164
Reinsurance Contract Liabilities Closing balance	-	-	(136)	-	(136)
Net Balance Closing balance	237	3,447	11,344	-	15,029

100 PAA – RI

IFRS 17 – LIFE BUSINESS 30 June 2024

	Reinsurers Asset for remaining coverage Risk Adjustment	Reinsurers Asset for remaining coverage Best Estimatae	Reinsurers Asset for remaining coverage excluding Loss component	RI Loss Recovery	Total
Reinsurance Contract Assets Opening balance	395	1,620	16,290	-	18,305
Reinsurance Contract Liabilities Opening balance	-	-	(127)	-	(127)
Net Balance Opening balance	395	1,620	16,163	-	18,179
Allocation Of Reinsurance Premiums Paid	-	-	(28,032)	-	(28,032)
Amounts Recoverable From Reinsurers	(312)	23,178	5,827	-	28,692
Incurred Claims Recovered And Other Reinsurance Service Expenses	-	23,178	-	-	23,178
Adjustments To Assets For Incurred Claims	(312)	-	-	-	(312)
Amortization Of Reinsurance Acquisition Cash Flows	-	-	5,827	-	5,827
Reinsurance Service Result	(312)	23,178	(22,205)	-	660
Reinsurance Finance Expense Total	-	587	-	-	587
Recognized In P & L	-	587	-	-	587
Cash Flows	-	(19,460)	23,753	-	4,293
Premiums Paid	-	-	29,605	-	29,605
Claims Excluding Non Distinct Investment Component	-	(19,460)	-	-	(19,460)
Reinsurance Acquisition Cash Flows	-	-	(5,852)	-	(5,852)
Reinsurance Contract Assets Closing balance	83	5,925	17,863	-	23,870
Reinsurance Contract Liabilities Closing balance	-	-	(151)	-	(151)
Net Balance Closing balance	83	5,925	17,711	-	23,719

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Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

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9.f Contracts not measured under the PAA

30 June 2025 Life Business

	Liability for remaining coverage excluding loss component	Loss component	Liability for incurred claims	Total
Opening insurance contract liabilities	674	262	-	936
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2023	674	262	-	936
Insurance revenue	(6,656)	-	-	(6,656)
Insurance service expenses	-	-	-	-
Incurred claims and other directly attributable expenses	-	-	410	410
Changes that relate to past service – adjustments to the LI	-	-	-	-
Losses on onerous contracts and reversal of those losses	-	6,116	-	6,116
Insurance acquisition cash flows amortization	191	-	-	191
Insurance service expenses	191	6,116	410	6,717
Insurance service result	(6,465)	6,116	410	61
Finance expense from insurance contracts issued	(3)	(1)	-	(4)
Total amounts recognized in comprehensive income	(6,468)	6,115	410	57
Cash flows	-	-	-	-
Premiums received	2,718	-	-	2,718
Claims and other directly attributable expenses paid	-	-	(410)	(410)
Insurance acquisition cash flows	(742)	-	-	(742)
Total cash flows	1,975	-	(410)	1,565
Net balance as at 30 June 2024	(3,819)	6,378	-	2,558
Closing insurance contract liabilities	(3,819)	6,378	-	2,558
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2024	(3,819)	6,378	-	2,558

30-Jun-24

IFRS 17 – LIFE BUSINESS_REINSURANCE

	Liability for remaining coverage excluding loss component	Loss component	Liability for incurred claims	Total
Opening insurance contract liabilities	2,552	72	50	2,675
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2022	2,552	72	50	2,675
Insurance revenue	(8,283)	-	-	(8,283)
Insurance service expenses	-	-	-	-
Incurred claims and other directly attributable expenses	-	-	3,542	3,542
Changes that relate to past service – adjustments to the LI	1,530	-	73	1,603
Losses on onerous contracts and reversal of those losses	-	190	-	190
Insurance acquisition cash flows amortization	1,339	-	-	1,339
Insurance service expenses	2,869	190	3,615	6,674
Insurance service result	(5,414)	190	3,615	(1,610)
Finance expense from insurance contracts issued	63	-	-	63
Total amounts recognized in comprehensive income	(5,352)	190	3,615	(1,547)
Cash flows	-	-	-	-
Premiums received	4,812	-	-	4,812
Claims and other directly attributable expenses paid	-	-	(3,542)	(3,542)
Insurance acquisition cash flows	(1,339)	-	-	(1,339)
Total cash flows	3,473	-	(3,542)	(69)
Net balance as at 30 June 2023	674	262	123	1,059
Closing insurance contract liabilities	674	262	123	1,059
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2023	674	262	123	1,059

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

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30 June 2025
IFRS 17 – LIFE BUSINESS

	PV of future cash flows	Risk adj for non-financial risk	Contractual Service Margin	Total
Opening insurance contract liabilities	142	154	639	936
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2023	142	154	639	936
Changes that relate to current service	-	-	-	-
CSM recognized in profit or loss for the services provided	-	-	(106)	(106)
Changes in risk adjustment for non-financial risk for the risk expired	-	(9)	-	(9)
Experience adjustments	(5,957)	-	-	(5,957)
	(5,957)	(9)	(106)	(6,072)
Changes that relate to future service	-	-	-	-
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that result in onerous contract losses or reversal of losses	4,317	(162)	-	4,154
Contracts initially recognized in the period	1,628	350	-	1,978
	5,945	188	-	6,133
Changes that relate to past service	-	-	-	-
Changes that relate to past service adjustments to the	-	-	-	-
Insurance service result	(12)	179	(106)	61
Finance (income) expenses from insurance contracts	(68)	(14)	78	(4)
Total amounts recognized in comprehensive income	(79)	165	(29)	57
Cash flows	-	-	-	-
Premiums received	2,718	-	-	2,718
Claims and other directly attributable expenses paid	(410)	-	-	(410)
Insurance acquisition cash flows	(742)	-	-	(742)
Total cash flows	1,565	-	-	1,565
Net balance as at 30 June 2024	1,628	319	611	2,558
Closing insurance contract liabilities	1,628	319	611	2,558
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2024	1,628	319	611	2,558

30 June 2024
IFRS 17 – LIFE BUSINESS

	PV of future cash flows	Risk adj for non-financial risk	Contractual Service Margin	Total
Opening insurance contract liabilities	1,673	594	357	2,625
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2022	1,673	594	357	2,625
Changes that relate to current service	-	-	-	-
CSM recognized in profit or loss for the services provided	-	-	(97)	(97)
Changes in risk adjustment for non-financial risk for the risk expired	-	(440)	-	(440)
Experience adjustments	(1,653)	-	-	(1,653)
Changes in estimates that result in onerous contract losses or reversal of losses	190	-	-	190
Contracts initially recognized in the period	-	-	318	318
	190	-	318	508
Changes that relate to past service	-	-	-	-
Changes that relate to past service adjustments to the	-	-	-	-
Insurance service result	(1,463)	(440)	221	(1,682)
Finance (income) expenses from insurance contracts	1	-	61	63
Total amounts recognized in comprehensive income	(1,462)	(440)	282	(1,620)
Cash flows	-	-	-	-
Premiums received	4,812	-	-	4,812
Claims and other directly attributable expenses paid	(3,542)	-	-	(3,542)
Insurance acquisition cash flows	(1,339)	-	-	(1,339)
Total cash flows	(69)	-	-	(69)
Net balance as at 30 June 2023	142	154	639	936
Closing insurance contract liabilities	142	154	639	936
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2023	142	154	639	936

Hibret Insurance S C
Notes to the financial Statements
For the year ended 30 June 2025

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9.g 100 PAA – GROSS

IFRS 17 – Takaful 30 June 2025

	Liability for Incurred claims Risk Adjustment	Liability for incurred claims Best Estimate	Liability for remaining coverage Excluding Loss Component	Loss Component	Total
Insurance Contract Liabilities Opening balance	-	-	-	-	-
Insurance Contract Assets Opening balance	-	-	-	-	-
Net Balance Opening balance	-	-	-	-	-
Insurance Revenue	-	-	(6,294)	-	(6,294)
Insurance Service Expense	198	3,716	14	-	3,928
Incurred Claims	-	3,716	-	-	3,716
Directly Attributable Expenses	-	-	-	-	-
Adjustment To Liabilities For Incurred Claims	198	-	-	-	198
Losses On Onerous Contracts And Reversal Of Those	-	-	-	-	-
Acquisition Cash Flows Amortization	-	-	14	-	14
Insurance Service Result	198	3,716	(6,280)	-	(2,367)
Insurance Finance Expense Total	-	(507)	-	-	(507)
Recognized In P & L	-	(507)	-	-	(507)
Cash Flows	-	(1,289)	31,887	-	30,598
Premiums Received	-	-	31,950	-	31,950
Claims Excluding Non Distinct Investment	-	(1,289)	-	-	(1,289)
Non Distinct Investment Component Paid	-	-	-	-	-
Directly Attributable Expenses Paid	-	-	-	-	-
Insurance Contract Liabilities Closing balance	198	1,919	25,656	-	27,773
Insurance Contract Assets Closing balance	-	-	(49)	-	(49)
Net Balance Closing balance	198	1,919	25,607	-	27,724

100 PAA – RI

IFRS 17 – NON LIFE BUSINESS 30 June 2025

	Reinsurers Asset for remaining coverage Risk Adjustment	Reinsurers Asset for remaining coverage Best Estimatae	Reinsurers Asset for remaining coverage excluding Loss component	RI Loss Recovery	Total
Reinsurance Contract Assets Opening balance	-	-	-	-	-
Reinsurance Contract Liabilities Opening balance	-	-	-	-	-
Net Balance Opening balance	-	-	-	-	-
Allocation Of Reinsurance Premiums Paid	-	-	(16,237)	-	(16,237)
Amounts Recoverable From Reinsurers	7	189	1,517	-	1,712
Incurred Claims Recovered And Other Reinsurance Service Expenses	-	189	-	-	189
Adjustments To Assets For Incurred Claims	7	-	-	-	7
Amortization Of Reinsurance Acquisition Cash Flows	-	-	1,517	-	1,517
Reinsurance Service Result	7	189	(14,720)	-	(14,525)
Reinsurance Finance Expense Total	-	(23)	-	-	(23)
Recognized In P & L	-	(23)	-	-	(23)
Cash Flows	-	(78)	24,679	-	24,602
Premiums Paid	-	-	28,879	-	28,879
Claims Excluding Non Distinct Investment	-	(78)	-	-	(78)
Reinsurance Acquisition Cash Flows	-	-	(4,200)	-	(4,200)
Reinsurance Contract Assets Closing balance	7	88	12,642	-	12,737
Reinsurance Contract Liabilities Closing balance	-	-	(2,683)	-	(2,683)
Net Balance Closing balance	7	88	9,959	-	10,054

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Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

10 IFRS 9: Financial Instruments

This section outlines the accounting policies applied in accordance with IFRS 9 - Financial Instruments. The company applies IFRS 9 for all financial assets and liabilities.

The accounting policies for financial instruments are set out below:
The Company's Financial Instruments

The Company's financial instruments include cash and cash equivalents, deposits with financial institutions, government securities, trade and insurance receivables, staff loans and other payables.

b) Classification and Measurement
Financial assets
On initial recognition, financial assets are classified into one of the following categories:

- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

Reclassification of financial assets is permitted only when the Company changes its business model for managing such assets. Any reclassification is applied prospectively from the first day of the first reporting period following the change.

Amortized Cost
A financial asset is measured at amortized cost if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is classified as FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms meet the SPPI criterion.

FVOCI – Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.
FVTPL

Financial assets not classified at amortized cost or FVOCI are measured at FVTPL. The Company may also irrevocably designate a financial asset at FVTPL at initial recognition if doing so eliminates or significantly reduces an accounting mismatch.

Business Model Assessment
Assessment is performed at the portfolio level and considers:

- Stated objectives and policies for the portfolio, including whether assets are held to earn interest, to match liability durations, or to realize cash flows through sales.
- How performance is evaluated and reported to management.
- The risks affecting performance and how they are managed.
- Management compensation structures (e.g., fair value vs. contractual cash flow metrics).
- Frequency, volume, and reasons for sales in past and future periods.

SPPI Assessment

For this assessment:

- Principal is the fair value at initial recognition.
- Interest represents consideration for time value of money, credit risk, liquidity risk, administrative costs, and a profit margin.

Contractual features assessed include: contingent cash flow terms, variable rates, prepayment and extension features, non-recourse provisions, and features that alter the time value of money.

These features must not introduce exposure to equity-like returns, leverage, or cash flows linked to non-financial variables. If such features are present or if interest resets do not properly compensate for the time value of money, the financial asset fails the SPPI test and must be measured at fair value through profit or loss.

iv. Subsequent Measurement and Gains/Losses

Financial assets at FVTPL: Measured at fair value, with net gains/losses (including interest, dividends, FX movements) recognized in profit or loss unless arising from hedging instruments.

Debt investments at amortized cost: Measured using the EIR method. Impairment, interest income, and FX effects are recognized in profit or loss. Gains/losses on derecognition are recognized in profit or loss.

Debt investments at FVOCI: Measured at fair value. Interest income, impairment, and FX effects are recognized in profit or loss, while other changes are recognized in OCI. Gains/losses in OCI are recycled to profit or loss on derecognition.

Equity investments at FVOCI: Measured at fair value. Dividends are recognized in profit or loss unless representing cost recovery. Other gains/losses are recognized in OCI and are not reclassified to profit or loss.

Financial Liabilities

Financial liabilities are measured at amortized cost using the EIR method. Interest expense and FX differences are recognized in profit or loss, as are gains/losses on derecognition. Derivatives not designated as hedging instruments are measured at fair value through profit or loss (FVTPL). Gains or losses arising from changes in fair value are recognized immediately in profit or loss.

v. Derecognition

Financial assets

A financial asset is de-recognized when:

- Contractual rights to cash flows expire; or
- Rights to cash flows are transferred in a transaction where substantially all risks and rewards are transferred; or
- The Company neither transfers nor retains substantially all risks and rewards and does not retain control.

If substantially all risks and rewards are retained, the asset continues to be recognized.
Financial liabilities

A financial liability is de-recognized when discharged, cancelled, or expired. If terms are substantially modified, the old liability is de-recognized, and a new one is recognized at fair value. Any resulting gain/loss is recognized in profit or loss.

vi. Modifications of financial assets and financial liabilities

Financial assets

If modified cash flows are substantially different, the old asset is de-recognized, and a new one recognized. Where modification arises from borrower financial difficulty and the asset is not de-recognized, impairment is measured using the pre-modification EIR.

Financial liabilities

If cash flows change substantially, the liability is derecognized, and a new liability recognized. The difference is recognized in profit or loss.

vii. Offsetting

Financial assets and liabilities are offset only when the Company has a legally enforceable right to offset and intends to settle on a net basis or realize the asset and settle simultaneously. Income and expenses are presented on a net basis only when permitted by IFRS or for groups of similar transactions (e.g. trading).

viii. Amortized cost measurement

Amortized cost is the amount at initial recognition, adjusted for:

- Principal repayments;
- Cumulative amortization (using the EIR method) of any difference between the initial amount and maturity amount; and
- Less any reduction for impairment.

ix. Fair value measurement

The Company measures certain financial assets at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI), where applicable, in accordance with IFRS 9. For such instruments, fair value is determined at each reporting date, with changes recognized in profit or loss or other comprehensive income as appropriate.

For financial assets and liabilities measured at amortized cost, the Company also determines and discloses their fair value at each reporting date, except where the carrying amount is a reasonable approximation of fair value (e.g. cash and cash equivalents).

Fair value is defined as 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, in the principal (or, in its absence, the most advantageous) market accessible to the Company.
The Company applies the IFRS 13 fair value hierarchy in determining and disclosing fair values:

- Level 1: Quoted prices 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 or indirectly.
- Level 3: Inputs that are unobservable for the asset or liability.

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Valuation techniques are selected to maximize the use of observable inputs and minimize the use of unobservable inputs. If no active market exists, the Company uses appropriate valuation techniques (such as discounted cash flow models) that incorporate all factors market participants would consider in pricing the asset or liability.

x. Impairment of financial assets

The Company recognizes expected credit loss (ECL) allowances on financial assets at amortized cost and debt investments at FVOCI.

For financial assets other than trade and insurance receivables, the Company applies the general approach under IFRS 9. At initial recognition and for exposures with no significant increase in credit risk, a loss allowance is recognized based on 12-month expected credit losses (generally assets that are current or less than 30 days past due). Where credit risk has increased significantly since initial recognition (generally assets more than 30 days past due), lifetime expected credit losses are recognized. Assets that are more than 90 days past due, or otherwise considered to be in default, are classified as credit-impaired (Stage 3).

Loss allowances for trade receivables are measured as outlined in the table below based on the number of days past due as per the National Bank of Ethiopia directive SIB-52-2020

Regulator directive on trade receivables (SIB-52-2020)

Days past due	Loss allowance
91 - 180 days	25.00%
181 - 360 days	50.00%
More than 360 days	100.00%

When assessing whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses (ECLs), the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This assessment incorporates both quantitative and qualitative factors, including the Company's historical experience, informed credit judgment, and forward-looking information.

• The borrower is considered unlikely to fulfill its credit obligations to the Company in full, without the Company having to realize any collateral or security that may be held; or

• The financial asset is more than 90 days past due.

Debt securities are considered to have low credit risk if, at the reporting date, their credit rating is equivalent to the globally understood definition of "investment grade."

Lifetime ECLs represent the expected credit losses arising from all possible default events over the expected life of a financial instrument. By contrast, 12-month ECLs represent the portion of lifetime ECLs that result from default events that are possible within 12 months after the reporting date.

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Expected credit losses are a probability-weighed estimate of credit losses and are measured as follows:

• Financial assets that are not credit-impaired at the reporting date: Present value of all expected shortfalls.

• Financial assets that are credit-impaired at the reporting date: Difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

A financial asset is deemed credit-impaired when one or more events that have a detrimental impact on estimated future cash flows have occurred. Observable indicators include:

• Significant financial difficulty of the borrower or issuer;
• Breach of contract, such as default or past-due status;
• Concessions granted to the borrower that the Company would not otherwise consider (e.g., restructuring);
• High probability of the borrower entering bankruptcy or other financial reorganization;
• The disappearance of an active market for the security due to financial distress.

Assets renegotiated due to the borrower's deteriorating condition are generally considered credit-impaired unless there is clear evidence of improved credit risk and no other impairment indicators remain.

• For sovereign debt, the Company also considers:
• Market assessments of creditworthiness (e.g., bond yields);
• Rating agency assessments;
• The sovereign's ability to access capital markets;
• Probability of debt restructuring or forgiveness;

• The existence, depth, and accessibility of international support mechanisms (e.g. lender of last resort facilities).

Interest income on credit-impaired assets

Presentation of loss allowances in the statement of financial position

Loss allowances for expected credit losses are presented as follows:

• Financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets; and

• Debt investments measured at FVOCI: the loss allowance is recognized in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position.

Significant Increase in Credit Risk

When determining whether the credit risk (i.e., risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment, and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing relevant factors.

Management of Insurance and Financial Risk

Probability of Default (PD) estimates are determined at a certain date, calculated based on statistical models and assessed using rating tools tailored to various categories of counterparties and exposures. These models are based on internally compiled data comprising both quantitative and qualitative factors. Where available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

Loss Given Default (LGD) represents the magnitude of the likely loss in the event of default. The Company estimates LGD parameters mainly based on the counterparties' collateral and the historical recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at Default (EAD) represents the expected exposure in the event of default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures Expected Credit Losses (ECL) by considering the risk of default over the maximum contractual period (including any counterparty's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The Company estimated a 12-month ECL on its time deposits and cash at bank balances. This estimation was based on the following factors and circumstances:

The Company considers a financial asset to be in default when it is more than 90 days past due. All time deposits were paid on the date of maturity.

In assessing whether a borrower is in default, the Company considers indicators such as breaches of covenant and other signs of financial distress or bankruptcy of the obligor. None of these conditions existed.

Based on enquiries made with other external sources, there was no reported default on time deposits with the financial institutions invested with.

Statutory deposits and investments in government securities were considered low risk (Stage 1), and a 12-month ECL was estimated by the Company.

Staff loans were considered fully recoverable as the amounts are deducted from salaries, and if employees leave before settling their debts, the amounts are deducted from their severance pay. The amounts can also be recovered from the guarantor if the severance pay is insufficient to cover the loan.

Incorporation of Forward-Looking Information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Due to the nature of the Company's financial assets, it has been estimated that the impact of any forward-looking information may not be significant as at 30 June 2024.

Loss Allowance

The loss allowance represents the expected credit losses recognized from the opening balance to the closing balance by class of financial instrument.

Write-off

Financial assets are written off when recovery is unlikely, usually after being over 360 days past due or deemed uncollectible by management. Write-offs require management approval and reduce the asset's carrying amount and impairment allowance. Recovery efforts may continue post write-off, and any recoveries are recorded as income.

30 June 2025

Non Life Business

Exposure to credit risk (All figures in Birr'000)

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Impairment
Treasury Bonds	211,945	354			354
Cash at Bank	2,353,856	0			0
Staff Loan	28,001	1,152		158	1,310
Corporate bonds	151,163	227			227
Total	**2,744,965**	**1,733**	**-**	**158**	**1,891**

Life Business

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Total impairment
Treasury Bonds	18,219	31			31
Cash at Bank	304,414	34			34
Staff Loan	829	30		56	86
Corporate bonds	20,527	28			28
Total	**343,989**	**123**	**-**	**56**	**178**

30 June 2024

Non Life Business

Exposure to credit risk (All figures in Birr'000)

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Impairment
Treasury Bonds	170,247	288			288
Cash at Bank	1,822,405	152			152
Staff Loan	22,981	999		414	1,413
Corporate bonds	71,731	123			123
Total	**2,087,364**	**1,562**	**-**	**414**	**1,976**

Life Business

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Impairment
Treasury Bonds	18,949	29			749
Cash at Bank	276,109	31			31
Staff Loan	580	22		-	22
Corporate bonds	11,930	20			20
Total	**307,569**	**102**	**-**	**720**	**823**

30 June 2023
Non Life Business
Exposure to credit risk (All figures in Birr'000)

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Impairment
Treasury Bonds	132,894	211			211
Cash at Bank	1,286,848	120			120
Staff Loan	15,438	640		81	722
Corporate bonds	23,333	40			40
Total	**1,458,513**	**1,012**	**-**	**81**	**1,094**

Life Business

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Impairment
Treasury Bonds	14,392	24			24
Cash at Bank	179,918	21			21
Staff Loan	295	12		-	12
Corporate bonds	5,479	9			9
Total	**200,085**	**67**	**-**	**-**	**67**

30 June 2025
Non Life Business
Reconciliation of expected credit losses for financial assets for the year

Financial Assets	ECL as at June 30,2024	Charge/(Credit)) through P&L	Write-off	ECL as at June 30,2025
Treasury Bonds	288	66		
Cash at Bank	152	(152)		
Staff Loan	1,413	(103)		1,310
Corporate bonds	123	104		
Total	**1,976**	**(85)**	**-**	**1,891**

Life Business
Reconciliation of expected credit losses for financial assets for the year

Financial Assets	ECL as at June 30,2024	Charge/(Credit)) through P&L	Write-off	ECL as at June 30,2025
Treasury Bonds	749	(718)		
Cash at Bank	31	3		
Staff Loan	22	64		86
Corporate bonds	20	7		
Total	**823**	**(644)**	**-**	**178**

30 June 2024

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

Non Life Business
Reconciliation of expected credit losses for financial assets for the year

Financial Assets	ECL as at June 30,2023	Charge/(Credit)) through P&L	Write-off	ECL as at June 30,2024
Treasury Bonds	211	77		
Cash at Bank	120	32		
Staff Loan	722	691		1,413
Corporate bonds	40	83		
Total	**1,094**	**883**	**-**	**1,976**

Life Business
Reconciliation of expected credit losses for financial assets for the year

Financial Assets	ECL as at June 30,2023	Charge/(Credit)) through P&L	Write-off	ECL as at June 30,2024
Treasury Bonds	24	726		
Cash at Bank	21	10		
Staff Loan	12	10		22
Corporate bonds	9	11		
Total	**67**	**756**	**-**	**823**

30 June 2023
Non Life Business
Reconciliation of expected credit losses for financial assets for the year:

Financial Assets	ECL as at June 30,2022	Charge/(Credit)) through P&L	Write-off	ECL as at June 30,2024
Treasury Bonds	-	211		
Cash at Bank	-	120		
Staff Loan	-	722		722
Corporate bonds	-	40		
Total	**-**	**1,094**	**-**	**1,094**

Life Business
Reconciliation of expected credit losses for financial assets for the year:

Financial Assets	ECL as at June 30,2022	Charge/(Credit)) through P&L	Write-off	ECL as at June 30,2024
Treasury Bonds	-	24		
Cash at Bank	-	21		
Staff Loan	-	12		12
Corporate bonds	-	9		
Total	**-**	**67**	**-**	**67**

11 **Investment Securities**

30 June 2025

Available for sale:	Available for Sale			Revalued Investments			Charge/(Credit)) through OCI		
	General Business	Life Business	Total	General Business	Life Business	Total	General Business	Long Term Business	Total
Equity Investments in:									
Hibret Bank	208,067	67,489	275,556	233,771	75,826	309,598	25,705	8,338	34,042
Ethiopian Reinsurance S.C	50,434	12,546	62,980	81,429	20,256	101,685	30,995	7,710	38,705
Habesha Cement Factory SC	5,300	-	5,300	5,300	-	5,300	-	-	-
ESX	9,741	-	9,741	9,741	-	9,741	-	-	-
	273,542	80,035	353,577	330,241	96,083	426,324	56,699	16,048	72,747

30 June 2024

Available for sale:	Available for Sale			Revalued Investments			Charge/(Credit)) through OCI		
	General Business	Life Business	Total	General Business	Life Business	Total	General Business	Long Term Business	Total
Equity Investments in:									
Hibret Bank	170,945	55,449	226,394	229,268	74,367	303,635	58,323	18,918	77,241
Ethiopian Reinsurance S.C	36,001	8,938	44,939	57,000	14,151	71,151	20,998	5,213	26,211
Habesha Cement Factory SC	5,300	-	5,300	5,300	-	5,300	-	-	-
ESX	9,741	-	9,741	9,741	-	9,741	-	-	-
	221,988	**64,386**	**286,374**	**301,309**	**88,518**	**389,826**	**79,321**	**24,131**	**103,452**

30 June 2023

Available for sale:	Available for Sale			Revalued Investments			Charge/(Credit)) through OCI		
	General Business	Life Business	Total	General Business	Life Business	Total	General Business	Long Term Business	Total
Equity Investments in:									
Hibret Bank	133,151	43,243	176,394	193,802	62,940	256,743	60,652	19,698	80,349
Ethiopian Reinsurance S.C	31,895	7,911	39,806	46,497	11,533	58,030	14,602	3,622	18,224
Habesha Cement Factory SC	5,300	-	5,300	5,300	-	5,300	-	-	-
ESX	-	-	-	-	-	-	-	-	-
	170,346	**51,154**	**221,500**	**245,600**	**74,474**	**320,073**	**75,254**	**23,319**	**98,573**

		30 June 2025 Birr'000	30 June 2024 Birr'000
12	**Investment income**		
	General business		
	Interest on time deposits	324,104	222,010
	Interest on savings	8,614	6,335
	Interest on staff loans	1,729	1,325
	Interest income staff debtors-valuation	3,056	2,445
	Dividend income	43,718	41,692
	Interest on government bond	21,189	14,571
	Rent income	64,047	50,206
		466,457	**338,584**
	Wkala fee income	**11,183**	**-**

		30 June 2025 Birr'000	30 June 2024 Birr'000
	Life business		
	Interest on time deposits	46,186	33,270
	Interest on savings	172	225
	Interest on staff loans	48	57
	Interest on policy loans	10	10
	Dividend income	13,689	13,232
	Interest on government bond	2,516	1,877
	Rent income	15,355	9,336
		77,977	**58,008**
	Total investment income	**555,616**	**396,591**

		30 June 2025 Birr'000	30 June 2024 Birr'000
13	**Other income**		
	General business		
	Service charge	2,382	1,887
	Gain on disposal of Fixed Assets	2,909	585
	Gain on foreign exchange	136	-
	Miscellaneous income	2,311	760
		7,739	**3,233**
	Life business		
	Miscellaneous income	742	158
		742	158
	Total other income	**8,481**	**3,391**

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

14 Property, plant and equipment

a) General Business

	Buildings Birr'000	Office equip Birr'000	Computer equip Birr'000	Furniture and fittings Birr'000	Motor vehicle Birr'000	Fence and recovery Birr'000	Total Birr'000
Cost							
As at 1 July 2023	269,683	10,591	28,863	17,205	108,693	1,059	436,094
Additions	-	2,537	14,567	8,204	40,068	-	65,376
Disposals / Transfer	(38,405)	-	(79)	(239)	(150)	-	(38,874)
As at 30 June 2024	**231,277**	**13,128**	**43,351**	**25,169**	**148,611**	**1,059**	**462,596**
As at 1 July 2024	231,277	13,128	43,351	25,169	148,611	1,059	462,596
Additions	-	893	4,501	6,053	26,943	-	38,390
Disposals / Transfer	-	(154)	(482)	(171)	(1,120)	-	(1,927)
As at 30 June 2025	**231,277**	**13,867**	**47,370**	**31,051**	**174,434**	**1,059**	**499,059**
Accumulated depreciation							
As at 1 July 2023	20,945	8,258	14,289	9,421	46,724	524	100,161
Charge for the year	4,992	-	-	-	113	105	5,210
Disposals / Transfer	(3,405)	-	-	-	(113)		(3,518)
As at 30 June 2024	**22,532**	**8,258**	**14,289**	**9,421**	**46,724**	**629**	**101,852**
As at 1 July 2024	22,532	8,258	14,289	9,421	46,724	629	101,853
Charge for the year	4,506	1,299	5,897	2,604	15,100	105	29,511
Disposals / Transfer	-	(153)	(477)	(169)	(892)	-	(1,691)
As at 30 June 2025	**27,038**	**9,403**	**19,709**	**11,857**	**60,932**	**734**	**129,673**
Net book value							
As at 1 July 2023	248,738	2,333	14,574	7,784	61,969	535	**335,933**
As at 30 June 2024	208,746	4,870	29,062	15,748	101,888	430	**360,744**
As at 30 June 2025	**204,240**	**4,464**	**27,661**	**19,194**	**113,502**	**325**	**369,386**

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Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

b) Life business	Buildings	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	Fence and recovery improvements	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2023	15,000	83	426	514	2,195	-	18,218
Additions	-	-	14	-	-	-	14
Disposals/Transfer	38,409	-	79	239	-	-	38,727
As at 30 June 2024	**53,409**	**83**	**519**	**753**	**2,195**	**-**	**56,959**
As at 1 July 2024	53,409	83	519	753	2,195	-	56,959
As at 30 June 2025	**53,409**	**83**	**519**	**753**	**2,195**	**-**	**56,959**
Accumulated depreciation							
As at 1 July 2023	5,079	70	295	304	1,505	-	7,253
Charge for the year	-	-	-	-	-	-	1
As at 30 June 2024	**5,079**	**70**	**295**	**304**	**1,505**	**-**	**7,254**
As at 1 July 2024	5,079	70	295	304	1,505	-	7,254
Charge for the year	1,015	6	57	67	209	-	1,354
As at 30 June 2025	**6,094**	**76**	**352**	**372**	**1,714**	**-**	**8,607**
Net book value							
As at 1 July 2023	9,921	13	131	210	690	-	**10,965**
As at 30 June 2024	48,330	13	224	449	690	-	**49,705**
As at 30 June 2025	**47,315**	**7**	**167**	**381**	**481**	**-**	**48,352**
Total Net book value Summary							
As at 1 July 2023	258,659	2,346	14,705	7,994	62,659	535	346,898
As at 30 June 2024	257,075	4,883	29,286	16,197	102,577	430	410,449
As at 30 June 2025	**251,554**	**4,470**	**27,828**	**19,576**	**113,984**	**325**	**417,738**

15 Investment property	30 June 2025 Birr'000	30 June 2024 Birr'000
a) **General business**		
Cost:		
Bole Medhanialem Building	77,431	77,431
Kality Building	117,662	117,460
Barhidar Building	48,000	48,000
	243,094	**242,891**
Accumulated depreciation:		
Bole Medhanialem Building	14,348	12,754
Kality Building	15,973	13,691
Bahirdar Building	8,208	7,296
	38,529	**33,741**
Net book value	**204,565**	**209,151**

b) Life business

Cost:

Bole Medhanialem Building	75,504	75,504
	75,504	**75,504**
Accumulated depreciation:		
Bole Medhanialem Building	12,919	11,484
	12,919	**11,484**
Net book value	**62,585**	**64,020**
Net book value Summary	**267,150**	**273,170**

Transfers from property, plant and equipment relates to buildings recognized under property, plant and equipment but now meet the criteria for investment property. Investment properties are those held primarily for rental income or capital appreciation.

c) Amounts recognized in profit or loss for investment properties

	30 June 2025 Birr'000	30 June 2024 Birr'000
Rental income	79,402	59,542
Direct operating expenses	(23,573)	(21,430)
Net income	**55,829**	**38,112**

d) Fair value measurement of investment properties

The Company's Investment properties are initially measured at cost, including transaction costs. Subsequently, these properties are measured at depreciated cost, less accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 years.

Fair Value Disclosure:

The fair value of investment properties has been disclosed as required. The table below analyzes the non-financial assets carried at fair value, by valuation method.

Level 1: Fair values are based on unadjusted quoted prices in active markets for identical financial assets.

Level 2: Fair values are based on adjusted quoted prices or observable prices of similar financial assets.

Level 3: Fair values are not based on observable market data.

e) Fair value hierarchy

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

30 June 2025	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-	152,935	-
Kality Building	-	117,662	-
Bahidar building	-	48,000	-
	-	**318,598**	**-**

30 June 2024	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialem	-	152,935	-
Kality Building		117,460	-
Bahidar building	-	48,000	-
	-	**318,395**	**-**

16 Intangible Assets

	General business Comp software Birr'000	Long term business Comp software Birr'000	Computer software Total Birr'000
Cost:			
As at 1 July 2023	20,393	304	20,697
Acquisitions	-	-	-
As at 30 June 2024	**20,393**	**304**	**20,697**
As at 1 July 2024	20,393	304	20,697
Acquisitions	5,454	-	5,454
As at 30 June 2025	**25,848**	**304**	**26,152**
Accumulated amortization:			
As at 1 July 2023	7,984	176	8,160
Amortization for the year	1,024	-	1,024
As at 30 June 2024	**9,008**	**176**	**9,183**
As at 1 July 2024	9,008	176	9,183
Amortization for the year	1,616	38	1,654
As at 30 June 2025	**10,624**	**214**	**10,838**
Net book value			
As at 1 July 2023	12,409	128	12,537
As at 30 June 2024	11,385	128	11,514
As at 30 June 2025	**15,224**	**90**	**15,314**

		30 June 2025 Birr'000	30 June 2024 Birr'000
17	**Investment securities :**		
(a)	**Financial 'Asseer a FVTOCI**		
	General business		
	Equity Investments	273,542	221,988
	Fair Value Adjustment	56,699	79,321
		330,241	**301,309**
	Life business		
	Equity Investments	80,035	64,386
	Fair Value Adjustment	16,048	24,131
		96,083	**88,518**
	At end of year	**426,324**	**389,826**

The Company maintains equity holdings in the following entities;

	30 June Birr'000		30 June 2024 Birr'000	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Hibret Bank SC	275,556	3.8%	226,394	3.8%
Ethiopian Reinsurance S.C	6,298	2.5%	4,493	2.5%
Equity investment on ESX	9,741	1.5%	9,741	0.0%
Habesha Cement Factory SC	5,300	0.5%	5,300	0.5%
	296,895		**245,928**	

These unquoted equity investments are measured at cost. Given the absence of active markets, the fair value of these financial instruments cannot be determined reliably. Consequently, they are reported at cost, net of any impairment losses.

		30 June 2025 Birr'000	30 June 2024 Birr'000
(b)	**Financial Asset at Amortized cost**		
	General business		
	Government securities held to maturity	136,171	65,571
	Additions		
	Interest receivable on Government Bond	8,547	4,747
	Impairment – IFRS 9	(227)	(123)
		144,491	**70,195**

	30 June 2025 Birr'000	30 June 2024 Birr'000
Life business		
Development Bank Bond-Investment	18,818	10,715
Interest receivable on Government Bond	-	493
Impairment - IFRS 9	-28	-20
	18,790	**11,187**
At end of year	**163,281**	**81,382**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	163,281	81,382
Non - Current		
	163,281	**81,382**

18 Statutory deposits

Pursuant to the Licensing and Supervision of insurance proclamation No 746/2012, the company's government securities portfolio, consisting of statutory deposits held at the National Bank of Ethiopia, is maintained. These bonds, representing 15% of the company's paid-up capital, bear an annual interest rate of 8% and have a maturity of six years.

	30 June 2025 Birr'000	30 June 2024 Birr'000
General business		
Statutory deposits	181,020	144,311
Reclassification	0	166
Interest receivable on Government Bond	6,822	5,246
Impairment - IFRS 9	-354	-288
	187,488	**149,434**
Life business		
Statutory deposits	15,750	15,750
Interest receivable on Government Bond	1,369	1,076
Impairment - IFRS 9	(31)	(749)
Statutory deposits	**17,088**	**16,077**
	204,576	**165,511**

The movement of statutory deposit during the year is as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	166,548	130,314
Additions	36,159	34,137
Interest received on statutory deposit invested in Government Bond	(6,322)	(4,225)
Interest receivable on statutory deposit invested in Government Bond	8,191	6,322
Impairment provision	-31	-749
At the end of the year	**204,545**	**165,799**

The minimum amount required to be set aside is Br201,240 (2024 : Br160,226, 2023: Br126,089), accrued interest receivable on the statutory deposit transferred to Ethiopian Government savings Bond of Br8,938 (2024: Br6,322 and 2023: Br4,225) has been included in the above figures.

19 Reinsurance receivables

	30 June 2025 Birr'000	30 June 2024 Birr'000
General Business		
Gross receivables	5,351	5,351
Impairment provision	(5,351)	(5,351)
	-	**-**

	30 June 2025 Birr'000	30 June 2024 Birr'000
Life business		
Gross receivables	42,806	8,449
Impairment provision	-	-
	42,806	**8,449**
	42,806	**8,449**

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These receivables arise from reinsurance policies that cover unusual or large risks not covered by our treaties

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	42,806	8,449
Non- current		-
	42,806	**8,449**

	30 June 2025 Birr'000	30 June 2024 Birr'000
Takaful business		
Gross receivables	263	-
Impairment provision	-	-
	263	**-**
	263	**-**

These receivables arise from reinsurance policies that cover unusual or large risks not covered by our treaties

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	263	-
Non- current		-
	263	**-**

20 Insurance Contract Assets

	30 June 2025 Birr'000	30 June 2024 Birr'000
Due from policyholders	20,578	14,520
Due from risk sharing (local insurers)	25,608	7,431
	46,187	**21,950**
Provision for impairment	(12,499)	(10,700)
	33,688	**11,250**

Changes in the impairment provision for direct insurance receivables are as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
At start of the year	10,700	2,350
Increase/ (Decrease) in the year	1,798	8,350
As at the end of the year		
	12,499	**10,700**

		30 June 2025	30 June 2024
		Birr'000	Birr'000
21	**Policy holder loans**		
	Life Business		
	Policy holder loans	92	87
	At end of year	**92**	**87**
	Maturity profile of policy loans		
	Loans maturing :		
	Within 1 year	40	40
	Within 1 - 5 years	34	34
	In over 5 years	13	13
		92	**87**

22 Salvage property held for sale

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Non-current asset held for sale	13,038	19,302
	13,038	**19,302**

Changes in non-current assets held for sale are as follows:

	30 June 2025	30 June 2024
	Birr'000	Birr'000
At the beginning of the year	19,302	31,640
Additions during the year	13,038	19,302
Sold during the year	(19,302)	(31,640)
At the end of the year	**13,038**	**19,302**

These non-current assets held for sale represent salvage properties that were fully or partially damaged and fully compensated to policyholders. They are recognized and classified as held for sale in the financial statements at their carrying amount and fair value less cost of disposal, in accordance with IFRS 5. The Company intends to dispose of these assets through public auction within one year of compensation. Their carrying value will be recovered through disposal rather than continuing use. The salvage value of these assets was estimated by the Company's in-house surveyors at the reporting date.

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

		30 June 2025 Birr'000	30 June 2024 Birr'000
23	**Other assets**		
	Loans and receivables:		
	General business		
	Rent receivable	1,865	1,293
	Inter office receivable - Takaful	27,838	-
	VAT Receivables	29,555	
	Inter office receivable - Life	-	-
	Staff debtors	30,372	23,631
	Sundry debtors	2,327	2,202
		91,956	**27,126**
	Non financial assets:		
	Deposits and prepayments	32,282	19,989
	Prepaid staff assets	343	494
	Deferred tax assets. Employee benefit	2,945	1,620
	Prepayments For Building	-	-
		35,570	**22,103**
	Less impairment loss on other assets:		
	On other receivables	(1,310)	(1,413)
	on non financial assets	-	-
		126,216	**47,816**
	Loans and receivables:		
	Life business		
	Receivables on policy loan	19	18
	Inter office receivable - Life	-	3,046
	Sundry debtors	2,477	1,548
		2,496	**4,612**
	Non financial assets:		
	Deposits	-	-
	Deferred tax assets. Employee benefit	189	194
	Prepayments	-	-
		189	**194**
	Less impairment loss on other assets:		
	On other receivables	(86)	(22)
	on non financial assets	-	-
	Total Life & General Business	**2,599**	**4,784**
		128,815	**52,600**
	Loans and receivables:		
	Takaful business		
	VAT Receivables	1,188	-
		1,188	**-**

		30 June 2025 Birr'000	30 June 2024 Birr'000
	Current	128,815	52,600
	Non Current	-	-
		128,815	**52,600**

At 30 June, there is no allowance for impairment losses

		30 June 2025 Birr'000	30 June 2024 Birr'000
24	**Cash and Bank balances**		
	General business		
	Cash in hand	65,679	25,006
	Cash at bank	217,889	114,927
	Deposits with financial institutions (before impairment)	2,825,206	2,061,851
	Impairment	-	(152)
	Deposits with financial institutions (after impairment)	2,825,205	2,061,699
		3,108,773	**2,201,632**

	Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
	Current	3,108,773	2,201,632
	Non- current	-	-
		3,108,773	**2,201,632**

For the cash flow statement, cash and cash equivalents include cash in hand, bank deposits, and short-term bank deposits.

	Cash and Bank balances	30 June 2025 Birr'000	30 June 2024 Birr'000
	Life business		
	Cash in hand	50	158
	Cash at bank	5,296	5,332
	Deposits with financial institutions (before impairment)	331,367	315,814
	Impairment	(34)	(31)
	Deposits with financial institutions(after impairment)	331,333	315,783
		336,679	**321,273**

	Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
	Current	336,679	321,273
	Non- current	-	-
		336,679	**321,273**
	Total Cash and Bank balances	**3,445,452**	**2,522,905**

For the cash flow statement, cash and cash equivalents include cash in hand, bank deposits, and short-term bank deposits.

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

	30 June 2025	30 June 2024
Cash and cash equivalents	**Birr'000**	**Birr'000**
General business		
Cash in hand	65,679	25,006
Cash at bank	217,889	114,927
	283,568	**139,933**

	30 June 2025	30 June 2024
	Birr'000	**Birr'000**
Life business		
Cash and cash equivalents		
Cash in hand	50	158
Cash at bank	5,296	5,332
	5,346	**5,490**
Total cash and cash equivalents	**288,914**	**145,423**

	30 June 2025	30 June 2024
	Birr'000	**Birr'000**
Takaful business		
Cash and cash equivalents		
Cash in hand	24,836	-
Cash at bank	6,078	
	30,914	**-**
Total cash and cash equivalents	**30,914**	**-**

24 a The increase or decrease in deposits held at various financial institutions.

	30 June 2025	30 June 2024
	Birr'000	**Birr'000**
General business		
As at 1 July	2,061,851	1,494,057
Additions	712,065	526,655
Interest received on Fixed time deposit	(128,049)	(86,758)
Interest receivable on fixed time deposit	179,339	128,049
As at 30 June	**2,825,206**	**2,061,851**

The increase or decrease in deposits held at various financial institutions.

	30 June 2025	30 June 2024
Life business		
As at 1 July	315,814	190,135
Additions	12,057	117,986
Interest received on Fixed time deposit	(15,119)	(7,426)
Interest receivable on fixed time deposit	18,614	15,119
As at 30 June	**331,367**	**315,814**

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

		30 June 2025	30 June 2024
		Birr'000	Birr'000
25	**Insurance payables General Business**		
	Due to Reinsurers	245,630	171,359
	Payable to local Insurance	16,218	7,999
	Differed Reinsurance Commission	68,194	50,753
	At end of the year	**330,042**	**230,111**

	30 June 2025	30 June 2024
	Birr'000	Birr'000
	28,303	23,655
Life business		
At end of the year	28,303	**23,655**
Gross Life & general Business	**358,345**	**253,766**

	Birr'000	Birr'000
Takaful business		
Due to Retakaful	5,920	-
Payable to local Insurance	7,706	-
At end of the year	**13,626**	**-**

Maturity analysis	30 June 2025	30 June 2024
	Birr'000	Birr'000
Current	290,151	203,013
Non- current	-	-
	290,151	**203,013**

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

		30 June 2025	30 June 2024
		Birr'000	Birr'000
26	**Other liabilities**		
a)	**General business**		
	Financial liabilities		
	Dividend payable	31,382	24,323
	Commission payable	37,484	21,928
		68,866	**46,251**
	Non financial liabilities		
	Sundry creditors	36,874	25,484
	Uncollected cheques	11,293	8,394
	Deferred income	66,927	11,150
	Retention fee payable	2,308	2,308
	Inter office A/C with life	-	3,046
	VAT payable	34,334	
	Provisions	87,197	74,800
	Rent advance	24,702	9,080
	Debtors with credit balance	16,532	6,457
		280,167	**140,719**
		349,033	**186,969**

Non financial liabilities

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Sundry creditors	7,474	2,645
Inter office A/C with Non life	11,255	-
Provisions	3,874	847
	22,604	**3,492**
	22,604	**3,492**
Gross amount	**371,636**	**190,462**

Non financial liabilities		
Sundry creditors	11,976	-
Inter office A/C with Non life	767	-
	12,743	**-**
	12,743	**-**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	371,636	190,462
Non- current		
	371,636	**190,462**

27 Company income and deferred tax

a) Current income tax

	30 June 2025 Birr'000	30 June 2024 Birr'000
Company income tax	150,935	85,482
Deferred income tax/(credit) to profit or loss	15,285	(1,320)
Total charge to profit or loss	166,221	84,163
Tax (credit) on other comprehensive income	(1,320)	73,926
Total tax in statement of comprehensive income	**164,901**	**158,088**

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

b) Reconciliation of effective tax to statutory tax-30 June 2025

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:

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Profit before tax	**874,002**	**134,048**	**1,008,050**
Add : Disallowed expenses			
Entertainment	7,745	248	7,993
Penalty	65	-	65
Leave - Provision	3,078	(303)	2,774
Gifts and donations	-	-	-
Shareholders' meeting expenses	951	19	971
Giveaway items	1,522	102	1,623
Medical expenses for UNIC-staff employee family	1,755	-	1,755
Staff award expense	833	-	833
Severance pay- provision	-	107	107
Employee Benefit expenses	151		151
Depreciation for right of use asset	13,966	-	13,966
Actuarial valuation increment in IBNR & ULAE	16,143	7,626	23,769
Interest on lease liability of right of use asset	1,012	-	1,012
Property tax expenses-Buildings	7,348	858	8,205
Tax expenses related to VAT	64,434		64,434
30th years anniversary expenses	2,221		2,221
Depreciation for IFRS accounting purpose	34,301	2,788	37,089
Amortization for IFRS accounting purpose	1,712	38	1,750
Total disallowable expenses	**157,236**	**11,483**	**168,719**
Less : Allowable expense			
Depreciation for tax purpose	50,599	8,002	58,601
Amortization for tax purposes	2,786	20	2,807
Dividend income taxed at source	43,718	13,689	57,408
Income recognized from Implementation of IFRS 17	137,260	-	137,260
Rent expenses lease term over a year	14,796	-	14,796
Interest income taxed at source-Local Deposit	353,907	48,874	402,781
Total allowable expenses	**603,066**	**70,585**	**673,652**
Taxable profit	**428,172**	**74,946**	**503,118**
Current tax at 30%	**128,452**	**22,484**	**150,935**

C) Reconciliation of effective tax to statutory tax-30 June 2024

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:

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Profit before tax	**561,793**	**50,000**	**611,793**
Add : Disallowed expenses			
Entertainment	3,557	362	3,919
Penalty	1,020	10	1,030
Gifts and donations	21	-	21
Shareholders' meeting expenses	651	12	663
Giveaway items	1,197	103	1,300
Medical expenses for UNIC-staff employee family	1,137	-	1,137
Staff award expense	260	11	271
Leave - Provision	3,453	189	3,643
Severance pay- provision	2,484	107	2,591
Employee Benefit expenses	170		170
Impairment of receivables-Provision	8,351	-	8,351
Depreciation for right of use asset	11,573		11,573
Interest on lease liability of right of use asset	969		969
Gifts and donations	420		420
Property tax expenses-Buildings	6,716	1,093	7,809
Depreciation for IFRS accounting purpose	29,164	2,295	31,459
Amortization for IFRS accounting purpose	1,120	38	1,158
Total disallowable expenses	**72,262**	**4,221**	**76,483**
Less : Allowable expense			
Depreciation for tax purpose	50,011	5,283	55,294
Amortization for tax purposes	1,300	19	1,319
Dividend income taxed at source	41,692	13,232	54,924
Income recognized from Implementation of IFRS 17	-	-	-
Rent expenses lease term over a year	13,509		13,509
Interest income taxed at source-Local Deposit	242,915	35,373	278,287
Total allowable expenses	**349,428**	**53,906**	**403,335**
Taxable profit	**284,627**	**314**	**284,941**
Current tax at 30%	**85,388**	**94**	**85,482**

		30 June 2025	30 June 2024
d)	**Current income tax assets / (liability)**	**Birr'000**	**Birr'000**
	Balance at the beginning of the year	(64,046)	(37,928)
	Current year provision	(150,935)	(85,482)
	WHT Not utilized	33,002	21,437
	Payment during the year	64,046	37,928
	Balance at the end of the year	**(117,933)**	**(64,046)**

e) Deferred income tax

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	73,926	59,960
To be recovered within 12 months	-	-
	73,926	**59,960**

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

30 June 2025

Deferred income tax assets/(liabilities):	At 1 July 2024 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2025 Birr'000
Property, plant and equipment	62,580	6,663		69,242
Intangibles	229	627		856
Post employment benefit obligation	(2,849)	7,996	(1,320)	3,828
Total deferred tax assets/(liabilities)	**59,960**	**15,285**	**(1,320)**	**73,926**

30 June 2024

Deferred income tax assets/(liabilities):	At 1 July 2023 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2024 Birr'000
Property, plant and equipment	53,785	8,795		62,580
Intangibles	185	44		229
Post employment benefit obligation	(2,071)	1,476	53,374	(2,849)
Total deferred tax assets/(liabilities)	**51,898**	**10,315**	**53,374**	**59,960**

28 Leases as a lessee

The company leases land and buildings primarily for office space. These leases are non-cancellable with options to extend or terminate at the end of the term. Additionally, some leases have no renewal options or variable payments.

At the lease commencement date, the company recognizes right-of-use assets and corresponding lease liabilities. Right-of-use assets are initially measured at cost, which includes the initial lease liability adjusted for any upfront payments and direct costs. Lease liabilities are initially measured at the present value of lease payments, discounted using the implicit interest rate or, if unavailable, the company's incremental borrowing rate (typically the National Bank of Ethiopia average lending rate).

Right-of-use assets are presented separately from other assets, and lease liabilities are presented separately from other liabilities. Subsequent to initial recognition, right-of-use assets are depreciated straight-line over the shorter of the lease term and the asset's useful life. Lease liabilities are measured at amortized cost using the effective interest method. Each lease payment is allocated between principal and interest expense to produce a constant periodic interest rate. Interest and principal portions of cash payments are reported as operating and financing activities, respectively, in the statement of cash flows.

Short-term leases (12 months or less) and low-value leases, primarily for office space, are not recognized as right-of-use assets or lease liabilities. Payments for these leases are recorded as operating expenses on a straight-line basis and reported as operating activities in the statement of cash flows.

Set out below are the carrying amounts of right-of use assets recognized and the movements during the period.

Office premises

a) Right- of use assets

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	18,235	15,183
Additions	19,593	14,888
Disposal of ROU	(1,485)	(263)
Depreciations expenses	(13,966)	(11,573)
At the end of the year	**22,377**	**18,235**

b) Right of use assets/Prepaid operating leasehold land

The Company has leased land for its use. The lease hold period for land at Bahirdar, Kality and Bolemedhanialem is 60,50 and 12 years respectively. Information about the leases in which the Company is a lessee is presented below:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Cost:		
At the beginning of the year	3,769	3,864
Accumulated depreciation from prepaid operating lease holding land	(95)	(95)
At the end of the year	**3,674**	**3,769**
Depreciation		
Charge for the year	95	95
	3,674	**3,769**
Total Right of use assets	**26,051**	**22,004**

c) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	11,856	11,856
Additions	10,110	7,724
Disposal of Lease liability	(422)	(260)
payments	(6,925)	(5,872)
At the end of the year	**14,619**	**11,856**

Maturity analysis	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	14,619	11,856
Non current		
	14,619	**11,856**

Amount recognized in profit or loss	30 June 2025 Birr'000	30 June 2024 Birr'000
Depreciation expense of right of use assets	13,966	11,573
Interest expense on lease liabilities	1,012	969
Expenses relating to leases of low value assets (included in admin. expenses)	8,568	6,104
Total amount recognized in profit or loss	**23,546**	**18,645**

Amount recognized in the statement of cash flows

	30 June 2025 Birr'000	30 June 2024 Birr'000
Total cash out flow for leases	**6,925**	**5,872**

As a lessor

The Company has entered into operating leases on its investment property portfolio consisting of certain office premises. These leases have terms of leases between one and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Payments received from operating leases are recorded on a straight-line basis over the lease term as investment income in the statement of profit or loss and other comprehensive income. Lease income recognized from investment property by the Company during the year is Birr 59,542,000 (2023: Birr 55,535,000).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2025 are as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Within one year	69,000	64,000
After one year but not more than five years	265,000	256,000
More than five years	330,000	320,000
	664,000	**640,000**

		30 June 2025 Birr'000	30 June 2024 Birr'000
29 Defined benefit liability			
Defined benefits liabilities:			
Severance pay - Life business	Note 36(a)	383	293
Severance pay - Non life business	Note 36(a)	12,376	9,203
Liability in the company statement of financial position		**12,759**	**9,496**
Income statement charge included in personnel expenses:			
Severance costs - Life business	Note 36(a)	107	297
Severance costs - Non life business	Note 36(a)	3,281	10,031
Total defined benefit expenses		**3,388**	**10,328**
Re-measurement for:			
Life business			
Re-measurement (gains)/losses - Life business		(17)	114
Deferred tax (liability)/asset on Re-measurement gain or loss		(5)	34
		(12)	**80**
General business			
Re-measurement (gains)/losses - Non life business		4,417	1,096
Deferred tax (liability)/asset on Re-measurement gain or loss		1,325	329
		3,092	**767**
Gross amount		**3,080**	**847**

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a) Severance pay

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

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
A Defined benefit liability		
Liability recognized in the financial position - Life business	383	293
Liability recognized in the financial position - General business	12,376	9,203
	12,759	**9,496**

	30 June 2025 Birr'000	30 June 2024 Birr'000
B Amount recognized in the profit or loss		
Life business		
Current service cost	59	273
Interest cost	48	24
	107	**297**
General business		
Current service cost	2,102	9,042
Interest cost	1,178	989
	3,280	**10,031**
Gross amount	**3,387**	**10,328**

C Amount recognized in other comprehensive income:		
Re-measurement (gains)/losses arising from changes in demographic assumptions - Life	(17)	114
Re-measurement (gains)/losses arising from changes in demographic assumptions - General	4,416	1,096
	4,399	**1,210**

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

	30 June 2025 Birr'000	30 June 2024 Birr'000
Life business		
At the beginning of the year	293	186
Current service cost	59	273
Interest cost	48	24
Re-measurement (gains)/ losses	(17)	114
Benefits paid	-	(304)
At the end of the year	**383**	**293**
General business		
At the beginning of the year	9,203	6,719
Current service cost	2,102	9,042
Interest cost	1,178	989
Re-measurement (gains)/ losses	4,416	1,096
Benefits paid	(4,524)	(8,643)
At the end of the year	**12,375**	**9,203**

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

i) Financial Assumption Long term Average

	30 June 2025 Birr'000	30 June 2024 Birr'000
Discount rate (p.a.)	15.00%	14.75%
Long term salary Increase rate (p.a.)	13.00%	12.75%

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:

Age	Mortality rate	
	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	0.330	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 as summarized below :

Age	Resignation rates per annum	
	Male	Female
20	15.000%	15.000%
25	12.000%	12.000%
30	6.000%	6.000%
35	2.500%	2.500%
40	1.800%	1.800%
45	1.000%	1.000%
50	0.180%	0.080%
55	0.080%	0.080%
60	0.080%	0.080%

iv) III-Health/Disability

The withdrawal rates are as summarized below :

Age	Resignation rates per annum	
	Male	Female
20	0.040%	0.040%
25	0.040%	0.040%
30	0.040%	0.040%
35	0.040%	0.040%
40	0.063%	0.050%
45	0.110%	0.080%
50	0.200%	0.140%
50	0.350%	0.250%
55	0.570%	0.420%
60		

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

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

General business

	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	15.00%	16.00%	15.00%	14.00%	15.00%
Salary rate	13.00%	13.00%	14.00%	13.00%	12.00%
Net liability at start of period	**9,202,859**	**9,202,859**	**9,202,859**	**9,202,859**	**9,202,859**
Total net expense recognized in income statement	3,281,159	3,281,159	3,281,159	3,281,159	3,281,159
Net expense recognized in other comprehensive income	4,416,445	3,678,476	5,228,060	5,253,256	3,692,162
Employer contribution	(4,524,425)	(4,524,425)	(4,524,425)	(4,524,425)	(4,524,425)
Net liability at end of period	**12,376,038**	**11,638,069**	**13,187,653**	**13,212,849**	**11,651,755**

30 June 2024

	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.75%	15.75%	14.75%	13.75%	14.75%
Salary rate	12.75%	12.75%	13.75%	12.75%	11.75%
Net liability at start of period	**6,718,638**	**6,718,638**	**6,718,638**	**6,718,638**	**6,718,638**
Total net expense recognized in income	10,031,029	10,031,029	10,031,029	10,031,029	10,031,029
Net increase recognized in other comprehensive income	1,095,736	548,855	1,697,030	1,715,765	559,033
Employer contribution	(8,642,544)	(8,642,544)	(8,642,544)	(8,642,544)	(8,642,544)
Net liability at end of period	**9,202,859**	**8,655,978**	**9,804,153**	**9,822,888**	**8,666,156**

Life business

30 June 2025

	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	15.00%	16.00%	15.00%	14.00%	15.00%
Salary rate	13.00%	13.00%	14.00%	13.00%	12.00%
Net liability at start of period	**292,622**	**292,622**	**292,622**	**292,622**	**292,622**
Total net expense recognized in income statement	106,617	106,617	106,617	106,617	106,617
Net expense recognized in other comprehensive income	(16,427)	(39,151)	8,485	9,499	(38,495)
Net liability at end of period	**382,812**	**360,088**	**407,724**	**408,738**	**360,744**

30 June 2024

	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.75%	15.75%	14.75%	13.75%	14.75%
Salary rate	12.75%	12.75%	13.75%	12.75%	11.75%
Net liability at start of period	**185,985**	**185,985**	**185,985**	**185,985**	**185,985**
Total net expense recognized in income statement	296,812	296,812	296,812	296,812	296,812
Net increase recognized in other comprehensive income	114,408	97,538	132,829	133,727	98,165
Employer contribution	(304,583)	(304,583)	(304,583)	(304,583)	(304,583)
Net liability at end of period	**292,622**	**275,752**	**311,043**	**311,941**	**276,379**

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The weighted average duration of defined benefit obligation at the end of the reporting period for general insurance staff is 6.36 years and for long term insurance staff is 6..20 years.

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

		30 June 2025 Birr'000	30 June 2024 Birr'000
30	**Ordinary share capital**		
	Authorized:		
	1,500,000 ordinary shares of Birr 1000 each	1,500,000	1,500,000
	Issued and fully paid:		
	1,068,174 ordinary shares of Birr 1000 each	1,068,174	840,596
	273,424 ordinary shares of Birr 1000 each	273,424	227,578
	Total share capital & share premium	**1,341,598**	**1,068,174**
	Share Premium	**15,202**	**15,202**

In accordance with our company's policy and applicable tax regulations, the share premium generalted from the issuance of shares above par value during December 2022 to February 2023 was initially held as a reserve fund pending a decision by the shareholders' general assembly. However, the tax authority (Ministry of Revenue, Large Taxpayers Branch Office) issued a notice (Letter No. 02/210/2876/16, dated Sene 24, 2016 E.C.) determining that the premium portion is subject to taxation, including interest due to non-payment within the specified timeframe.

As a result, we have decided to pay a tax amount of Birr 6,515,100. This payment will reduce the net share premium amount reflected on our financial statements. The remaining net share premium balance, currently at Birr 15,202,000, will be considered by the shareholders' general assembly at their next meeting to determine its appropriate allocation or distribution.

The movements in issued ordinary shares and fully paid share :

	No. of shares (thousands)	Share Capital ETB'000	Total ETB"000
At 1 July 2023	840,596	840,596	840,596
Issue of ordinary shares	227,578	227,578	227,578
As at 30 June 2024	**1,068,174**	**1,068,174**	**1,068,174**
At 1 July 2024	1,068,174	1,068,174	1,068,174
Issue of ordinary shares	273,424	273,424	273,424
As at 30 June 2025	**1,341,598**	**1,341,598**	**1,341,598**

31 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year

	30 June 2025 Birr'000	30 June 2024 Birr'000
Current year profit Attributable to the shareholders	**843,149**	**470,955**
Weighted Average number of ordinary share in issue	**1,229,864**	**985,644**
Earnings per share in Birr	**685.56**	**477.81**

Earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding at the end of the year. There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and of compilation of these financial statements.

	Birr'000	Birr'000
general business		
At the beginning of the year distributable earnings	372,169	258,570
Prior years IFRS 17 Impact	-	(48,769)
Profit/ (Loss) for the year	733,346	470,678
Transfer to legal reserve	(73,335)	(47,068)
Transfer to capital	(235,507)	(167,600)
Dividend provided for	(188,102)	(93,642)
Total retained earnings- general business	**608,572**	**372,169**
At the end of the year distributable earnings	**608,572**	**372,169**

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Life business		
At the beginning of the year distributable earnings	44,143	33,080
Prior years IFRS 17 Impact		-
Profit/ (Loss) for the year	109,803	49,048
Transfer to legal reserve	(10,980)	(4,905)
Transfer to Capital		(33,080)
Dividend provided for	(44,143)	-
Total retained earnings- Life business	**98,822**	**44,143**
At the end of the year distributable earnings	**98,822**	**44,143**
	707,395	**416,312**

(b) Surplus resulted from Asset Revaluation or adjustment

In accordance with Directive No. 985/2024, issued on February 15, 2024 (directive on how to account for changes resulting from asset revaluation or adjustment), any surplus arising from asset valuation or adjustments cannot be used for capital increases or dividend distributions because it represents unrealized gains. Therefore, the directive mandates that this surplus be recorded as an "IFRS Adoption Re-measurement Reserve" within shareholders' equity, separate from distributable retained earnings. Following this directive, we have excluded this surplus from the retained earnings account and recorded it separately under the IFRS Adoption Re-measurement Reserve account. The gross surplus amounted to Birr 97.67 million, of which Birr 31.73 million was transferred to the deferred tax payable account. The net surplus of Birr 65.94 million is currently held in the IFRS Adoption Re-measurement Reserve account

		30 June 2025	30 June 2024
		Birr'000	Birr'000
32	**Legal reserve Generl Business**		
	At the beginning of the year	168,048	120,981
	Transfer from profit or loss	73,335	47,068
	At the end of the year	**241,383**	**168,048**

Life business		
At the beginning of the year	30,102	25,197
Transfer from profit or loss	10,980	4,905
At the end of the year	**41,082**	**30,102**
	282,465	**198,151**

This is a reserve constituted in accordance with Article 22 of Proclamation No. 746/2012 Licensing and Supervision of insurance business. The law requires the insurer to transfer 10% of its annual net profit to its legal reserve account until such account equals its capital.

Life fund reserve represents accumulated life fund inclusive of surpluses distributable to shareholders. The amount determined after actuarial valuation has been conducted .

		30 June 2025	30 June 2024
b)	**Takaful Fund Movement**	**Birr'000**	**Birr'000**
	surplus/(deficit)	(11,674)	-
	Life Fund	**(11,674)**	-

		30 June 2025	30 June 2024
33	**Actuarial (gain)/Loss of employee**	**Birr'000**	**Birr'000**
	general Business		
	At the beginning of the year	2,996	2,229
	Gross (gain)/loss	4,417	1,096
	Deferred tax asset/(liability)	1,325	329
	Net (gain)/Loss	**6,088**	**2,996**
	Life business		
	At the beginning of the year	419	339
	Gross (gain)/loss	(17)	114
	Deferred tax asset/(liability)	(5)	34
	Net (gain)/Loss	**407**	**419**
		6,495	**3,416**

Chartered Certified Accountants (UK)
Kokeb&Melkamu Audit Work Partnership

Hibret Insurance SC
Notes to the financial Statements
For the year ended 30 June 2025

		Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
34	**Cash generated from operating activities**			
	Profit before tax	31b	**1,008,050**	**564,878**
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment	14	37,087	31,462
	Amortization of intangible assets	16	1,654	1,062
	Right of use asset -depreciation	28	14,061	11,668
	Gain/(Loss) on disposal of property, plant and equipment	33	(2,909)	(585)
	Fixed assets adjustment	14	235	0
	Prior year adjustment		9,202	(8,362)
	ECL Provisions			(41)
	Change in operational assets:			
	Decrease/(Increase) Insurance Contract	8	(56,795)	(4,989)
	Decrease/(Increase) ReinsuranceCotract	8	(43,137)	(299,588)
	Decrease/(Increase) other assets	23	(76,215)	(21,855)
	Decrease/(Increase) Reinsurance contract assset	17	(81,899)	(52,745)
	Decrease/ (Increase) salvage property held for sales	22	6,264	12,339
	Change in operational liabilities:			
	-Increase/ (decrease) insurance contract liabilities	25	284,223	692,853
	-Increase/ (decrease) Insurance payables/ Reinusrance contract assets	25	104,580	87,446
	-Increase/ (decrease) other liabilities	26	171,966	40,951
	Cash generated from operations		**1,376,368**	**1,054,209**

In the statement of cash flows, profit on sale of property, plant and equipment comprise:	30 June 2025 Birr'000	30 June 2024 Birr'000
Proceeds on disposal	3,145	622
Net book value of property, plant and equipment disposed	236	37
Gain/(loss) on sale of property, plant and equipment	**2,909**	**585**

35 Related party transactions

The Company is owned by several diverse shareholders with out ultimate parent Company. A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
10.5 *Transactions with related parties*		
Loan to key management personnel	-	-

b) *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2025.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Salaries and other short-term employee benefits	31,503	23,197
Post-employment benefits	571	440
Termination benefits	1,553	1,759
Sitting allowance	1,033	1,770
Other expenses	1,397	1,444
	36,057	**28,610**

36 Directors and employees

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

	30 June 2025 Number	30 June 2024 Number
Professionals and High Level Supervisors	38	70
Semi-professional, Administrative and Clerical	9	28
Technician and Skilled	8	8
Manual and Custodian	12	17
	67	**123**

ii)

The table below shows the number of employees (excluding directors), who earned over Birr 10,000 as emoluments in the year and were within the bands stated.

III

Total number of employees as at June 30 2025 reaches 584 compared with previous period which was 563

	30 June 2025 Birr'000	30 June 2024 Birr'000
10,000 - 30,000	35	272
30,001 - 50,000	1	91
50,001 - 100,000	2	28
Above 100,000	-	-
	38	**391**

37 Contingent liabilities

Tax dispute on reinvested dividend

The Company has received an illegitimate tax payment request from the Ministry of Revenues Large tax payers Branch Office on reinvested dividend, interest and penalty Since 2016 to 2020 which totals Birr 21,832,381. The Company has disputed the request and is seeking legal advice and believes that the request is without merit and does not expect to incur any liability as a result.

This disclosure is important because it informs shareholders and other stakeholders of the potential financial impact of the tax office's request. It also demonstrates that the Company is taking the matter seriously and is taking steps to protect its interests.

38 Commitments

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Capital Expenditure		
Rebranding cost	-	831
Ethiopian Security Exchange/ESX/	9,741	9,741
Subscribed shares in Hibret Bank SC	100,838	150,000
Subscribed shares in Ethiopian Reinsurance Company	-	18,041
	110,579	**18,872**

39 Operating lease commitments - Company as lessee

The Company leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of each lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2025	30 June 2024
	Birr'000	Birr'000
No later than 1 year	4,897	1,013
Later than 1 year and no later than 2 years	6,663	4,106
Later than 2 years but not later than 5 years	3,059	3,288
Total	**14,619**	**8,407**

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset and align with the Company's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (Note 3).

40 Currency

The financial statements are presented in thousands of Ethiopian Birr (Br'000).

41 Revaluation reserves at deemed cost

The revaluation reserve at deemed cost relates to investment, property and equipment. The reserve is non -distributable .The revaluation surplus amounting Birr 65.94 million net of deferred tax liability of Birr 31.73 million is included in the retained earning account. This represents the surplus on the revaluation of investment property and property and equipment.

42 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 2025 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

ACTUARY CERTIFICATE

I have conducted an actuarial valuation of the general insurance, Takaful insurance, life insurance liabilities and severance benefits of Hibret Insurance S.C.

The valuation was conducted in accordance with generally accepted actuarial principles and IFRS 17 reporting requirement. These principles require that prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the data provided and the financial statements by the Company. In my opinion,

i. The actuarial value of the liabilities in respect of all classes of general insurance business of the company reflect a fair value as at 30 June 2025;

ii. The actuarial value of the liabilities in respect of all classes of Takaful insurance business of the company reflect a fair value as at 30 June 2025;

iii. The actuarial value of the liabilities in respect of all life assurance business did not exceed the amount of reserves of the life assurance business at 30 June 2025; and

iv. The severance benefit liability as at 30 June 2025 can be incorporated in the financial statements in line with the International Accounting Standards 19.

Signed in my capacity as an employee of Actuarial Services(EA) Ltd.

06th November 2025

Date

Abed Mureithi FIA, C.Act, FeASK
Fellow of the Institute & Faculty of Actuaries (UK)

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Photo Gallery

PARTIAL VIEW OF THE 30TH ANNIVERSARY CELEBRATION

30TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

TRANSITION OF RESPONSIBILITY BETWEEN INCOMING AND OUTGOING BOARD DIRECTORS

ANNUAL MANAGEMENT CONSULTATIVE MEETING & RECOGNITION

PARTICIPATION IN FINANCE FORUM EXHIBITION

ANNUAL INSURANCE BROKERS' CONSULTATIVE MEETING & RECOGNITION

ANNUAL STAFF & SALES AGENTS' DAY

COMPANY'S INITIATIVE IN WOMEN'S EMPOWERMENT: OVERSEAS TRAINING

BLOOD DONATION BY HIBRET STAFF AS PART OF THE 30TH ANNIVERSARY

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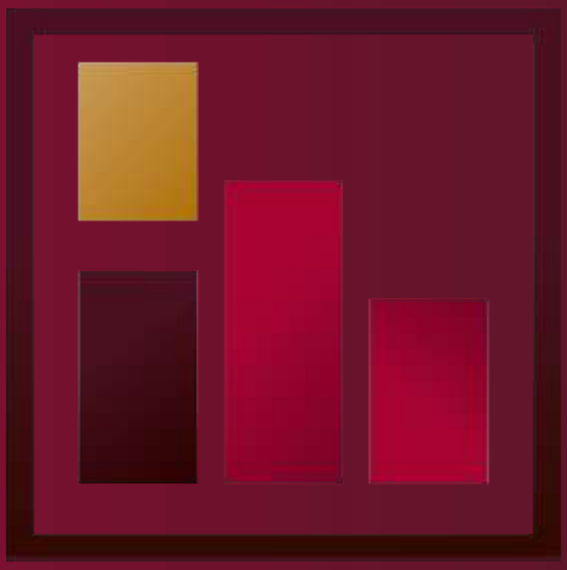

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