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.

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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

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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
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

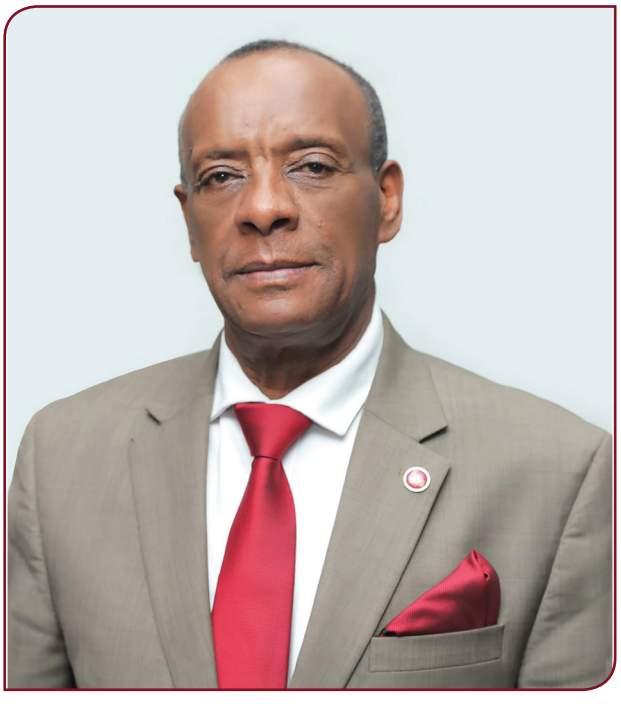
Dated 7th day of November, 2024

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%.

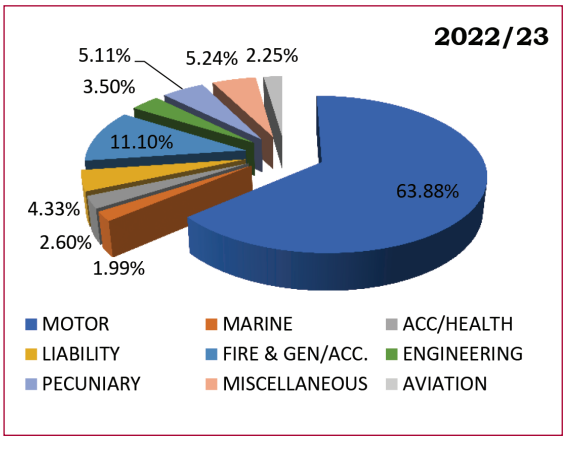
The Company attained commendable results in premium income in spite of the multiple challenges faced during the year.

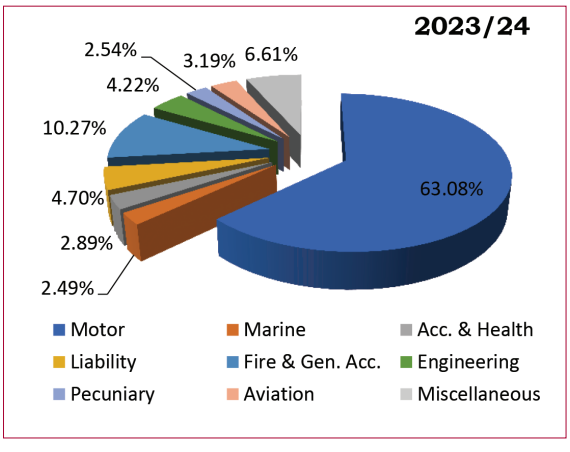
Portfolio Mix

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

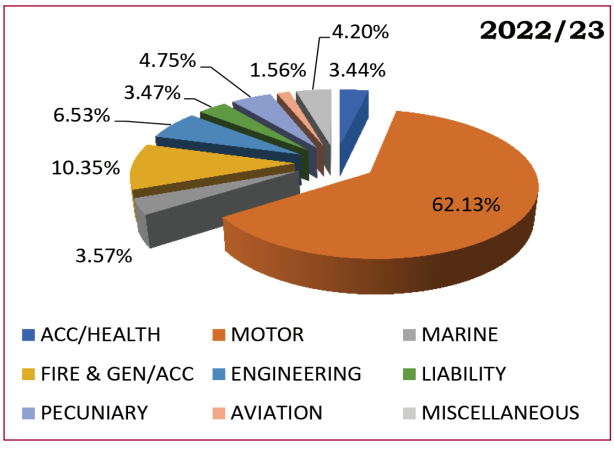
based on premium undercutting, upsurge in the frequency and severity of road accidents and the escalating motor repair costs due to the ever rising inflation.

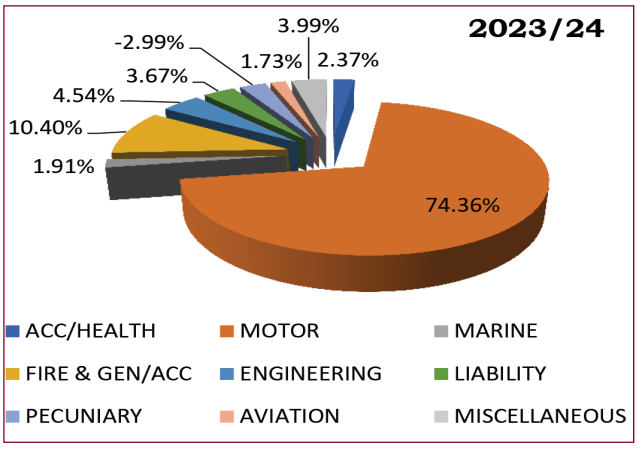
With robust growth of about 49.05%, the total Non-Life Underwriting Profit for the year 2023/24 shot up to ETB622,686,792 from the previous year of ETB417,773,000. It should be noted that all classes of business underwritten during the year under report yielded positive contribution to the Company's 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)
Kokeb&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	Meseret Bezabih
Chairperson Board of Directors	Chief Executive Officer
October 23, 2024	October 23, 2024

Chartered Certified Accountants (UK)
Kokeb&Melkamu 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

ኮከብ እና መልካሙ የኦዲት ሥራ ሽርክና ማህበር
Kokeb & Melkamu Audit Work Partnership
Certified Accountants (UK) &
Authorized Auditors
ሠርተፋይድ አካውንታንትስ (ዩኬ) እና
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

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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Telephone +251-11-616-69-56
E-mail:kokmelk@gmail.com
Mobile Tel +251-911-20-37-78 & +251-911-51-61-46

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)
Kokeb&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)
Kokeb&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)
Kokeb&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)
Kokeb&Melkamu 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.

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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.

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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.

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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 (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.

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'.

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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.

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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:

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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.

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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.

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(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

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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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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)

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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**

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Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative 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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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

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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.

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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**

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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.

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		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%**

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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.

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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.

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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**

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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**



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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**

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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**

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6 . Net premiums

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

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	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**

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		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**

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		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**

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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**

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		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**

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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**

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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.

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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

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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.

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	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:

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	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**

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	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.

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	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

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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**

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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**



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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

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**

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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**

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(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**

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e) Life business insurance contracts:

(i) Provision for unearned premiums

30 June 2024 Class of Business	Gross Birr'000	Reinsurance Birr'000	Net 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 Class of Business	Gross Birr'000	Reinsurance Birr'000	Net 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		
Movement	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net 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 Birr'000	30 June 2023 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**

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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**

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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**

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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**

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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

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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



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Maturity analysis

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



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		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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	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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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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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.

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	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**

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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:

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	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!

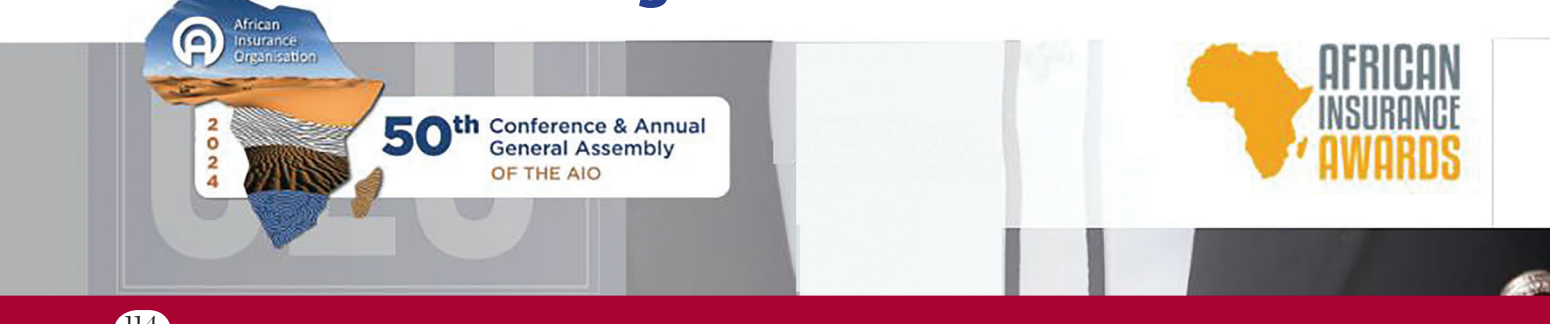


Photo Gallery





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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