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ABAY
INSURANCE S.C.

ANNUAL REPORT

2019/20

10
YEARS

የአዕምሮዎ ሰላም!
Your Peace of Mind!



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ABAY
INSURANCE S.C.

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የአዕምሮዎ ሰላም!
Your Peace of Mind!

ABAY INSURANCE S.C.

COMPANY HIGHLIGHTS



ABAY INSURANCE S.C.

ESTABLISHMENT

July 2010

ACRONYM

"AISCO", which stands for
Abay Insurance S.C.

GUIDING PRINCIPLES AND CORE VALUES

- Customers are the reason for our existence.
- Team work, loyalty and diversity are inevitable for our remarkable success.
- Continuous learning and improvement are our philosophy.
- Research and Development, innovation and critics are valuable for our vision achievement.

MISSION

To provide diversified insurance services tailored to meet the ever changing risk exposure facing the public by using ethical professionals and technology enablers in an innovative and cost effective ways.

VISION

To be the most preferred and iconic insurance company in Africa.

MOTTO

"Your peace of mind!"

AUTHORIZED CAPITAL AS AT JUNE 30, 2020

300,000,000 Birr

PAID UP CAPITAL AS AT JUNE 30, 2020

234,308,000 Birr

GUIDING PRINCIPLES AND CORE VALUES

- Quality and ethical professionalism are part of our day to day activities.
- Social responsibility, transparency, and accountability are the basis for our sustainable growth
- Integrity and transparency are the basis for our achievement.
- Employees are our non-replaceable strategic resources.



Abate Sitotaw
Board Chairman



Yehuala Gessesse
Director



Alemayehu Wassie (PhD)
Director



Yilkal Adamu (PhD)
Director



Yihalem Mesfin
Director



Asmamaw Alemayehu
Director



Elsa Tadele
Director



Mulugeta Abate
Director



Zemene Tsehai
Director



Getnet Girum
Board Secretary



Yohannes Zewde
Chief Executive Officer



Paulos Tadesse
Manager,
Underwriting & Branch
Operation Department



Behailu Betsha
Manager,
Finance & Investment
Department



Tewodros Lemma
Manager,
Claims Management
Department



Adugna Belay
A/Manager,
Marketing &
Corporate Planning
Department



Damenech Sileshi
Manager,
Audit Service



Tabor Shiferaw
Manager,
Legal Service



Yibeltal Anteneh
Manager,
Enterprise Risk
Management &
Compliance Service
(Rep. Manager, Resource Management
Department)



Tadesse Worku
Manager,
Engineering &
Inspection Service



Tamirat Hailu
A/Manager,
IT Service

Board of Directors

- **Abate Sitotaw**, *Board Chairman*
- **Yehuala Gessesse**, *Director*
- **Alemayehu Wassie (PhD)**, *Director*
- **Dr. Yilkal Adamu**, *Director*
- **Yihalem Mesfin**, *Director*
- **Asmamaw Alemayehu** , *Director*
- **Elsa Tadele**, *Director*
- **Mulugeta Abate**, *Director*
- **Zemene Tsehai**, *Director*
- **Getnet Gorum**, *Board Secretary*

Executive Management Team

- **Yohannes Zewde**, *Chief Executive Officer*
- **Solomon Seifu**, *Deputy Chief Executive Officer, Operation*
- **Paulos Tadesse**, *Manager, Underwriting & Branch Operation Department*
- **Behailu Betsha**, *Manager, Finance & Investment Department*
- **Tewodros Lemma**, *Manager, Claims Management Department*
- **Tadesse Worku**, *Manager, Engineering & Inspection Service*
- **Damenech Sileshi**, *Manager, Audit Service*
- **Tabor Shiferaw**, *Manager, Legal Service*
- **Yibeltal Anteneh**, *Manager, Enterprise Risk Management & Compliance Service*
- **Adugna Belay**, *A/Manager, Marketing & Corporate Planning Department*
- **Tamirat Hailu**, *A/Manager, IT Service*

Number of Branches

- **Thirty (30)**

Number of Staff as at June 30, 2020

- **219**

Address

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- **Tell:** +251-11-5535300
 - **Fax:** +251-11-5157690
 - **P.O.Box:** 5879
 - **Website:** <http://www.abayinsurancesharecompany.com//>
 - **Email:** info@abayinsurancesharecompany.com
 - **Physical Address:** Addis Ababa, Bole Sub City, Woreda 3, House No. 377

Report of the Board of Directors

The Board of Directors of Abay Insurance S.C. is highly pleased to present the annual report together with the audited financial statements for the year that ended June 30, 2020 to the 10th Ordinary Annual General Meeting of Share Holders.

The Business Environment

1. GLOBAL ECONOMIC CONDITION

More than a decade after the global financial crisis, the world is struggling with the health and economic effects of a profound new crisis caused by the COVID-19 pandemic. According to WEO, the COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3% in 2020, much worse than during the 2009 global financial crisis. In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8% in 2021 as economic activity normalizes, helped by policy support. The risks for even more severe outcomes, however, are substantial.

Effective policies are essential to forestall the possibility of worse outcomes, and the necessary measures to reduce contagion and protect lives are an important investment in long-term human and economic health.

Advanced economies entered this crisis with interest rates at historical lows and public debts, on average, higher than they had been over the past 60 years. They will come out from the crisis with even higher public debts. Growth in the advanced economy group, where several economies are experiencing widespread outbreaks and deploying containment measures, is projected at –6.1% in 2020. Most economies in the group are forecast to contract this year, including the United States (–5.9%), Euro Area (–7.5%), Japan (–5.2%), and the United Kingdom (–6.5%).

The COVID-19 pandemic is also impacting emerging markets through an unprecedented mix of domestic and external shocks whose combined effects are very hard to predict. All emerging market and developing economies face a health crisis,

severe external demand shock, dramatic tightening in global financial conditions, and a plunge in commodity prices, which will have a severe impact on economic activity in commodity exporters. Overall, the group of emerging market and developing economies is projected to contract by –1% in 2020; excluding China, the growth rate for the group is expected to be –2.2%. Growth would be even lower if more stringent containment measures are necessitated by a wider spread of the virus among these countries. Emerging Asia is projected to be the only region with a positive growth rate in 2020 (1%). In China, indicators such as industrial production, retail sales, and fixed asset investment suggest that the contraction in economic activity in the first quarter could have been about 8% year over year. Even with a sharp rebound in the remainder of the year and sizable fiscal support, the economy is projected to grow at a subdued 1.2% in 2020. Several economies in the region are forecast to grow at modest rates, including India (1.9%) and Indonesia (0.5%). Others are forecast to experience large contractions like Thailand (–6.7%).

According to WEO, other regions are projected to experience severe slowdowns or outright contractions in economic activity, including Latin America (–5.2%), with Brazil's growth forecast at –5.3% and Mexico's at –6.6%; emerging and developing Europe (–5.2%)—with Russia's economy projected to contract by –5.5%; the Middle East and Central Asia (–2.8%)—with Saudi Arabia's growth forecast at –2.3%, with non-oil GDP contracting by 4%; and sub-Saharan Africa (–1.6%)—with growth in Nigeria and South Africa expected at –3.4% and –5.8% respectively. Following the dramatic decline in oil prices since the beginning of the year, prospects for oil-exporting countries have deteriorated significantly: the growth rate for the group is projected to drop to –4.4% in 2020.

The rebound in 2021 depends critically on the pandemic fading in the second half of 2020, allowing containment efforts to be gradually scaled back and restoring consumer and investor confidence. Significant economic policy actions have already been taken across the world, focused on accommodating public health care requirements, while limiting the amplification to economic activity and the financial system. The projected recovery assumes that these policy actions are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains.

IMF has predicted uncertain recovery for 2021 on pandemic fading helped by policy support. Hence, global growth is expected to rebound to 5.8% in 2021, well above trend, reflecting the normalization of economic activity from very low levels. The advanced economy group is forecast to grow at 4.5%, while growth for the emerging market and developing economy group is forecast at 6.6%.

According to IMF report of April 2020, the recovery of the global economy could be weaker than expected after the spread of the virus has slowed for a host of other reasons. These include lingering uncertainty about contagion, confidence failing to improve, and establishment closures and structural shifts in firm and household behavior, leading to more lasting supply chain disruptions and weakness in aggregate demand. Depending on the duration, global business confidence could be severely affected, leading to weaker investment and growth than projected in the baseline. Related to the uncertainty around COVID-19, an extended risk-off episode in financial markets and tightening of financial conditions could cause deeper and longer-lasting downturns in a number of countries.

2. DOMESTIC ECONOMIC SITUATION

Ethiopia is the second most populous country in Africa (more than 106 million people). According to the Ethiopian Economic Outlook, the country has experienced sustained growth of around 10% per year on average over the past decade. Main drivers of growth are agricultural production and services, sustained by foreign development aid. In 2018/19, real gross domestic product (GDP) is estimated to have grown by 9%, driven by manufacturing and services. However, performance of goods exports remained weak and foreign exchange shortages persist. Policies appropriately targeted at containing public investment and debt contributed to a further narrowing of the current account deficit to 4.5% of GDP. Inflation remained elevated in double digits, largely due to higher food prices, though non-food inflation has also been trending upward. While revenues came in below target, cuts in expenditure contained the fiscal deficit to 2.5% of GDP, below budget.

The authorities have announced a Homegrown Economic Reform Plan, consisting of a mix of macroeconomic, structural and sectorial policies, to address vulnerabilities and tackle structural bottle-

necks inhibiting private sector activity. The macroeconomic policy measures envisaged under the Plan to address external imbalances, debt vulnerabilities, and inflation are expected to contribute to a slower growth in real GDP of 6.2% in 2019/20. Public expenditure restraint and tighter monetary policy are expected to contribute to a gradual reduction in inflation.

According to IMF, Ethiopian GDP growth in 2019 was at 7.4%. It's expected to slightly decrease to 7.2% and 7.1% in 2020 and 2021 respectively

Although data showing healthy export growth points to a good start to fiscal year 2019/20, the outbreak of coronavirus will be taking a heavy toll on the economy. On 23 March and 3 April, the government announced two rounds of fiscal measures amounting to around 1.6% of GDP aimed at supporting health spending and the agricultural sector, as well as providing emergency food and shelter for the most vulnerable groups. At the end of March, the government also postponed the 5th parliamentary election until a later date once the pandemic is over. Due to Covid-19, potential effects on Ethiopian economic and fiscal metrics, on 10 April S&P Global Ratings revised its outlook on Ethiopia to negative from stable. On a more positive note, in early April 2020 the World Bank approved USD 83 million in emergency funds for the country.

According to the Ethiopian economic outlook, the Country's real GDP growth is positive, and projected to stabilize at 7.1% and 7.2% in 2020 and 2021 respectively due to ongoing political and economic reforms and normalizing relations with Ethiopia's neighbors. Growth should benefit from the Homegrown Economic Reform Program, which seeks to address macroeconomic imbalances and unlock structural and sectorial bottlenecks, improving governance of state-owned enterprises and strengthening institutional capacities. Measures to open key sectors to competition notably transport, logistics, manufacturing, and telecommunication will attract private investment, catalyze high value-added services, and boost competitiveness

The Great Lockdown provoked by the Covid-19 pandemic is taking a massive toll on global economic activity and causing huge uncertainty inside the realm of economic forecasting, particularly regarding the shape of the economic recovery. The prev-

alence of Covid-19 pandemic and its prolonged effect along with limited competitiveness, underdeveloped private sector, political instability and environmental hazards like locust invasion might pose impacts on the Ethiopia's economy in the year 2020/21.

According to the Ministry of Finance, Ethiopian economic growth projected for 2019/20 was 9% but due to Covid-19 pandemic its growth has declined to 6%. Considering the possible macroeconomic and social impact of COVID-19 pandemic, the Country's economic growth for 2020/21 is projected to be 8.5%.

Ethiopia's Council of Ministers has approved a bill that allocates 475.7 billion birr in government spending for the 2020/21 budget. Of the total budget, 160.3 billion birr is allocated for capital expenditure, 133 billion birr for recurrent spending, 176.4 billion birr to subsidize regional states, and 6 billion birr for Sustainable Development Goal (SDG) projects. The total amount has shown an 88.8 billion birr increase from the current fiscal year budget which is 386.9 billion birr (Source: ethiopianmonitor.com).

The Ethiopian Insurance Industry

The Ethiopian Insurance Market has registered a premium volume of Birr 11.1 Billion as at June 30, 2020 with an average growth rate of 22.6% from last year same period. The total number of Insurance Companies operating in the country is 17 from which 16 are privately owned. According to the report of Association of Ethiopian Insurers (AEI), in 2019/20 the total number of branches has reached 603 of which 334 branches are located in the capital and the rest in the regions.

According to the data obtained from NBE, over the last ten years (2010-2019) the average annual growth rate of the insurance industry in terms of total GWP of Non-life and Life insurance is 20.8% & 21.4% respectively. The Growth rate was significant in the early years of the mentioned period but had shown a significant decline for the final four years.

As per the data collected from all insurance companies in March 2020, about 47.4% of the Market share is possessed by the only State-Owned company and the private companies share the remain-

ing 52.6%. The average annual capital growth rate of the industry for the last ten years (2010-2019) is 27.9% and the capital has reached more than Birr 8.2 Billion as of June 2019. Currently, a national reinsurance company which is believed to have a significant positive impact in the industry in particular and the country in general is under operation.

Even though the overall performance of the industry is encouraging, there are some observed threats like deterioration of professional practice and unhealthy competition that is confined only to reduction of premium rate. In addition, absence of a well-coordinated information exchange within the industry can also be mentioned as a weakness.

Most of the insurance companies are poorly capitalized and will struggle to survive in an increasingly competitive environment characterized by lower profit margins, higher costs for distribution and product development as well as consistently low investment returns.

Concisely, insurance uptake is very low in this market due to a high poverty rate and lack of capital and expertise within the insurance companies that would help tap into the market. The lack of effective and transparent legal and regulatory systems in combination with immature financial markets and the common usage of informal types of insurance contribute to the low penetration.

Besides, critical shortage of hard currency, government's attention towards poverty rehabilitation impacting investment, and the prevalence of Corona Virus (COVID-19) Pandemic and its prolonged effect on the Country's economy would possibly hamper the Insurance Industry.

Still a number of underlying positive factors support the outlook for a booming insurance market. A very low insurance penetration rate means high growth opportunities and potential. In addition, the continued growth of international investments in this country is driving the demand for insurance product. The awareness to insure against natural disasters is rising. And finally, insurers are benefiting from positive changes in regulation and compliance systems. Shifting demographics, changing cultural norms, an increasing urbanization and the declining influence of informal insurance are likely to accelerate insurance sales further.

COMPANY'S PERFORMANCE REVIEW 2019/20

Premium Production

The company has registered a Gross Written Premium of Birr 270,546,775 (Birr 259,751,988 from the General Insurance Business and Birr 10,794,787 from Life Business) in the budget year under review. This shows a growth rate of 8.5% from the previous year's performance of Birr 249,351,927 and 87% achievement of the target (Birr 311,064,192). Actual performance was lower than the target mainly due to unfair competition among insurance companies focusing on price cutting. Consequently, the company was forced to give significant discounts for existing customers at time of renewal to remain competitive.

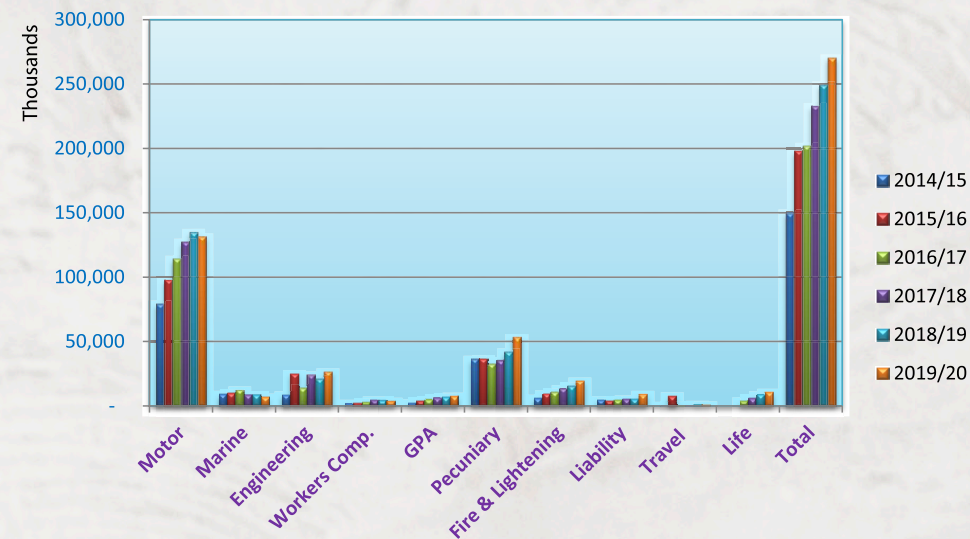


Chart 1: Gross written Premium Trend by Class of Business

With the exception of Motor, Marine, Workers Compensation and Travel all classes have registered growth compared to last year same period performance. This growth is significantly acquired from the motor and pecuniary classes of business.

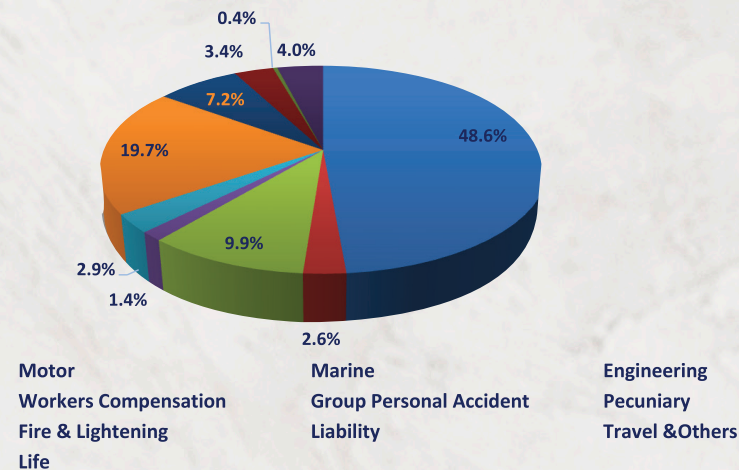


Chart 2: Premium Portfolio composition 2019/20

From the total production for the year 2019/20, Motor class of business took the lion share (48.6%) followed by pecuniary class of business 19.7%. The average annual premium production growth rate for the past ten years is 35.3%.

The Net Earned Premium of General Insurance for the period under review is Birr 171,303,355 which shows a 0.9% increment from the previous year's performance of Birr 169,695,593. The Company has sold 47,690 policies in 2019/20, out of which 33,033 new policies and 14,657 are renewed policies.

As it is depicted from chart 2 above, the Company's portfolio is dominated by Motor and Pecuniary businesses. However, underwriting measures have been taken to discourage loss making categories of vehicles such as Sino Truck and Dump Truck, Isuzu Trucks, Mini Buses, etc. In some cases, however, the company accepts such vehicles when proposed in packages as an accommodation.

In Life Assurance business the company has registered a total premium of Birr 10,794,787 which is 22.3% growth compared to last year same period performance of Birr 8,829,850. As a new market entrant, the volume of business is very encouraging and maximum effort has been exerted to strengthen life business.

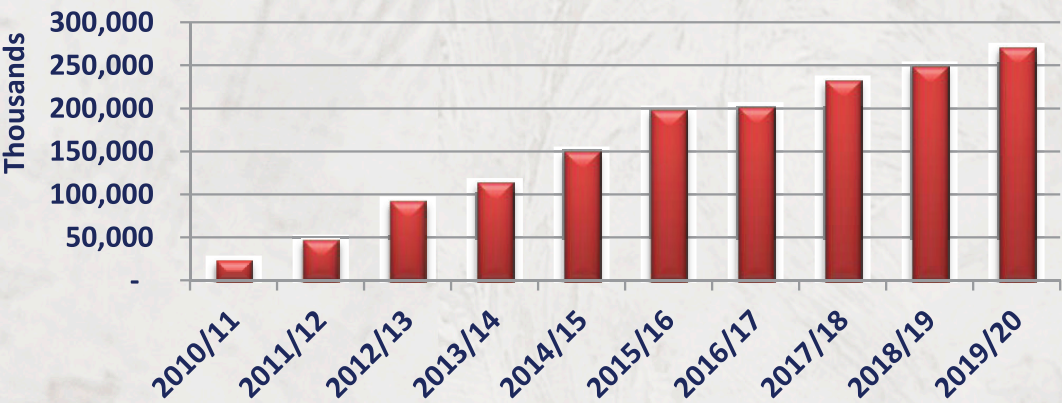


Chart 3: Premium Production Trend 2010/11 to 2019/20

As can be seen from the graph, the growth from last year performance is 8%. This lower growth is due to the pressure of unprofessional competition in the market and the selective underwriting strategy of the company.

Reinsurance and Premium Cession

The Reinsurance Treaties have been led by Africa Re and it is A rated giant, and followed by Zep/PTA Re and Tunis Re, both are B+ rated, and the young indigenous Ethiopian Re.

The Total Premium Cession amount is Birr 77,614,483.75 from the Gross Written Premium of Birr 259,751,988.12 which makes the cession ratio of 29.9%. The ratio is slightly above the previous year's ratio of 26.7% and within the standard ratio of up to 30% which is set by the regulator.

The primary objective of the reinsurance backing is to safeguard the company against unexpected catastrophes. The reinsurance cession is the second largest cost of the company next to the claims cost. Every year the company retains more by increasing its capital and free reserves.

Branch Networks

Entertaining a determined plan of addressing the

whole country, Abay Insurance S.C. is operating through 30 branches; out of which 17 are located in Addis Ababa and the rest 13 branches are located in different regions (Bahir Dar, Gondar, Dessie, Weldiya, Mekelle, Debre Markos, Debre Berhan, Adama, Hawassa, Dire Dawa, Assosa, Debre Tabor and Wolaita Sodo).

Currently our company is offering different types of General and Long-term Insurance Products to the public. The company has been implementing the last year of its five years strategic plan in a synergized manner.

Claims

The company has incurred a total net claim cost of Birr 92,834,784 from General Insurance Business during the period under review. This shows (8%) decline from last year same period of Birr 100,452,429. The Company has paid a net claims cost of Birr 88,875,223 which shows an increment of 24.1 % from the previous year's performance of

Birr 71,621,686 that can be considered acceptable in comparison to the growth and customer service of the company. Motor class of business constitutes 71.6% from the total net claims incurred, which dominate all other classes of business.

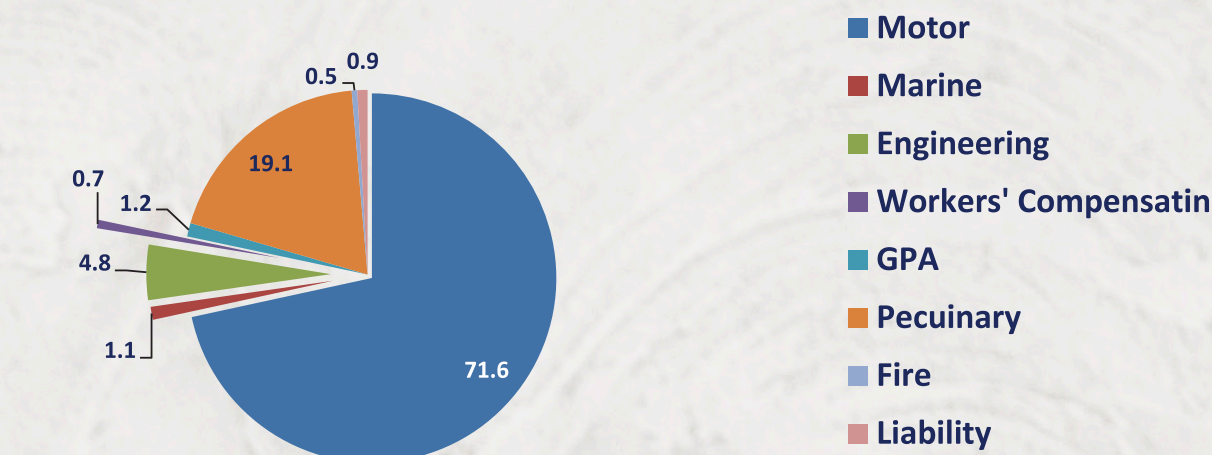


Chart 4: Claims Incurred by Class of Business 2019/20

As can be seen from the above chart, 71.6% of the net claims incurred emanated from Motor class of business. This does not include the claims incurred from the Life business.

Loss Ratio

The net earned premium with respect to non-life insurance business for the year 2019/20 is Birr 171,303,355 and the net claims incurred for the same period is Birr 92,419,116. This has resulted in an overall loss ratio of 54% for the period under review which has declined by 5.2% from the previous year's performance of 59.2%. The loss ratio of the Company is below the industry's ten years average of 66.8%. This result is achieved as a result of the company's prudent and selective underwriting practice. The Company will continue its prudent and professional underwriting philosophy so as to maintain a profitable growth from its core business.

Underwriting Result

The Company has registered Underwriting Surplus of Birr 95,482,363 which has increased by 17.1% from the preceding year's performance of Birr 81,529,107. The result is achieved due to the implementation of prudent underwriting practice and utmost professionalism. Underwriting surplus is the main factor to assess the strength of an insurance company since it is a direct result of the core operation. Consequently, the achievement of Abay Insurance S.C. can be regarded as a significant operational success and shows the long term viability of the company.

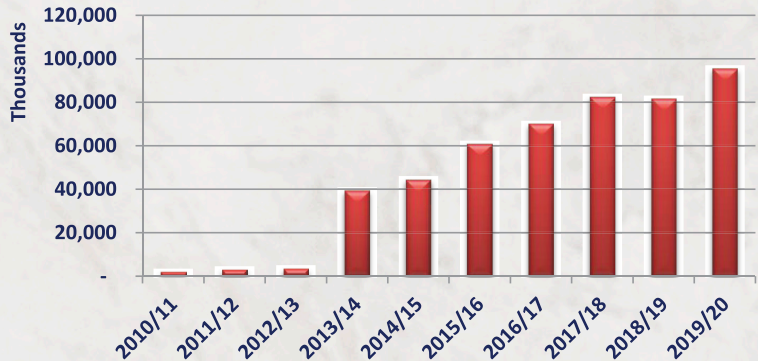


Chart 6: Underwriting Surplus 2010/11-2019/20

Investment Result

The Company has acquired a Return of Birr 40,064,646 on Investment from non-life insurance business. It shows an increment of 16.7% from the previous year's performance of Birr 34,322,066. This achievement is attributed to the careful actions taken in order to have a better return on the investment activities specifically from interest income & dividend income.

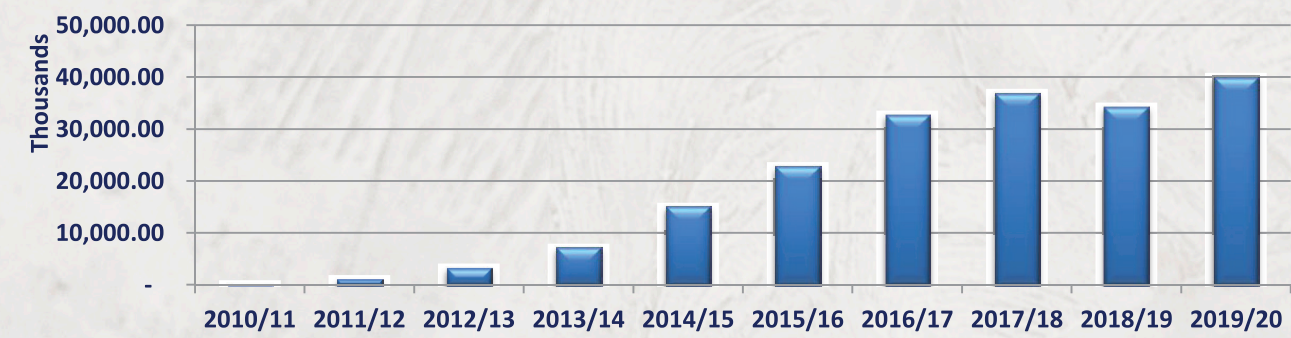


Chart 7: Investment Income 2010/11-2019/20

Trade Debtors

The trade debtor's balance as at June 30, 2020 is Birr 439,740.58 which remains the same as the preceding year balance of Birr 439,740.58. The Company is still determined towards collecting the remaining balance even though it is difficult since the time is very long and the amount is very small (less than Birr 10,000.00) per customer. We already set 100% provision and significant amount of this figure is still under legal process. We will proceed to the write-off process up on finalizing the legal process and collection effort.

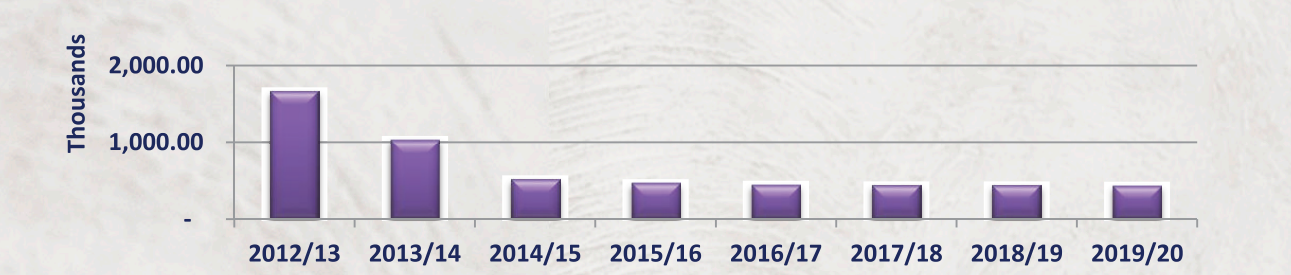


Chart 8: Trade Debtor's Balance 2012/13-2019/20

Expenses

The total expense for the year 2019/20 is Birr 67,371,125. The figure has shown a 20.3% growth from the previous year's performance of Birr 56,001,320 and a reduction of (6%) from the budget of Birr 71,709,109. The Company's expansion and increased volume of activities long with associated costs has contributed to the rising of administrative expenses. As usual the company is determined to continue being cost conscious in all activities.

Profit

Abay Insurance S.C. has registered a Gross Profit of Birr 68,175,884 from non-life insurance business for the year 2019/20. The profit shows 13.9% increment from the previous year's result of Birr 59,843,500 and a reduction of (14.8%) from its budget Birr 80,017,848. The Company has a clear and practical strategy with respect to profit and the whole team is quite directed towards executing the same. The strategy of the Company is to maintain a profitable growth, even though very difficult in practice to strike the balance between the volume growth and the profit growth.

Earning per share of the fiscal year 2019/20 is 27.9%.

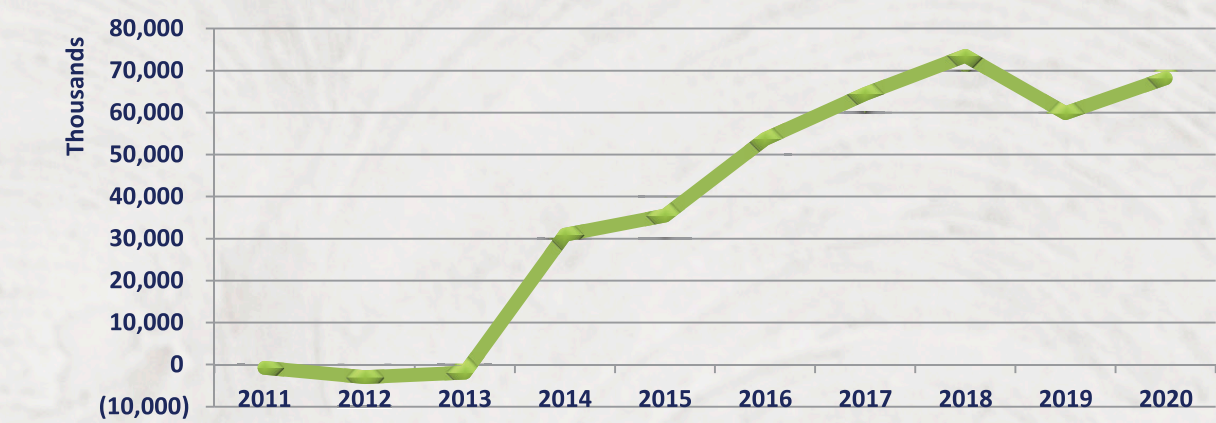


Chart 9: General Insurance Business Gross Profit/Loss 2010/11-2019/20

The Life Assurance Fund

In 2019/20 fiscal year, the Gross Written Premium from Long Term Insurance business stood at birr 10,794,787 registering a 22.3% growth from last year production of Birr 8,827,785. The net earned premium after deducting the reinsurer's share of premium Birr 1,309,885 and it increased by 14.3% as compared with the previous year actual of birr 8,301,309. Total income from underwriting including reinsurance commission and investment reached Birr 13,816,681 which shows 34.8% increase from the last year of Birr 10,250,018.

On the other hand, during the year under review net claim and policyholder's benefits is Birr 4,787,787 which has increased by 73% from Birr 2,766,636 of last year same period, Moreover, during the period the total commission and management expense amounted to Birr 1,022,158.51, which is (15.2%) lower than last year similar period of Birr 1,204,994.

Consequently, net increase in life fund for the year is Birr 6,696,850, which shows an increase of 16.4% from last fiscal year same period of Birr 5,751,911.

The actuarial valuation of Life Assurance Fund of the Company as at 30 June 2020 revealed an Actuarial Surplus of Birr 7,055,948. From the total actuarial surplus, the actuary recommended Birr 3,527,974 to be made available for distribution to shareholders, while Birr 3, 133,155 is to be carried forward unappropriated.

Asset Structure

The total asset of the company has reached Birr 860,231,996 showing 17.3% increment from the

previous year same period of Birr 733,661,218. Out of the General Insurance, current assets constitute 61.6% followed by fixed asset, share investment, and statutory deposit with a contribution of 20.7 %, 12.4%, and 4.8% respectively. The total liability of the Company for the same period is Birr 526,559,217.

Equity

The total paid-up capital of the company as at June 30, 2020 is Birr 234,308,000 showing a 30.2% increment from the previous year same period of Birr 180,000,000. Share premium, legal reserve and Retained Earnings are Birr 1,351,000, Birr 34,238,526 and Birr 63,775,040 respectively making the total share holders' funds of Birr 333,672,779.

Proposal on Dividend and Capital

The company has sold those remaining few shares from those subscribed in the fiscal period under review to those who have requested to buy additional shares. The Board of Directors approved to issue new shares so as to make the total Paid-Up Capital Birr 300,000,000.

The Management and Board of Directors recommend distributing the whole net profit after tax, legal reserve, Board member annual remuneration, retained earning of Birr 51,097,246 to the shareholders as a dividend in cash or used for purchasing of the Company's shares depending upon the choice of shareholders.

Human Resource

The total number of employees has reached to 219 as at June 30, 2020 out of which 50.2% are fe-

males. The employees are composed of different field of studies. The majority share 60.3% are first degree holders followed by 21.9% Diploma holders. The remaining share goes to Second Degree and Vocational/TVET level at a share of 5.9% and 11.9% respectively. The company believes that employees are its key strategic resources and hence has a strong belief in staff training and development. Owing to this fact; it has offered multi-dimensional capacity building trainings for a considerable number of employees in the budget year. The company strongly believes in merit based career development and promotion and is determined to continue on the same principle.

Projects Underway

IT Project: Technology will have a massive impact on the whole insurance value chain including but not limited to customer acquisition, product distribution, pricing, risk management, predictive analytics and report compiling. In view of this, the company has already acquired an Insurance Software Package for its General Business from abroad. The project has been underway and is expected to live at the end of December 2020.

Corporate Social Responsibility

The Company strongly believes that its success depends on the wellbeing and goodness of the society where it operates. To this end, it has contributed its part in creating job opportunity by opening branches in different areas of the country. It has also been contributing for development of the country by timely settling its respective tax obligations. In addition, it has participated in different community based developmental activities including the support in risk management and awareness creation endeavors. Furthermore the company has been fulfilling its responsibility in the fight against COVID-19. The company is determined to continue being a partner to the community.

The way forward

Insurance business is technical and its business model is unique and complex. It involves charging a price now for a product the cost of which is both unknown and uncontrollable. Its products need to be designed professionally and prices need to be determined scientifically. Both customers and regulators require more stability. Insurance Companies thus need to be financially sound at all times, i.e.:

- They need to have sufficient capital
- They need to run professionally
- They need to be run at profit
- They must pay claims fairly

Despite all these, what the industry has been experiencing is unethical competition which will not benefit the consumer, the regulator, the Insurance Companies themselves. As a result, fewer players will be able to sustain the current level of thin profit margin and hence they will either install a more disciplined underwriting approach or possibly will even exit the market. That would have a positive effect on pricing. The Board and management of Abay Insurance S.C. will continue with the current prudent and professional underwriting practice and risk management.

This insurance market still has not captured its full potential. Many of the risks that are insurable remain uncovered. Thus in order to boost the penetration rate and hence raise the market share of our company, we will work on customer awareness. The company must also continue to develop and expand its distribution networks for a greater proximity to customers.

There is a global shift towards risk based supervision, which means capital requirement changes with risk profile (risk nature, scale, and complexity) of a specific Insurance Company. This regulatory shift requires additional resources. Abay Insurance S.C. will thus strengthen its capital base by floating shares to the existing shareholders and the public and will start exercising to assess own risk and solvency margin.

Good corporate governance is an important pillar of the market economy that enhances customers and investors' confidence. Thus the Board of Directors and management of Abay Insurance S.C. Shall continue to adhere in the processes of check and balance and will strengthen the internal control functions:

- The Enterprise Risk Management and Compliance
- The Internal Audit

In connection with these, the policy and procedure manuals have been redrafted, approved, and implemented.

ACKNOWLEDGMENT

The Board of Directors of Abay Insurance S.C. would like to express a heartfelt gratitude to all esteemed customers of the Company for their continued support and patronage. The same level of appreciation and gratitude also extends to shareholders, Sister Companies, intermediaries, business partners, reinsurers, and the regulatory authority.

The company's registered success for the period under review would have not been possible without the expertise and dedication of all the staff and Management of Abay Insurance S.C. They have exhibited exceptional commitment and ambition to provide a wonderful service to esteemed customers which in turn has resulted in a remarkable success. Thus, the Board of Directors is exceptionally proud of them and would like to extend a high level of recognition for their unreserved effort. Finally, the Board of Directors would like to assure the Management and Staff of the Company that it will provide a continued support in their endeavor towards achieving the planned goals for the upcoming period.



YOHANNES ZEWDIE
Chief Executive Officer



ABATE SITOTAW
Chairman, Board of Directors



ACTUARY CERTIFICATE

I have conducted an actuarial valuation of the General and Life Insurance liabilities and Severance Benefits of Abay Insurance Company S.C.

The valuation was conducted in accordance with generally accepted actuarial principles. These principles require that prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the data provided and the financial statements by the Company.

In my opinion:

- (i) The actuarial value of the liabilities in respect of all classes of general insurance business of the company reflect a fair value as at 30 June 2020;
- (ii) The actuarial value of the liabilities in respect of the life assurance business did not exceed the amount of the life fund as at 30 June 2020; and
- (iii) The severance liability as at 30 June 2020 can be incorporated in the financial statements in line with the International Accounting Standards 19.

Signed in my capacity as an employee of Actuarial Services(EA) Ltd.



Abed Mureithi
Fellow of the Institute and Faculty of Actuaries
Actuary

Actuarial Services (E.A) Ltd

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26th Flr. UAP-Old Mutual Towers, Upper Hill Road, Upper Hill
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info@actserv.co.ke



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234,308,000

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ABAY INSURANCE S.C.

ANNUAL IFRS FINANCIAL STATEMENTS
AND AUDIT REPORT JUNE 30, 2020

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Abay Insurance Share Company (S.C), which comprise the statement of financial position as of 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, or give a true and fair view of the financial position of the Company as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Responsibilities of Directors and Management for the Financial Statements

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of your directors so far as it related to these financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia of 1960, recommended approval of the above mentioned financial statements.

Tafesse, Shisema and Ayalew

Tafesse, Shisema and Ayalew (TMS Plus) Certified Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)



Addis Ababa
29 September 2020

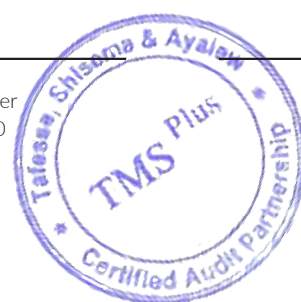
ABAY INSURANCE S.C.
STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2020

		Currency: Ethiopian Birr	
	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
ASSETS			
Cash and bank balances	15	304,321	298,631
Investment securities:			
– Available for sale	16	106,900	63,608
– Loans and receivables	16	-	-
Trade receivables	17	108,814	75,822
Reinsurance assets	18	93,646	74,440
Deferred acquisition cost	19	5,783	4,817
Other assets	20	17,455	14,684
Intangible assets	21	4,619	4,619
Current Income tax asset	14	-	966
Property, plant and equipment	22	177,676	164,661
Statutory deposit	23	41,018	31,414
Total assets		860,232	733,662
LIABILITIES			
Insurance contract liabilities	24	331,186	294,385
Trade payables	25	134,708	114,012
Other liabilities	26	54,865	62,638
Current income tax liabilities	14	677	-
Retirement benefit obligations	27	1,133	762
Deferred tax liabilities	14	3,990	2,555
Total liabilities		526,559	474,352
EQUITY			
Share capital	28	234,308	180,000
Share premium	28	1,351	1,351
Retained earnings	30	63,775	49,857
Legal reserve	31	34,239	28,102
Total equity		333,673	259,310
Total equity and liabilities		860,232	733,662

The notes on pages 7 to 66 are an integral part of these financial statements.

The financial statements and the notes to the financial statements were approved and authorised for issue by the board of directors on September 28, 2020 and were signed on its behalf by:


Yohannes Zewdie
Chief Executive Officer
September 28, 2020




Abate Sitotaw
Board Chairman
September 28, 2020

ABAY INSURANCE S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2020

		Currency: Ethiopian Birr	
	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Gross premium income	6	259,713	242,781
Premiums ceded to reinsurers	6	(78,925)	(64,784)
Net premium income		180,788	177,997
Fee and commission income	7	29,036	22,425
Net underwriting income		209,824	200,422
Claims expenses	8.1	106,955	90,513
Claims recoverable from reinsurers	8.2	(31,235)	(26,022)
Gross change in contract liabilities	8.3	21,904	38,730
Net claims expenses		97,624	103,221
Underwriting expenses	9	11,760	10,378
Total underwriting expenses		109,384	113,599
Underwriting profit		100,440	86,823
Investment income	10	38,527	33,082
Other operating income	11	4,078	2,509
Net income		143,045	122,414
Impairment reversal/(Impairment) on trade receivables	17	(1)	-
Depreciation and impairment of property, plant and	22	(8,403)	(6,096)
Impairment on other assets	20	-	-
Employee benefit expense	12	(39,411)	(31,185)
Other operating expenses	13	(20,359)	(19,543)
Profit before tax		74,871	65,590
Income tax expense	14	(11,849)	(9,465)
Profit for the year		63,022	56,125
Other comprehensive income (OCI) net of income tax		-	-
Items that will not be subsequently reclassified into profit			
Remeasurement gain/(loss) on retirement benefits	27	214	72
Deferred tax (liability)/asset on remeasurement gain or	14	64	22
		278	94
Total comprehensive income for the year		63,300	56,219
Basic & diluted earnings per share (Birr)	29	0.28	0.31

The notes on pages 7 to 66 are an integral part of these financial statements.



ABAY INSURANCE S.C.
STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE, 2020

Currency: Ethiopian Birr					
Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Total Birr'000
As at 1 July 2018	179,675	1,351	57,845	23,533	262,404
Profit for the year	30	-	-	56,132	-
Other comprehensive income:					-
Re-measurement gains on defined benefit plans (net of tax)	14	-	-	94	-
Total comprehensive income for the	-	-	56,226	-	56,226
Issue of shares	28	325	-	-	325
Statutory reserve - IBNR (10%)			931	(931)	-
Transfer to legal reserve	31	-	(5,500)	5,500	-
policyholders			(1,138)		(1,138)
Prior years adjustment	30		352		352
Actuarial Surplus - Distributable			-		-
Dividend paid	30	-	(58,859)	-	(58,859)
	325	-	(64,214)	4,569	(59,320)
As at 30 June 2019	180,000	1,351	49,857	28,102	259,310
As at 1 July 2019	180,000	1,351	49,857	28,102	259,310
Profit for the year	30		63,023		63,023
Other comprehensive income:					-
Re-measurement gains on defined benefit plans (net of tax)	14		278		278
Total comprehensive income for the	-	-	63,301	-	63,301
Issue of shares	28	54,308			54,308
Transfer to legal reserve	31		(6,137)	6,137	-
Statutory reserve - IBNR (10%)			-	-	-
Transfer to life fund liability of policyholders Liabilities			(1,956)		(1,956)
Unappropriated actuarial surplus			-		-
Actuarial Surplus - Distributable			-		-
Dividend paid	30		(41,289)		(41,289)
	54,308	-	(49,382)	6,137	11,063
As at 30 June 2020	234,308	1,351	63,776	34,239	333,674

The notes on pages 7 to 66 are an integral part of these financial statements.



ABAY INSURANCE S.C.
STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE, 2020

Currency: Ethiopian Birr		
Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash flows from operating activities		
Cash generated from operations	32	75,289
Interest and dividend income		(38,527)
Interest paid		(490)
Income tax paid		(8,707)
Net cash (outflow)/inflow from operating activities	27,565	114,179
Cash flows from investing activities		
Purchase of equity investments		(43,292)
Dividend received	10	10,569
Interest received		27,958
Purchase of intangible assets		-
Purchase of property, plant and equipment	22	(16,241)
Interest on Government bonds	16	-
Proceeds from sale of property, plant and equipment		335
Additional investment in fixed time deposit		(44)
Increase in Statutory deposit	23	(9,604)
Net cash (outflow)/inflow from investing activities	(30,319)	(14,516)
Cash flows from financing activities		
Proceeds from issues of shares	28	54,308
Payment of Lease liability		(4,619)
Dividend paid	30	(41,289)
Net cash (outflow)/inflow from financing activities	8,400	(58,534)
Net increase/(decrease) in cash and cash equivalents	5,646	41,129
Cash and cash equivalents at the beginning of the year	15	77,764
Cash and cash equivalents at the end of the year	83,410	77,764

The notes on pages 7 to 66 are an integral part of these financial statements.



ABAY INSURANCE S.C.
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE, 2020

1 General information

Abay Insurance S.C. ("the Company") is a private commercial Insurance company domiciled in Ethiopia. The Company was established on January 1, 2010 in accordance with the provisions of the Commercial code of Ethiopia of 1960 and it is licensed by the National Bank of Ethiopia on July 31, 2010 (G.C) to underwrite non-life insurance risk. On June 20,2016, the Company received the license from the National Bank of Ethiopia to start Long term (Life) Insurance business. The company's registered Head office is at:

Bole Kifle Ketema,
Woreda 3
House No. 377
Addis Ababa,
Ethiopia

The Company is principally engaged in the provision of insurance services to a wholesale, retail and SME clients base 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 2020 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 are included where appropriate.

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

The financial statements for the year ended 30 June 2020 are the first the Company has prepared in accordance with IFRS. Refer to note 34 for information on how the Company adopted IFRS.

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.



ABAY INSURANCE S.C.
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE, 2020

2.2.1 Going concern

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

2.2.2 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued but not yet effective.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2019, and have not been applied in preparing these financial statements, except IFRS 16 - Leases which has been applied during the current year. None of these is expected to have a significant effect on the financial statements of the Company, as set out below:

IFRS 16 - Leases

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

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. It also substantially carries forward the lessor accounting requirements in IAS 17. The Company has adopted IFRS 16 effective from July 1, 2019 and assessed the impact of this standard (See Note 37).

IFRS 17 - Insurance contracts

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

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

The measurement of the fulfilment cash flows reflects the current value of any interest-rate guarantees and financial options included in the insurance contracts. The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

2.3 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 recognised at cost. The carrying amount of the investment is adjusted to recognise 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 amortised nor individually tested for impairment.



ABAY INSURANCE S.C.
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE, 2020

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 recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised 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 recognise 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 recognises 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 recognises 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 recognised 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 recognised in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

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

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

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



ABAY INSURANCE S.C.
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE, 2020

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

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

Asset class	Depreciation rate (years)	Residual value (%)
Buildings	2% (50 Years)	5%
Motor vehicles	10% (10 Years)	5%
Furniture & fittings	10% (10 Years)	1%
Office equipment	14.29% (7 Years)	1%
Computer & accessories	14.29% (7 Years)	1%
Lift	6.67% (15 Years)	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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognised.

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

2.6 Intangible assets

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

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



ABAY INSURANCE S.C.
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE, 2020

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

Intangible assets class	Useful lives (years)
Core application software	12.5% (8 Years)

2.7 Deferred acquisition costs (DAC)
Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. For the non life business, it is calculated by applying to the acquisition expenses the ratio of unearned premium to written premium; while no assets are established in respect of deferred acquisition cost for the life business. The DAC is subsequently amortised over the life of the contracts as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortised over the terms of the policies as premium is earned
- For long-term insurance contracts with fixed and guaranteed terms, DAC is amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities

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

The company has acquired saving bonds from the government of the federal democratic republic of Ethiopia bearing interest at rate of 6% &/or 8% per annum. Interest income from these bonds are exempted from income tax.

2.9 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.



ABAY INSURANCE S.C.
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE, 2020

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

2.10 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.

2.10.1 Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

- Loans and receivables
- Available-for-sale financial investments

a) Loans and receivables

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

The Company's loans and receivables comprise of 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 unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial instrument. Interest earned whilst holding AFS financial instrument 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.



'Day 1' profit or loss

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

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

Reclassification of financial assets

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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



Impairment of financial assets

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

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

(i) Financial assets carried at amortised cost

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

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

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

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

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

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

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



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

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

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

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

2.10.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include customer's deposits, margin held on letter of credits, and other liabilities. Interest expenditure is recognised in interest and similar expense.

Subsequent measurement

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

Financial liabilities at amortised cost

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



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

Derecognition of financial liabilities

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

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

2.11 Reinsurance assets

The Company cedes business to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks as described in note 2.12. Premium ceded comprise gross written premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policy holders.

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

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

(b) Other receivables

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Company's other receivables are rent receivables and other receivables from debtors.



(c) Staff loan
Staff loans are given to staff at an interest rate of 5%. The loans are measured at amortised cost using the effective interest rate. Loans granted to staff at below market rates are fair valued by reference to expected future cash flows and current market interest rates for instruments in a comparable or similar risk class and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs.

2.13 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 bank balances.

2.14 Insurance contracts

Classification

The Company enters into insurance contracts as its primary business activity. Insurance contracts are those that the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary, if a specified uncertain future event (the insured event) adversely affects the policyholder or the other beneficiary.

Recognition and measurement

In line with IFRS4p37(a), the Company's Insurance contracts are classified into two 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 accidents and casualty, property and short-duration life insurance contracts. Accidents and casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).



Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (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 dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised 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

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they are paid 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 recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums paid over the valuation premiums is deferred and recognised 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.

2.15 Liability adequacy test of insurance contracts liabilities and related assets

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



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

2.16 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.12 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

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

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

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

2.17 Receivables and payables related to insurance contracts

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

The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.9.

2.18 Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). the Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.



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

2.19 Revenue recognition

a) Gross premiums

Gross recurring premiums on life and non-life contracts are recognised as revenue when paid by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums received for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums received in respect of business written in prior accounting periods. Rebates that form part of the premium rate, are deducted from the gross premium; others are recognised as an expense.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated using 1/24th method. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Based on National Bank of Ethiopia's "No Premium No Cover " guidelines which state that "all insurance covers shall be provided on a strict 'no premium no cover' basis", only cover for which payment has been received are recognised.

b) Reinsurance premiums

Gross outward reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are paid or when the policy becomes effective. Gross general reinsurance premiums ceded comprise the total premiums paid for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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

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

c) Fees and commission income

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

d) Investment income

Investment income comprises interest income earned on short term deposits and dividend income. Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

e) Dividend income

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



2.20 Gross benefits and claims

Gross benefits and claims for life insurance contracts 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. Changes in the gross valuation of insurance 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.

2.21 Reinsurance claims

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

2.22 Finance cost

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

2.23 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 are accrued in the year in which the associated services are rendered by employees of the Company.

(b) Defined contribution plan

Defined contribution plans is a plan where an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Company operates two defined contribution plans;

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

ii) provident fund contribution, funding under this scheme is 7% and 11% by employees and the Company respectively based on the employees' salary.

The Company has no further payment obligations once the contributions have been paid. Employer's contributions to this scheme are charged to profit or loss in the year in which they relate.



(b) Defined benefit plan

The Company operates a defined benefit severance scheme in Ethiopia where members of staff who have spent 5 years or more in employment are entitled to benefit payments upon 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 or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2.24 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at period end/or year end. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarised in the following notes:

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

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

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

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



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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measuremt is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
The Company's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.
For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.25 Provisions

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

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

2.26 Share capital

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

2.26.1 Dividend

Dividend on the Company's ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividend distribution to the Company's shareholders is recognised as equity in the financial statements in the period in which the dividend is paid to the Company's shareholders.

2.27 Earnings per share

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

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



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2.28 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the insurance company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

2.29 Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.30 Income taxation

(a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



(b) Deferred tax

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

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

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

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

2.31 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The company's primary format for segment reporting is based on business segment.

3 Significant accounting judgements, estimates and assumptions

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

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

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

3.1 Judgements

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



3.2 Estimates and assumptions

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

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

Valuation of insurance contract liabilities

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

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

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry Euroland and American mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, these could result in significant changes to the expected future mortality exposure.

Non-life insurance contract liabilities

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

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

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provide by a contract requires amortisation of unearned premium on a basis other than time apportionment.



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Impairment losses on loans and receivables

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

Fair value measurement of financial instruments

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

Defined benefit plans

The cost of the defined benefit pension plan, long service awards, gratuity scheme and post-employment medical benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Income taxes

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

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

Liabilities arising from insurance contracts

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



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4 Insurance and financial risk management

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

Abay Insurance S. C. follows a five step process to Enterprise Risk Management (ERM) which is in line with the approaches of both COSO (The Committee of Sponsoring Organizations of the Treadway Commission) and ISO (International Organization for Standardization). The steps are establish context, identify risks, analyze risks, evaluate risks and address risks. The Board of Directors is ultimately responsible for the company's ERM policies and practices. The Chief Executive Officer is responsible for ensuring risks are managed across all activities and supporting the implementation of the ERM framework. The ERM and Compliance manager is responsible for establishing and monitoring the process for the management of risk throughout the company.

The Enterprise Risk Management (ERM) and Compliance Unit is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company's overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board's Risk Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management Risk Committees to ensure that procedures are compliant with the overall framework. The unit is functionally responsible to the Board. The risk management has also reporting relationship with internal audit function. Internal audit function among others ensures the effectiveness of the risk management function periodically. Internal Audit Function discusses the results of its assessments with management, and reports its findings and recommendations to the Board Audit Committee.

The Finance & Investment Department is responsible for managing the financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

4.1.2 Risk measurement and reporting systems

The Company's risks are measured using 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 statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

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



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4.1.3 Risk mitigation

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

The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently reviewed as part of the review process.

4.2 Insurance risk

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

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is surplus which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

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

Life insurance contracts offered by the Company include: endowment, term assurance, and permanent health.

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
- 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. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The following tables show the concentration of life insurance contract liabilities by type of contract.

	Gross Birr'000	30 June 2020 Reinsurance Birr'000	Net Birr'000
Endowment	62		62
Term assurance	572		572
Permanent Health	318		318
Total life insurance	952	-	952



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	Gross Birr'000	30 June 2019 Reinsurance Birr'000	Net Birr'000
Endowment	148		148
Term assurance	466		466
Permanent Health	217		217
Total life insurance	831	-	831

Key assumptions

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

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

► Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

► Longevity

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

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

► Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

► Discount rate

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

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

Sensitivities

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.



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30-Jun-20				
		Best estimate Birr'000	Increase Birr'000	Decrease Birr'000
Change in assumptions				
Mortality rate	+10%	7,810	8	(8)
Expenses	+10%	7,810	38	(36)
Lapse and surrenders rate	1%	7,810	(48)	49
Investment return/discount rate	+10%	7,810	(155)	167
30-Jun-19				
		Best estimate Birr'000	Increase Birr'000	Decrease Birr'000
Change in assumptions				
Mortality rate	+10%	6,006	1	(1)
Expenses	+10%	6,006	13	(11)
Lapse and surrenders rate	+10%	6,006	(30)	31
Investment return/discount rate	+1%	6,006	(44)	51

Non- life insurance contracts

The Company principally issues the following types of general insurance contracts: engineering& energy, general liability, marine and transit, motor, personal accident, pecuniary, fire and lightening, workmen compensation, aviation. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvement.

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

	Gross Birr'000	30 June 2020 Reinsurance Birr'000	Net Birr'000
Engineering & Energy	33,731	(23,939)	9,792
General liability	14,832	(9,540)	5,292
Marine and Transit	7,818	(3,901)	3,917
Motor	148,147	(13,078)	135,069
Personal accident	29,142	(23,559)	5,583
Pecuniary	107,474	(41,552)	65,922
Fire and Lightening	11,153	(5,182)	5,971
Workmen Compensation	2,744	(107)	2,637
Aviation	-	-	-
Total non-life insurance	355,041	(120,858)	234,183

	Gross Birr'000	30 June 2019 Reinsurance Birr'000	Net Birr'000
Engineering & Energy	24,309	(16,810)	7,499
General liability	13,131	(9,099)	4,032
Marine and Transit	5,072	(1,841)	3,231
Motor	161,080	(13,312)	147,768
Personal accident	18,337	(13,518)	4,819
Pecuniary	74,183	(31,840)	42,343
Fire and Lightening	9,292	(4,536)	4,756
Workmen Compensation	3,347	(151)	3,196
Aviation	-	-	-
Total non-life insurance	308,751	(91,107)	217,644



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Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

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

It should be noted that movements in these assumptions are non-linear.

	Change in assumptions	Change in liability 30 June 2020 Birr'000	30 June 2019 Birr'000
Average claim cost	+10%	36,518	30,841
Average number of claims	+10%	36,518	30,841

	Change in assumptions	Change in liability 30 June 2020 Birr'000	30 June 2019 Birr'000
Average claim cost	-10%	(36,448)	(31,501)
Average number of claims	-10%	(36,448)	(31,501)

Claims development table

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

Gross non-life insurance contract outstanding claims provision for 2020:						
Accident year	2016 Birr'000	2017 Birr'000	2018 Birr'000	2019 Birr'000	2020 Birr'000	Total Birr'000
2016	110,626	94,536	111,778	117,650	145,273	579,863
2017	712	1,441	1,841	4,538	-	8,531
2018	449	41	848	-	-	1,338
2019	735	400	-	-	-	1,135
2020	7,623	-	-	-	-	7,623
	120,144	96,418	114,466	122,188	145,273	598,490

Cumulative Incurred	120,144	96,418	114,466	122,188	145,273	598,490
IBNR	-	-	24	5,624	16,827	22,475
Ultimate Claims Projected	120,144	96,418	114,490	127,812	162,100	620,965



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Gross non-life insurance contract outstanding claims provision for 2019:

Accident year	2014 Birr'000	2015 Birr'000	2016 Birr'000	2017 Birr'000	2018 Birr'000	2019 Birr'000	Total Birr'000
2013	16,547	42,155	88,046	101,262	92,924	132,592	473,527
2014	63	552	745	708	1,634	2,201.75	5,905
2015	110	17	54	459	73	-	714
2016	60	43	4	135	-	-	241
2017	-	-	-	-	-	-	-
2018	48	-	-	-	-	-	48
2019	34	-	-	-	-	-	34
	16,861	42,768	88,849	102,564	94,632	134,794	480,469
Cumulative Incurred IBNR	16,861	42,768	88,849	102,564	94,632	134,794	480,469
Ultimate Claims Projected	16,861	42,768	88,849	102,564	95,381	145,397	491,821

4.3 Financial risk

Financial instruments by category

The Company's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortised cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

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

	Notes	Available- For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
30 June 2020				
Cash and bank balances	15	-	304,321	304,321
Investment securities:				
- Available for sale	16	106,900	-	106,900
- Loans and receivables	16	-	-	-
Trade receivables	17	-	108,814	108,814
Other assets	20	-	9,346	9,346
Statutory deposit	23	-	41,018	41,018
Total financial assets		106,900	463,499	570,399
	Notes	Available- For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
30 June 2019				
Cash and bank balances	15	-	298,631	298,631
Investment securities:				
- Available for sale	16	63,608	-	63,608
- Loans and receivables	16	-	-	-
Trade receivables	17	-	75,822	75,822
Other assets	20	-	6,864	6,864
Statutory deposit	23	-	31,414	31,414
Total financial assets		63,608	412,731	476,339

4.4 Credit risk

Credit risk is the risk of financial loss resulting from the failure of a debtor to honour its obligations to the company. It includes defaults related to fixed income investments like portfolio of bonds, outstanding premiums, staff loan, amounts that are due from reinsurers and sundry debtors.



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4.4.1 Management of credit risk

The company measures credit risk by considering the following points; Ratio of total debtors to statutory equity should be less than 50%; Ratio of due from reinsurers to statutory equity should be less than the same ratio computed at industry level; Investment in treasury bills/bonds and bank deposits should be more than 65% of admitted assets for general insurance business and more than 50% of admitted assets for long term insurance businesses; Aggregate bank deposits held with any one bank shall not exceed 25% of total admitted assets for both general insurance and long term insurance businesses.

The company does not hold collateral or any other enhancements against any of its receivables as at 30 June 2020.

The Company has placed more responsiveness on effective management of credit risk exposure that relates to trade receivables. In general, the regulator has laid great emphasis on "No Premium, No Cover" and this has positively changed the phase of credit management within the industry. The Company defines credit risk as the risk of counterparty's failure to meet its contractual obligations. Credit risk arises from insurance cover granted to parties with payment instruments or payments plan issued by stating or implying the terms of contractual agreement. The Company has placed stringent measures to guard against credit default. The Company's credit risk exposure to brokered business is very low as the Company does not allow brokers receive premium on its behalf.

The Company has made full provision of all its trade receivables that it had before the "No Premium, No Cover" policy.

Impairment model

Premium debtors are measured at amortized cost, less provision for impaired receivables. Under IFRS, an asset is impaired if the carrying amount is greater than the recoverable amount. The standard favours the use of the incurred loss model in estimating the impairment of its receivables. By the provisions of IAS 39, the impairment of the premium debtors is to be assessed at two different levels, individually or collectively. However, based on National Bank of Ethiopia's "No Premium No Cover" guidelines which state that "all insurance covers shall be provided on a strict 'no premium no cover' basis", only cover for which payment has been received shall be booked.

4.4.2 Maximum exposure to credit risk before collateral held or credit enhancements

(a) Types of credit exposure

The Company's maximum exposure to credit risk at 30 June 2020 and 30 June 2019 respectively, is represented by the carrying amounts in the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash and bank balances	304,321	298,631
Investment securities:		
- Available for sale	106,900	63,608
- Loans and receivables	-	-
Trade receivables	108,814	75,822
Reinsurance assets	93,646	74,440
Other assets	9,346	6,864
Statutory deposit	41,018	31,414
Total maximum exposure	664,045	550,779

4.4.3 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2020 and, 30 June 2019 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. The Company does not hold Cash and cash equivalents in foreign banks.



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(b) Investment securities
The Company's investment portfolio is exposed to credit risk through its fixed income and money market instruments. The Company further manages its exposure to credit risk through counterparty risk via established limits as approved by the Board. 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) Credit quality of reinsurers assets
Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
30 June 2020				
Trade receivables:				
Due from policy holders	-	-	440	440
Due from re-insurers	108,814	-	-	108,814
Gross	108,814	-	440	109,254
Less: Impairment allowance (note 19a)	-	-	(440)	(440)
Net	108,814	-	-	108,814
Other assets				
Staff loan	5,829	-	-	5,829
Staff saving	260	-	-	260
Staff debtors	646	-	-	646
Other debtors	2,611	-	-	2,611
Gross	9,346	-	-	9,346
Less: Impairment allowance (note 19a)	-	-	-	-
Net	9,346	-	-	9,346



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	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
30 June 2019				
Trade receivables:				
Due from policy holders	-	-	440	440
Due from re-insurers	75,821	-	-	75,821
Gross	75,821	-	440	76,261
Less: Impairment allowance (note 19a)	-	-	(440)	(440)
Net	75,821	-	-	75,821

	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
Other assets				
Staff loan	4,360	-	-	4,360
Staff saving	260	-	-	260
Staff debtors	490	-	-	490
Other debtors	1,754	-	-	1,754
Gross	6,864	-	-	6,864
Less: Impairment allowance (note 19a)	-	-	-	-
Net	6,864	-	-	6,864

Trade receivables - neither past due nor impaired
The credit quality of the portfolio of trade receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Trade receivables in this category are receivables from contract holders (government customers) that are past due for less than 30 (thirty) days.

Trade receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

Other assets
Other assets balances constitute, interest receivables, staff loan, staff saving, staff debtors and other 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.



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4.4.4 Allowance for impairment

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Due from policy holders	440	440
Other assets	-	-
Total allowance for impairment	440	440

4.5 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms. It is measured based on the following standards: the ratio of total current liabilities to total current assets (liquidity ratio) should be less than 105%; the ratio of net claims incurred to net earned premium (claims ratio) should be less than 70%.

4.5.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

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

4.5.2 Maturity analysis of financial liabilities

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

	0-1 year Birr'000	1-3 years Birr'000	3-5 years Birr'000	> 5 years Birr'000	Total Birr'000
30 June 2020					
Insurance contract liabilities	321,422	9,764			331,186
Trade payables	134,708				134,708
Other liabilities	19,270	35,595			54,865
Total financial liabilities	475,400	45,359	-	-	520,759
30 June 2019					
Insurance contract liabilities	295,475	6,953			302,428
Trade payables	114,012				114,012
Other liabilities	14,680	17,958			32,638
Total financial liabilities	424,167	24,911	-	-	449,078



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4.6 Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions. The standard for determining the level of market risk is stated as follows: the ratio of investment in shares to admitted assets should be less than 15% for both general insurance and long term insurance businesses; the ratio of investment in real estate to admitted assets should be less than 10% for general insurance business and less than 25% for long term insurance business.

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

4.6.1 Management of market risk

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk.

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations and financial assets with floating interest rates. The Company is also exposed on fixed rate financial assets and financial liabilities. The Company's investment portfolio is comprised of fixed time deposit, shares, Ethiopian government bonds and cash deposits.

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

30 June 2020	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	304,321	-	304,321
Investment securities:			
- Available for sale	-	106,900	106,900
- Loans and receivables	-	-	-
Trade receivables	-	108,814	108,814
Statutory deposit	41,018	-	41,018
Total	345,339	215,714	561,053
Liabilities			
Trade payables	-	134,708	134,708
Other liabilities	-	15,881	15,881
Total	-	150,589	150,589



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30 June 2019	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	298,631	-	298,631
Investment securities:			-
- Available for sale	-	63,608	63,608
- Loans and receivables	-	-	-
Trade receivables	-	75,822	75,822
Statutory deposit	31,414	-	31,414
Total	330,045	139,430	469,475
Liabilities			
Debt securities issued			
Borrowings			
Trade payables	-	114,012	114,012
Other liabilities	-	38,702	38,702
Total	-	152,714	152,714

(ii) Foreign exchange risk

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

The Company is not exposed to exchange rate risks as the Company does not have balances and transactions denominated in a currency other than the Ethiopian Birr.

4.7 Capital management

The Company's objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4.7.1 Margin of Solvency ratio

According to the Licensing & Supervision of Insurance Business Margin of Solvency Directives No. SIB/45/2016 of the National Bank of Ethiopia, an insurer carrying on general insurance business shall keep admitted capital amounting to the highest of 25% of its technical provisions, or 20% of the net written premiums in the last preceding financial year, or the minimum paid capital. An insurer carrying on long term insurance business shall keep admitted capital amounting to the higher of 10% of technical provisions or the minimum paid up capital.

Margin of Solvency ratio is the excess of assets over liabilities to be maintained for General Insurance Business and Long-term Insurance Business. Admissible assets and liabilities stated below is in accordance with Margin of Solvency Directives No. SIB/45/2016.



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	30 June 2020 Birr'000	30 June 2019 Birr'000
A Admissible assets		
Cash and bank balances	304,321	298,631
Investment securities:	-	-
- Available for sale	106,900	63,608
- Loans and receivables	-	-
Trade receivables	108,814	75,822
Reinsurance assets	93,646	74,440
Deferred acquisition cost	5,783	4,817
Other assets	17,455	14,684
Property, plant and equipment	177,676	164,661
Statutory deposit	41,018	31,414
<i>Excluded assets:</i>		
Prepaid Expense	(1,119)	(2,850)
Furniture & Fixture	(2,066)	(1,918)
Sundry Debtors	(14,037)	(12,756)
	838,391	710,553
B Admissible liabilities		
Insurance contract liabilities	331,186	294,385
Trade payables	134,708	114,012
Other liabilities	54,865	62,638
Current income tax liabilities	-	965
Retirement benefit obligations	1,133	762
Deferred tax liabilities	3,990	2,555
	525,882	475,317
C Admitted capital (A-B)	312,509	235,236
D Net premium	177,997	173,632
E Technical Provision	331,186	294,385
Solvency Margin		
F Limit of net premium	35,599	34,726
20% of net premium		
G Limit of technical provision	82,797	73,596
25% technical provision.		
H Minimum paid up capital	75,000	75,000
Since C > H, Positive Solvency margin		

4.8 Fair value of financial assets and liabilities

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

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



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4.8.1 Valuation models

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

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.
- In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.8.2 Financial instruments not measured at fair value

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

	30 June 2020		30 June 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	Birr'000	Birr'000	Birr'000	Birr'000
Financial assets				
Cash and bank balances	304,321	304,321	298,631	298,631
Investment securities:				
– Available for sale	106,900	106,900	63,608	63,608
– Loans and receivables	-	-	-	-
Trade receivables	108,814	108,814	75,822	75,822
Other assets	9,346	9,346	6,864	6,864
Statutory deposit	41,018	41,018	31,414	31,414
Total	570,399	570,399	476,339	476,339
Financial liabilities				
Trade payables	134,708	134,708	114,012	114,012
Debt securities issued				
Borrowings				
Other liabilities	15,881	15,881	38,702	38,702
Total	150,589	150,589	152,714	152,714

4.8.3 Fair value methods and assumptions

Loans and advances to customers

Trade receivables are carried at amortised cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Investment securities



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Government Bonds are classified as loans and receivables and are measured at amortised cost. At inception, the fair value of the bond is the consideration paid and is adjusted for transaction costs.

4.8.4 Valuation technique using significant unobservable inputs – Level 3

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

4.8.5 Transfers between the fair value hierarchy categories

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

4.9 Offsetting financial assets and financial liabilities

There are no offsetting arrangements except proportional reinsurance arrangements.

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 2020 is as follows:

Statement of Financial Position - 30 June 2020

ASSETS

Cash and bank balances
Investment securities:
– Available for sale
– Loans and receivables
Trade receivables
Reinsurance assets
Deferred acquisition cost
Other assets
Intangible assets
Deferred tax asset
Property, plant and equipment
Statutory deposit

Total assets

LIABILITIES

Insurance contract liabilities
Trade payables
Other liabilities
Current income tax liabilities
Branch account
Retirement benefit obligations
Deferred tax liabilities

Total liabilities



General Business	Life Business	Total
Birr'000	Birr'000	Birr'000
280,517	23,804	304,321
106,900	-	106,900
-	-	-
108,814	-	108,814
93,646	-	93,646
5,783	-	5,783
17,205	250	17,455
4,619	-	4,619
-	-	-
177,277	399	177,676
38,018	3,000	41,018
832,779	27,453	860,232
321,071	10,115	331,186
133,364	1,344	134,708
54,677	188	54,865
(642)	1,319	677
11,159	(11,159)	-
1,133	-	1,133
3,990	-	3,990
524,752	1,807	526,559

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EQUITY

Share capital	214,308	20,000	234,308
Share premium	1,081	270	1,351
Retained earnings	58,399	5,376	63,775
Legal reserve	34,239	-	34,239
Total equity	308,027	25,646	333,673

Total equity and liabilities

	832,779	27,453	860,232
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Statement of Financial Position - 30 June 2019

ASSETS

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Cash and bank balances	281,201	17,430	298,631
Investment securities:			-
- Available for sale	63,608	-	63,608
- Loans and receivables	-	-	-
Trade receivables	75,822	-	75,822
Reinsurance assets	74,440	-	74,440
Deferred acquisition cost	4,817	-	4,817
Other assets	14,458	226	14,684
Intangible assets	4,619	-	4,619
Deferred tax asset	(234)	1,196	965
Property, plant and equipment	164,261	400	164,661
Statutory deposit	28,414	3,000	31,414
Total assets	711,406	22,252	733,662

LIABILITIES

Insurance contract liabilities	288,570	5,815	294,385
Trade payables	113,498	514	114,012
Other liabilities	62,459	179	62,638
Current income tax liabilities	-	-	-
Branch account	11,471	(11,471)	-
Retirement benefit obligations	762	-	762
Deferred tax liabilities	2,555	-	2,555

Total liabilities

	479,315	(4,963)	474,352
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EQUITY

Share capital	160,000	20,000	180,000
Share premium	1,081	270	1,351
Retained earnings	42,908	6,945	49,856
Legal reserve	28,102	-	28,102

Total equity

	232,091	27,215	259,309
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Total equity and liabilities

	711,406	22,252	733,662
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The consolidated financial data for the reporting segments for the year ended 31 July 2020 is as follows:



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	30 June 2020		
	General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross premium written	259,752	10,795	270,547
Gross premium income	248,918	10,795	259,713
Reinsurance expenses	(77,615)	(1,310)	(78,925)
Net premium income	171,303	9,485	180,788
Fee and commission income	28,555	481	29,036
Net underwriting income	199,858	9,966	209,824
Claims expense paid	103,022	3,933	106,955
Claims expenses recoverable	(31,235)	0	(31,235)
Gross change in contract liabilities	21,049	855	21,904
Net claims expenses	92,836	4,788	97,624
Underwriting commission expenses	11,542	218	11,760
Total underwriting expenses	104,378	5,006	109,384
Underwriting profit	95,481	4,960	100,441
Investment income	35,987	2,540	38,527
Other operating income	4,078	-	4,078
Net income	135,546	7,500	143,046
Impairment reversal/(impairment) on trade receivables	(1)	-	(1)
Depreciation and impairment of property, plant and equipment	(8,407)	4	(8,403)
Impairment on other assets	-	-	-
Employee benefit expense	(38,666)	(745)	(39,411)
Other operating expenses	(20,297)	(62)	(20,359)
Profit before tax from reportable segments	68,175	6,697	74,872
Actuarial value of policy holders liability	-	-	-
Income tax expense	(10,532)	(1,317)	(11,849)
Profit for the year	57,643	5,380	63,023
Assets and liabilities			
Total assets	832,779	27,453	860,232
Total liabilities	524,755	1,807	526,559
Net assets/(liabilities)	308,024	25,646	333,673
External revenue			
Net premium earned	171,303	9,485	180,788
Net fees and commission	28,555	481	29,036
Other income	40,065	2,540	42,605
Total segment revenue	239,923	12,506	252,429
Reportable segment profit before tax	57,643	5,380	63,023
Reportable segment assets	832,779	27,453	860,232
Reportable segment liabilities	524,755	1,807	526,562



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	30 June 2019		
	General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross premium income	233,953	8,828	242,781
Premiums ceded to reinsurers	(64,258)	(526)	(64,784)
Net premium income	169,695	8,302	177,997
Fee and commission income	22,272	153	22,425
Net underwriting income	191,967	8,455	200,422
Claims expenses	88,251	2,262	90,513
Claims expenses recoverable	(26,022)	-	(26,022)
Gross change in contract liabilities	38,225	505	38,730
Net claims expenses	100,454	2,767	103,221
Underwriting expenses	9,986	392	10,378
Total underwriting expenses	110,440	3,159	113,599
Underwriting profit	81,527	5,296	86,823
Investment income	31,812	1,270	33,082
Other operating income	2509	-	2,509
Net income	115,848	6,566	122,414
Impairment reversal/(Impairment) on trade receivables	0	0	-
Depreciation and impairment of property, plant and equipment	(5,954)	(142)	(6,096)
Impairment on other assets	-	-	-
Employee benefit expense	(30,692)	(493)	(31,185)
Other operating expenses	(19,365)	(178)	(19,543)
Profit before tax from reportable segments	59,837	5,753	65,590
Actuarial value of policyholders liability	-	(1,138)	(1,138)
Income tax expense	(8,266)	(1,199)	(9,465)
Profit for the year	51,571	3,416	54,987
Assets and liabilities			
Total assets	711,641	21,056	732,697
Total liabilities	479,082	(3,766)	475,316
Net assets/(liabilities)	232,559	24,822	257,381
External revenue			
Net premium earned	169,695	8,302	177,997
Net fees and commission	22,272	153	22,425
Other income	34,321	1,270	35,591
Total segment revenue	226,288	9,725	236,013
Reportable segment profit before tax	59,837	5,753	65,590
Reportable segment assets	711,406	22,252	733,658
Reportable segment liabilities	479,315	(4,963)	474,352



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	30 June 2020 Birr'000	30 June 2019 Birr'000
6 Net premium income		
6.1 Gross premiums on insurance contracts		
Life insurance	10,795	8,828
Non-life insurance	259,752	240,483
Total gross written premium	270,547	249,311
Change in unearned premium provision	(10,834)	(6,530)
Total gross premium income	259,713	242,781
6.2 Premiums ceded to reinsurers on insurance contracts		
Life insurance premium ceded	(1,310)	(526)
Non-life insurance premium ceded	(77,615)	(64,258)
Total premiums ceded to reinsurers	(78,925)	(64,784)
Total net premium income	180,788	177,997
An excess of loss reinsurance cover for long-term insurance contracts was purchased at a cost of ETB 167 (2019: ETB 143). There were no events in the reporting periods that prompted losses of sufficient size to trigger a recovery from these contracts. The excess of loss reinsurance cover for life insurance business was purchased with an inception date of 1 July; there is therefore no unearned reinsurance asset at year-end.		
7 Fee and commission income		
Profit commission Income	5,262	3,617
Reinsurance commission income	23,774	18,808
Total fees and commission income	29,036	22,425
Fee and commission income represents commission received on direct business and transactions ceded to re-insurance during the year under review.		
8 Net benefits and claims		
8.1 Claims expenses		
Life insurance contracts	3,933	2,262
Non-life insurance contracts	103,022	88,251
Total claims expenses	106,955	90,513
8.2 Claims recoverable from reinsurers		
Claims recoverable from life insurance contracts	-	-
Claims recoverable from non-life insurance contracts	(14,146)	(16,628)
Increase in provision for outstanding claims recoverable	(17,089)	(9,394)
Total claims recovered from reinsurers	(31,235)	(26,022)
8.3 Gross change in contract liabilities		
Change in life insurance contract liabilities	737	269
Change in non-life insurance contract liabilities	25,666	42,945
Change in life insurance contract IBNR provision	118	236
Change in non-life insurance contract IBNR provision	1,791	(67)
Claims recoveries	(6,408)	(4,653)
Total gross change in contract liabilities	21,904	38,730
	97,624	103,221



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	30 June 2020 Birr'000	30 June 2019 Birr'000
9 Underwriting expenses		
Commission paid	10,794	11,029
Changes in deferred acquisition cost	966	(651)
Total underwriting expenses	11,760	10,378
10 Investment income		
Dividend income	10,569	7,891
Interest income on cash and bank balances	27,958	25,191
Total investment income	38,527	33,082
11 Other operating income		
Profit from sale of property, plant & equipment	-	-
Interest income on staff loans	254	241
Sundry income	3,824	2,268
Total other operating income	4,078	2,509
12 Employee benefits expense		
Short term employee benefits:	30 June 2020 Birr'000	30 June 2019 Birr'000
Salaries	25,556	20,941
Staff allowances	2,125	1,582
Other staff expenses	8,878	6,049
Pension costs		
Defined contribution plan	2,267	2,313
Defined benefit plan expense (Note 27)	585	300
	39,411	31,185
13 Other operating expenses		
Rental expenses	3,297	7,273
Communication	955	783
Utilities	177	75
Stationery and printing	1,210	828
Advertising and Notices	820	857
Transport, per diem	903	822
Fuel and lubricant	1,450	1,283
Repair and maintenance	1,980	2,332
Membership fee and contribution	3,753	2,847
Property insurance	736	560
Penalties and fines	19	13
Entertainment	243	160
Legal and professional fee	306	78
Audit fee	103	126
Board of directors' fee	854	254
Financial expenses	41	82
Other operating expenses	3,512	1,170
	20,359	19,543



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14 Company income and deferred tax		
14a Current income tax		
Company income tax	10,350	8,595
Deferred income tax/(credit) to profit or loss	1,499	870
Total charge to profit or loss	11,849	9,465
Tax (credit) on other comprehensive income	(64)	(22)
Total tax in statement of comprehensive income	11,785	9,443
14b Reconciliation of effective tax to statutory tax		
The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
	30 June 2020 Birr'000	30 June 2019 Birr'000
Profit before tax	74,872	65,597
Less: Profit from life insurance business	-	(1,138)
	74,872	64,459
Add: Disallowed expenses		
Entertainment	758	320
Penalty	20	34
Staff leave provision	817	378
Provision for doubtful debts	5,409	-
Donation	724	-
Lease Amortization	2,372	-
Severance Expense	1,133	300
Depreciation for accounting purpose	8,403	6,089
Amortization for accounting purpose	-	-
Total disallowable expenses	19,636	7,121
Less: Allowed expenses		
Depreciation for tax purpose	13,039	8,491
Dividend income taxed at source	10,569	7,891
Bonus Paid	2,946	495
Rent Expense	2,935	-
Prepaid tax on Rental	-	-
Unappropriated Actuarial surplus taxed on 2018/19	2,307	618
Interest income taxed at source-Local Deposit	28,212	25,433
Total allowed expenses	60,008	42,928
Taxable profit	34,500	28,651
Current tax at 30%	10,350	8,595
Deferred tax	1,499	870
Income tax expense/ (credit) recognised in profit or loss	11,849	9,465
14c Current income tax liability		
Balance at the beginning of the year	(966)	2,323
Charge for the year:		
Income tax expense (Note 14b)	10,350	8,595
Withholding tax paid	(3,161)	(3,050)
Payment during the year	(5,546)	(8,834)
Balance at the end of the year	677	(966)



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14d Deferred income tax

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

The analysis of deferred tax assets/(liabilities) is as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
To be recovered after more than 12 months	(3,990)	(2,555)
To be recovered within 12 months		
	<u>(3,990)</u>	<u>(2,555)</u>

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

Deferred income tax assets/(liabilities):	At 1 July 2019 Birr'000	Credit/ (charge) to profit or loss Birr'000	Credit/ (charge) to equity Birr'000	30 June 2020 Birr'000
Property, plant and equipment	(2,784)	(1,546)	-	(4,330)
Post employment benefit obligation	229	47	64	340
Total deferred tax assets/(liabilities)	(2,555)	(1,499)	64	(3,990)
Deferred income tax assets/(liabilities):	At 1 July 2018 Birr'000	Credit/ (charge) to Birr'000	Credit/ (charge) to equity Birr'000	30 June 2019 Birr'000
Property, plant and equipment	(1,884)	(900)	-	(2,784)
Post employment benefit obligation	177	30	22	229
Total deferred tax assets/(liabilities)	(1,707)	(870)	22	(2,555)

15 Cash and bank balances

	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash in hand	1,819	141
Short term deposit with local banks	81,591	77,623
Fixed term deposit with local banks	220,911	220,867
	<u>304,321</u>	<u>298,631</u>

	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	83,410	77,764
Non- current	220,911	220,867
	<u>304,321</u>	<u>298,631</u>

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



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Cash in hand
Short term deposit with local banks

	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash in hand	1,819	141
Short term deposit with local banks	81,591	77,623
	<u>83,410</u>	<u>77,764</u>

16 Investment securities

Available for sale:

Equity Investments

	30 June 2020 Birr'000	30 June 2019 Birr'000
Equity Investments	106,900	63,608
	<u>106,900</u>	<u>63,608</u>

Loans and receivables:

Ethiopian Government Bonds

	30 June 2020 Birr'000	30 June 2019 Birr'000
Ethiopian Government Bonds	-	-
	<u>-</u>	<u>-</u>

Current
Non-Current

	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	-	-
Non-Current	-	-
	<u>-</u>	<u>-</u>

The Company hold equity investments in Abay Bank S.C of 1.95% (30 June 2020: 1.58%, 30 June 2019: 1.60%, 1 July 2018: 1.60%), Ethiopian Re-insurance Company 4.44% (30 June 2020: 4.44%, 30 June 2019: 3.37%, 1 July 2018: 3.44%), Abay Industry S.C 0.782%(30 June 2020: 0.782%, 30 June 2019: 2.49%, 1 July 2018), Amhara Bank S.C. 0.25% (30 June 2020) and Enat Bank S.C. 0.29% (30 June 2020: 0.29%, 30 June 2018: .32%, 1 July 2017: 1.58%). These investments are unquoted equity securities measured at cost.

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment.

17 Trade receivables

Due from policy

Due from re-insurers

	30 June 2020 Birr'000	30 June 2019 Birr'000
Due from policy	440	440
Due from re-insurers	108,814	75,821
	<u>109,254</u>	<u>76,261</u>
	(440)	(439)
	<u>108,814</u>	<u>75,822</u>

Less: impairment allowance



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17.1 The movements in impairment allowance on trade receivables is analyzed as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
Balance beginning of the year	439	439
Impairment (reversal)/Impairment charge during the year	1	-
Balance end of year	440	439

	30 June 2020 Birr'000	30 June 2019 Birr'000
18 Reinsurance assets		
Reinsurers' share of claims reported and loss adjustment expenses (Note 24)	53,543	36,429
Reinsurance share of Incurred But Not Reported (IBNR claims) (Note 24)	5,047	6,312
Reinsurer's share of unearned premium (Note 24)	38,946	35,089
Reinsurer's share of expected recoveries from salvage (Note 24)	(3,890)	(3,390)
	93,646	74,440

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
19 Deferred acquisition cost		
Deferred acquisition cost - Engineering	634	992
Deferred acquisition cost -Fire	426	533
Deferred acquisition cost -Liability	476	299
Deferred acquisition cost -Marine	171	97
Deferred acquisition cost -Motor	1,191	421
Deferred acquisition cost -Accident	62	67
Deferred acquisition cost -Bonds	2,719	2,277
Deferred acquisition cost -Workmens	104	131
	5,783	4,817

This represents commission on unearned premium relating to the unexpired tenure of risk.

	30 June 2020 Birr'000	30 June 2019 Birr'000
The movement in deferred acquisition costs is as follows:		
As at 1 July	4,817	5,468
Movement during the year	966	(651)
As at 30 June	5,783	4,817



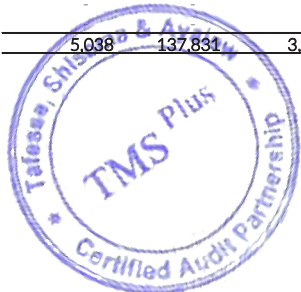
ABAY INSURANCE S.C.
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	30 June 2020 Birr'000	30 June 2019 Birr'000
20 Other assets		
Financial assets		
Staff loan	5,829	4,360
Staff saving	260	260
Staff debtors	646	490
Other debtors	2,611	1,754
Gross amount	9,346	6,864
Less: Specific impairment	-	-
	9,346	6,864
Non-Financial assets		
Prepaid staff expense	1,571	600
Withholding tax receivable	619	614
Prepayments	5,919	6,606
	8,109	7,820
Net amount	17,455	14,684
Current	8,306	5,710
Non- current	9,149	8,974
	17,455	14,684

The movement in impairment allowance for other assets is analysed as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
Balance at beginning of the year	-	-
(Recovery)/allowance made during the year for doubtful recoverables	-	-
Balance at end of year	-	-
21 Intangible Assets		
As at 1 July	4,619	4,619
Software in development	-	-
As at 30 June	4,619	4,619

	Lease properties Birr'000	Building Birr'000	Furniture, fixture and fittings Birr'000	Equipment Birr'000	Automobiles Birr'000	Computer equipment Birr'000	Total Birr'000
Cost							
As at 1 July 2018			2,701	448	35,360	2,685	41,194
Additions	419.00	137,803	632	641	3,302	240	143,036
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	-	-	(1,155)	-	(1,155)
As at 30 June 2019	419	137,803	3,333	1,089	37,507	2,925	183,075
As at 1 July 2019	419.00	137,803	3,333	1,089	37,506	2,925	183,075
Additions	4619	28	513	515	8,587	6,597	20,860
Disposals	-	-	-	-	268	-	268
Reclassification	-	-	-	-	-	-	-
As at 30 June 2020	5,038	137,831	3,846	1,604	46,361	9,522	204,203



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Accumulated depreciation

As at 1 July 2018			1,136	222	10,221	1,347	12,926
Charge for the year	10.00	1,617	279	92	3,707	390	6,096
Disposals	-	-	-	-	(609)	-	(609)
As at 30 June 2019	10	1,617	1,415	314	13,319	1,737	18,413

	Lease properties Birr'000	Building Birr'000	Furniture, fixture and fittings Birr'000	Equipment Birr'000	Automobiles Birr'000	Computer equipment Birr'000	Total Birr'000
Accumulated depreciation cont'd							
As at 1 July 2019	10	1617	1,415	314	13,320	1,737	18,413
Charge for the year	10	2,745	366	179	3,936	1,168	8,403
Disposals	-	-	-	-	(249)	-	(249)
As at 30 June 2020	20	4,362	1,781	493	17,007	2,905	26,567
Net book value							
As at 1 July 2018	-	-	1,565	226	25,139	1,338	28,268
As at 30 June 2019	409	136,185	1,918	775	24,187	1,188	164,661
As at 30 June 2020	5,017	133,467	2,066	1,111	29,397	6,617	177,676

23 Statutory deposit

This relates to the amount deposited with National Bank of Ethiopia in line with Article 20 of the Insurance Business Proclamation No. 746/2012. The law requires that in respect of each main class of insurance, the insurer carries an amount equal to 15% of the Company's paid up capital in cash or government securities.

The statutory deposit below includes (2020: Birr 41,018 2019: Birr 31,414) that is transferred to Ethiopian Government Saving Bond for the acquisition of Great Renaissance dam. The Bonds bears interest income of 6% &/or 8% per annum.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Balance beginning of the year	31,414	29,767
Additions	49	49
Interest receivable on statutory deposit invested in government bond	9,555	1,598
Balance end of year	41,018	31,414

24 Insurance contract liabilities

	30 June 2020 Birr'000	30 June 2019 Birr'000
Gross		
Non-life insurance contracts		
Claims reported and loss adjustment expenses	170,163	149,131
Claims incurred but not reported (IBNR)	22,475	21,980
Total outstanding claims provision	192,638	171,111
Unearned premium	139,082	124,364
	331,720	295,475
Life insurance contracts		
Life fund liability	7,810	5,854
Claims incurred but not reported (IBNR)	948	830
Total Life fund	8,758	6,684
Claims reported and loss adjustment expenses	1,006	269
Expected recoveries from salvage and subrogation reimbursements	(10,298)	(8,043)
Total insurance liabilities, gross	331,186	294,385



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Reinsurance assets:

Non-life insurance contracts

Reinsurers' share of claims reported and loss adjustment expenses	53,543	36,429
Reinsurers' share of Incurred But Not Reported (IBNR claims)	5,047	6,312
Reinsurer's share of unearned premium	38,946	35,089
Expected recoveries from salvage and subrogation reimbursements	(3,890)	(3,390)
	93,646	74,440

Life insurance contracts

Reinsurers' share of outstanding claims provision

Total reinsurers' share of insurance liabilities

Net

Non-life insurance contracts

Claims reported and loss adjustment expenses	116,620	112,702
Claims incurred but not reported (IBNR)	17,428	15,668
Total outstanding claims provision	134,048	128,370

Unearned premium

Life insurance contracts

Outstanding claims provision

Expected recoveries from salvage and subrogation reimbursements

Total insurance liabilities, net

Maturity analysis

Current

Non-current

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

Movements in insurance liabilities and reinsurance assets

a Non-life insurance contracts:

	Gross Birr'000	30 June 2020 Reinsurance Birr'000	Net Birr'000	Gross Birr'000	30 June 2019 Reinsurance Birr'000	Net Birr'000
Short-term insurance contracts:						
(i) Outstanding claims provision						
At 1 July	171,111	(42,741)	128,370	130,075	(32,464)	97,611
Notified claims	21,032	(17,114)	3,918	39,567	(9,672)	29,895
IBNR	2,017	1,265	3,282	548	(605)	-57
As at 30 June	194,160	(58,590)	135,570	170,190	(42,741)	127,449
At 1 July	171,111	(42,741)	128,370	130,075	(32,464)	97,611
Cash paid for claims settled in year (Note 8)	(103,022)	16,628	(86,394)	(88,251)	14,249	(74,002)
Increase in liabilities:						-
- Arising from current-year claims	119,835	(32,477)	87,358	122,130	(24,526)	97,604
- Arising from prior-year claims	6,236		6,236	6,236		6,236
As at 30 June	194,160	(58,590)	135,570	170,190	(42,741)	127,449



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(ii) Provisions for unearned premiums
30 June 2020

Engineering & Energy
General liability
Marine and Transit
Motor
Personal accident
Pecuniary
Fire and Lightening
Workmen Compensation

Gross Birr'000	Reinsurance Birr'000	Net Birr'000
18,225	(13,241)	4,984
5,535	(1,284)	4,251
3,033	(552)	2,481
63,476	(3,178)	60,298
4,096	(185)	3,911
33,999	(16,402)	17,597
9,073	(4,031)	5,042
1,645	(73)	1,572
139,082	(38,946)	100,136

30 June 2019

Engineering & Energy
General liability
Marine and Transit
Motor
Personal accident
Pecuniary
Fire and Lightening
Workmen Compensation

Gross Birr'000	Reinsurance Birr'000	Net Birr'000
13,341	(9,150)	4,191
3,729	(1,223)	2,506
4,158	(1,255)	2,903
63,680	(3,295)	60,385
3,446	(174)	3,272
26,324	(16,158)	10,166
7,854	(3,743)	4,111
1,832	(91)	1,741
124,364	(35,089)	89,275

	Gross Birr'000	30 June 2020 Reinsurance Birr'000	Net Birr'000	Gross Birr'000	30 June 2019 Reinsurance Birr'000	Net Birr'000
At 1 July	124,364	(35,089)	89,275	111,329	(28,583)	82,746
Change in unearned premium	14,718	(3,857)	10,861	13,035	(6,506)	6,529
As at 30 June	139,082	(38,946)	100,136	124,364	(35,089)	89,275

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

b Life insurance contracts:

Life insurance fund

At 1 July

Increase in claims incurred but not reported:

Term
Endowment
Permanent health

	30 June 2020 Birr'000	30 June 2019 Birr'000
	572	465
	62	148
	315	217
	949	830

Increase in individual life fund:

Net premium income
Fee and commission income
Net claims expenses
Underwriting expenses
Investment income
Employee benefit
Other operating expenses

	9,485	8,302
	481	153
	(4,788)	(2,767)
	(218)	(392)
	2540	1,270
	(745)	(493)
	(58)	(320)
	6,697	5,753

As at 30 June

	6,697	5,753
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The Company did not cede any of these liabilities to its reinsurers.

The Company carried out an actuarial valuation to determine the actuarial liabilities for its life fund as at the reporting date. The results of the actuarial valuation are summarised below

Actuarial liabilities
Unappropriated profit
Actuarial surplus
Life fund

30 June 2020 Birr'000	30 June 2019 Birr'000
5,615	5,854
1,689	2,307
3,528	2,307
10,832	10,468

25 Trade payables

Due to reinsurer

30 June 2020 Birr'000	30 June 2019 Birr'000
134,708	114,012
134,708	114,012

26 Other liabilities

Financial liabilities

Commission payable
Bonus accrued
Sundry creditors
Staff accrued leave pay
Dividend payable
Directors' allowance

30 June 2020 Birr'000	30 June 2019 Birr'000
1,704	1,234
5,059	2,956
910	456
2,868	2,052
5,340	32,004
-	-
15,881	38,702

Non-financial liabilities

Withholding Tax Payable
Payroll taxes payable
NBE payable
Cost sharing payable
Accrued charges
VAT payable
Defined Contribution liabilities
Other payables
Deferred commission income

773	257
809	554
9011	10,107
-1	4
529	672
1104	29
529	495
13961	1,087
12269	10,731
38,984	23,936
54,865	62,638

Gross amount

Current
Non- current

30 June 2020 Birr'000	30 June 2019 Birr'000
19,270	44,680
35,595	17,958
54,865	62,638

27 Defined benefit obligations

Defined benefits liabilities:

- Severance pay (Note27a)

Liability in the statement of financial position

1,133	762
1,133	762

Income statement charge included in personnel expenses:

- Severance pay (Note27a)

Total defined benefit expenses

585	300
585	300

Remeasurements for:

- Severance pay (Note27a)

(214)	(72)
(214)	(72)



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

27a Severance pay

The Company employees are entitled to a Severance Benefit. The Severance Benefit Entitlement is provided under the Labour Proclamation No. 1159/1999 effective from September from 05 September 2019, and 494/2006 effective date 29 June 2006 if an employee is terminated due to redundancy. In the first year, the pay is thirty times the average daily wages of the last week of service, if less than one year service, severance pay is calculated in proportion to the period of service. For more than one year of service, payment is increased by a third of the benefit for every additional year of service provided that the total amount does not exceed twelve months' wage of the employee. This benefit is also entitled to employees in the event of death in service, voluntary resignation and disability after 5 years of service.

Where a worker dies before receiving severance pay, his dependents will be paid:

- . A sum of 5 times the annual salary of the deceased and shall be paid in lump sum 50% to spouse, 10% each child, and 10% each parent. The total amount of the dependents' benefit should be add up to 100%

The overall net effect of these additional benefits is an increase in the past service cost.

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

	30 June 2020	30 June 2019
	Birr'000	Birr'000
A Liability recognised in the financial position	1,133	762

A Liability recognised in the financial position

B Amount recognised in the profit or loss	30 June 2020 Birr'000	30 June 2019 Birr'000
Current service cost	465	215
Interest cost	120	85
	<u>585</u>	<u>300</u>

C Amount recognised in other comprehensive income:

Remeasurement (gains)/losses arising from Tax credit /(charge)	Birr'000	Birr'000
	(214)	(72)
	(214)	(72)

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
At the beginning of the year	762	589
Current service cost	769	215
Interest cost	120	85
Remeasurement (gains)/ losses	(214)	(72)
Past service cost	205	
Benefits paid	(509)	(55)
At the end of the year	1,133	762

At the end of the year

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

i) Financial Assumption Long term Average

	30 June 2020	30 June 2019
	Birr'000	Birr'000
Discount Rate (p.a)	14.25%	12.75%
Future salary increases (p.a)	7%	7%
Mortality assumptions - Males	A1945 - 52 males	A1945 - 52 males
Mortality assumptions - Females	A1945 - 52	A1945 - 52 females
Weighted average duration of	4.9	5.6

Discount Rate (p.a)

Future salary increases (p.a.)

Mortality assumptions - Females

Weighted average duration of

Weighted average duration of



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ii) Mortality in Service

The rate of mortality assumed for employees are those according to the A1949/52 table published by the Institute of Actuaries. 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 believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 15% at the youngest ages falling with increasing age to 0% at age 60.

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

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
	Base	Discount	Salary rate	Discount rate	Salary rate
Discount rate	14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate	7.00%	7.00%	8.00%	7.00%	6.00%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	762	762	762	762	762
Total net expense recognised in	1,094	1,094	1,094	1,094	1,094
Net increase recognised in other	(214)	(265)	(160)	(158)	(263)
Employer	(509)	(509)	(509)	(509)	(509)
Net liability at end of period	1,133	1,082	1,187	1,189	1,084

	30 June 2019				
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
	Base	Discount	Salary rate	Discount rate	Salary rate
Discount rate	13.50%	14.50%	13.50%	12.50%	13.50%
Salary rate	7.00%	7.00%	8.00%	7.00%	6.00%
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	590	590	590	590	590
Total net expense recognised in	300	300	300	300	300
Net increase recognised in other	(72)	(108)	(29)	(32)	(111)
Employer	(56)	(56)	(56)	(56)	(56)
Net liability at end of period	762	726	805	802	723

The current arrangements are unfunded with no pre-determined contributions. The Company however meets benefit payments on a pay- as-you-go basis. The expected contribution to post-employment benefit plan for the year ending 30th June 2020 is ETB509.

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



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	30 June 2020 Birr'000	30 June 2019 Birr'000
28 Share capital and share premium		
Authorised:		
Ordinary shares of Birr 1,000 each	300,000	180,000
Issued and fully paid:		
Ordinary shares of Birr 1,000 each	234,308	180,000
Share premium	1,351	1,351
Total share capital and share premium	235,659	181,351

The board of directors had proposed to decrease the par value of each share issued by the company from ETB25,000 to ETB1,000 on the 10th extraordinary meeting held December 14, 2019.

28.1 Movements in ordinary shares and share premium:	No. of shares	Share capital Birr'000	Share premium Birr'000	Total Birr'000
At 1 July 2018	179,675	179,675	1,351	181,026
Issued during the year	325	325	-	325
As at 30th June 2019	180,000	180,000	1,351	181,351
At 1 July 2019	180,000	180,000	1,351	181,351
Issued during the year	54,308	54,308	-	54,308
As at 30th June 2020	234,308	234,308	1,351	235,659



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29 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year.

	30 June 2020	30 June 2019
Profit attributable to shareholders (Birr'000)	63,022	56,132
Weighted average number of ordinary shares in issue	226,156	180,000
Basic & diluted earnings per share (Birr'000)	0.28	0.31

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2020:nil, 1 July 2019: nil), hence the basic and diluted loss per share have the same value.

	30 June 2020 Birr'000	30 June 2019 Birr'000
30 Retained earnings		
At the beginning of the year	49,856	57,845
Profit/ (loss) for the year	63,023	56,132
Other comprehensive income	278	94
Transfer to legal reserve	(6,137)	(5,500)
Dividend paid	(41,289)	(58,859)
Statutory reserve - IBNR (10%)	-	931
Transfer to life fund liability	(1,956)	(1,138)
Actuarial Surplus	-	-
Unappropriated life fund	-	-
Prior years Adjustment	-	352
At the end of the year	63,775	49,857

	30 June 2020 Birr'000	30 June 2019 Birr'000
31 Legal reserve		
At the beginning of the year	28,102	23,533
Statutory reserve - IBNR (10%)	-	-931
Transfer from profit or loss	6,137	5,500
At the end of the year	34,239	28,102



ABAY INSURANCE S.C.
Notes to the Financial Statements
 FOR THE YEAR ENDED 30 JUNE, 2020

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
32 Cash generated from operating activities			
Profit before tax		74,872	65,597
Adjustments for non- cash items:			
Depreciation of property, plant and equipment	22	8,403	6,096
Amortisation of intangible assets	21	-	-
Retirement benefit obligations	27	585	300
Gain/(Loss) on disposal of property, plant and equipment		(37)	(373)
Interest paid		490	
Change in operational assets:			
-Decrease/ (Increase) in trade receivables		(32,992)	(19,766)
-Decrease/ (increase) in deferred acquisition cost		(966)	651
-Decrease/ (increase) in other assets		(1,805)	15,207
-Decrease/ (Increase) in reinsurance assets		(19,206)	(18,632)
Change in operational liabilities:			
-Increase/ (decrease) in other liabilities		(11,551)	33,057
-Increase/(decrease) in insurance payables		20,695	19,822
-Increase/(decrease) in insurance contract liabilities**		36,801	57,185
		75,289	159,144

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Proceeds on disposal	335	908
Net book value of property, plant and equipment disposed (Note 20)	298	535
Gain/(loss) on sale of property, plant and equipment	37	373

**Increase/(decrease) in insurance contract liabilities does not include transfer of life fund from retained earnings.

33 Related party transactions

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

From the above, only directors were identified to be related parties to the Company. A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
a Transactions with related parties		
Loans and advances to key management	724	470
	724	470



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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 2020.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Salaries and other short-term employee benefits	4,014	2,840
Post-employment benefits		
Termination benefits		
Sitting allowance	449	295
Other expenses		
	4,463	3,135

34 Contingent liabilities

Claims and litigation

The Company, like all other insurers, is subject to litigation in the normal course of its business. The Company does not believe that such litigation will have a material effect on its profit or loss and financial condition.

The Company, together with other industry members, will continue to litigate the broadening judicial interpretation of the insurance coverage contained in the casualty insurance contracts it issued. If the courts continue in the future to expand the intent and scope of coverage contained in the insurance contracts issued by the Company, as they have in the past, additional liabilities would emerge for amounts in excess of the carrying amount held. These additional liabilities cannot be reasonably estimated but could have a material impact on the Company's future results. The liabilities carried for these claims as at this year end are reported in Note 24 and are believed to be adequate based on known facts and current law.

35 Commitments

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 the each lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
No later than 1 year	3,176	8,968
Later than 1 year and no later than 2 years		7,877
Later than 2 years but not later than 5 years		11,152
Total	3,176	27,997

36 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 30 June 2020 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.



ABAY INSURANCE S.C.
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE, 2020

37 Adoption of IFRS 16 (Leases) for the Company

Leases in which the company is a Lessee

The company's leases is mainly dominated by branch offices leases. It had been classified these as operating leases under IAS 17. Office building: the company leases 29 branch offices from which it conducts business. The lease terms, and the remaining lease terms at the date of initial application, vary. In some cases, the remaining lease terms at the date of initial application is less than 12 months. The leases do not include any renewal options.

The leases of 28 branch offices features fixed lease payments. The leases of one branch offices lease feature lease payments that are variable based on predetermined percentage by the Lessor, subject to a minimum annual percentage amount. For the purpose s of applying the modified retrospective approach to these leases, the company elect to:

- Measure the right of use assets as if it had applied IFRS 16 since the commencement date using its incremental borrowing rate at the date of initial application.
- Apply the practical expedient not to recognize a right of use asset or lease liability to lease for which the lease term ends within 12 months of the date of initial application; and
- Apply the practical expedient to exclude initial direct costs from right-of use asset.

IFRS 16 offers a range of transaction options. As stated above the company applies IFRS 16 using the modified retrospective approach. As a lessee, the company elects to use a number of practical expedients. Under this approach, the company doesn't restate its comparative figures but recognizes the cumulative effect of adopting IFRS 16 is recognized in retained earnings at the date of initial application- 1 July 2019.

The company has presented right of use of assets that don't meet the definition of investment property within property, plant & equipment – i.e the same line item as it presents underlying assets of the same nature that it owns. Lease payments for short-term leases & lease payments for leases of low-value assets not included in the measurement of the lease liability are classified as cash flows from operating activities. The company has classified cash flows from operating leases as operating activities. Cash flows from the finance lease receivables received are classified as investing activities. The company has classified the principal portion of lease payments within financing activities and the interest portion within the operating actives.

The company has presented lease liabilities within other liabilities. We have also presented the interest expense on the lease liability separately from depreciation charge for the right of use of asset. Interest expense on the lease liability is the component of finance costs.

1) Leases

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Notes.

A) Significant accounting policy

At the inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a) As a lease

The company recognizes a right of use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use of asset is periodically reduced by impairment losses, if any, and adjusted for certain premeasurements of the lease liability.



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The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounting using the interest rate implicit in the lease or, if the rate cannot be readily determined, the company incremental borrowing cost. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using index or rate as at the commencement date;
- Amounts expected to be payable under the residual value guarantee; and
- The exercise price under a extension option of the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use of asset has been reduced to zero.

Applying this exemption means that the Company would not disclose information about claims development i.e actual claims compared with previous estimates that occurred earlier than five years before the end of its first IFRS financial year (1 July 2016). If however the information for the five years is not available, the Company would disclose the fact.

The company presents right of use of assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other liabilities' in statement of financial position (see (B)).

Short-term leases and leases of low value assets

The company has elected not to recognize right-of-use assets and lease liability for short term leases of branch office rent that have a lease term of 12 months or less and leases of low-value assets. The company recognizes the lease payments associated with these leases as an expense on straight-line basis over the lease term.

b) As a lessor

When the company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the company applies IFRS 15 to allocate the consideration in the contract. The company recognizes lease payment received under operating leases as income on a straight line basis over the lease term as part of 'other income.

Estimates under IFRS at 1 July 2016 are consistent with estimates made for the same date under its previous accounting framework, unless there is evidence that those estimates were in error. The estimates used by management in preparing the transition date statement of financial position are consistent with those used under previous GAAP for the same date.

2 Change in accounting policies

Except for the changes below, the company has consistently applied the accounting policies to all periods presented in these consolidated financial statements. The company applied IFRS 16 with a date of initial application 1 July 2019. As a result, the company has changed its accounting policy for lease contracts as detailed below. The company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 July 2019. The details of the changes in accounting policies are disclosed below.



ABAY INSURANCE S.C.
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A) Definition of a lease

Previously, the company determined at contract inception whether an arrangement is or contains a lease under IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied on to contracts entered into or changed on after 1 July 2019.

B) As a lease

As a lease, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the Group recognizes right of use of assets and lease liabilities for most leases – i.e these leases are on the balance sheet.

The company decided to apply recognition exemptions to short-term leases. For leases of other assets, which were classified as operating under IAS 17, the company recognized right of use assets and lease liabilities.

i) Leases classifies as operating leases under IAS 17

At transaction, lease liabilities were measured at present value of the remaining lease payments, discounted at the company's incremental borrowing rate of similar characteristics as at July 2019. Right of use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate as the date of initial application – the company applied this approach to its largest property leases; or
 - An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the company applied this approach to all other leases.
- The company used the following practical expedient when applying IFRS 16 to leases previously classified as operating leases under IAS 17.
- Applied a single discount rate to a portfolio of leases with similar characteristics.
 - Adjusted the right of use of asset by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
 - Applied the exemption not to recognize right of use assets and liabilities for leases with less than 12 months of lease terms.
 - Excluded initial direct costs from measuring the right of use asset at the date of initial application.
 - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

A) As a Lessor

The company is not required to make any adjustments on transaction to IFRS 16 for leases in which it acts as a lessor. The company accounted for its leases in accordance with IFRS 16 from the date of initial application.

The company applied IFRS 15 revenue from contracts with customers to allocate consideration in the contract to each lease and non-lease component.

2) Impact on financial statements

One transaction to IFRS 16, the company recognizes an additional ETB 6,261 thousands of right of use of assets and ETB 4,548 thousands of lease liabilities, recognizing the difference ETB1,713 in retained earnings.

When measuring lease liabilities, the company discounted lease payments using incremental borrowing rate at 1 January 2019, the weighted average rate applied is 11.5%.

A) As a Lessee

Property, plant and equipment' comprise owned and leased assets that do not meet the defination of investment property.



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In thousands of ETB
Property, plant and equipment' owned
Right-of-use assets

30 June 2020
Birr'000
173,066
4,619
177,685

The company leases Office rooms.
Information about leases for which the compay is a lessee is presented below.

Right-of-use assets
Balance as 1 January
Additions to the right-of-use assets during the year.
Depreciation charge for the year
Balance as 31 December
Additions to the right-of-use assets during 2019/20 wereETB6,501 thousand.

30 June 2020
Birr'000
-
6,501
1,882
4,619

Lease liabilities
Maturity analysis - Contractual undiscounted cash flows
Less than one year
One to five years
More than five years
Total discounted lease liabilities at 30 June 2020

30 June 2020
Birr'000
1,745
681
-
2,426

Lease liabilities included in the statement of financial position at 30 June 2020
Current
Non-current

30 June 2020
Birr'000
1,745
681

Amount recognised in profit or loss
In thousands of ETB
Interest on lease liabilities
Expenses relating short-term leases
Expenses relating to leases of low-valued assets, excluding short-term leases of low-value assets

30 June 2020
Birr'000
2,020
490
3,297

B) As a Lessor

Lease income from lease contracts in which the company acts as a lessor is as below.
Lease income

30 June 2020
Birr'000
3,287



የዓባይ ኢንሹራንስ አክሲዮን ማህበር ለ2012 ዓ.ም የበጀት አመት በተዘጋጀው ሂሳብ ላይ የቀረበ የውጭ ሥራተኞች ሪፖርት

በሂሳብ መግለጫዎች ሥራተኞች ላይ የቀረበ ሪፖርት

የመያ አስተያየት

ከዚህ ሪፖርት ጋር ተያይዘው የቀረቡትን እ.አ.አ ፳ን 30/ 2020 (በእኛ አቆጣጠር ሰኔ 23 ቀን 2012 ዓ.ም) ለተጠናቀቀው የበጀት ዓመት የተዘጋጀውን የዓባይ ኢንሹራንስ አክሲዮን ማህበር የሀብትና ዕዳ፣ የትርፍና ኪሳራ እና ሌሎች ጠቅላላ ገቢዎች፣ በተጣራ ሃብት ላይ የታየ ለውጥ፣ የጥሬ ገንዘብ ፍላጎት መግለጫዎች እንዲሁም ኩባንያው የሚከተላቸውን የሂሳብ አሰራር ፕላንዎች እና ማብራሪያዎች ያካተተውን የሂሳብ መግለጫዎች ሥራተኞች አድርገናል።

በእኛ አስተያየት ከዚህ ሪፖርት ጋር ተያይዘው የቀረቡት የሂሳብ መግለጫዎችና አባሪዎቻቸው አለም አቀፍ የፋይናንስ ሪፖርት ደረጃዎችን (IFRS) ተከትለው የተዘጋጁ ሲሆኑ በአጠቃላይ አክሲዮን ማህበሩ እ.አ.አ ፳ን 30/2020 የነበረውን ሀብትና ዕዳ እንዲሁም በዘዩው ዕለት ላለቀው ዓመት የነበረውን የሂሳብ እንቅስቃሴ እና የጥሬ ገንዘብ ፍላጎት በሚገባ ያሳያሉ።

የአስተያየታችን መሰረት

የሥራተኞች ስራችንን ያከናወንነው አለም አቀፍ የሥራተኞች ደረጃዎችን በመከተል ሲሆን በእነዚህ ደረጃዎች መሰረት የሚጠበቁትን ኃላፊነት ከዚህ በታች የሥራተኞች ሃላፊነት በሚለው ርዕስ ስር ተመልክቷል። የአለም አቀፍ የሂሳብ ባለሙያዎች የሰነድ ማግኘት ደረጃዎች ቦርድ ለሂሳብ ባለሙያዎች ያወጣው የሰነድ-ማግኘት ኩዳ በሚጠይቀው መሰረት ከአክሲዮን ማህበሩ ነጻ እና ገለልተኛ ሆኖ ስራችንን አከናውናል። እንዲሁም የሰነድ ማግኘት ደንቡ የሚጠይቀውን እና የሚጠበቁትን ሌሎች ኃላፊነቶች አሟልተናል።

ከዚህ በላይ የሰጠው የመያ አስተያየት ደረጃውን ተከትሎ በከፍተኛው የሥራተኞች ስራና በቀረበው የሥራተኞች ማሰራጀት በመተማመን ነው።

የሂሳብ መግለጫዎችን በተመለከተ የዳሬክተሮች ቦርድ ኃላፊነት

አለም አቀፍ የፋይናንስ ሪፖርት ደረጃዎችን በመከተል የሂሳብ መግለጫዎችን አዘጋጅቶ ማቅረብ እንዲሁም ሆነ ተብሎ ሆኖ ወይም በሰህተት ከሚፈጸም ጉልህ ስህተት ነፃ የሆኑ የሂሳብ መግለጫዎችን ለማዘጋጀት አስፈላጊ የሆኑትን ብሎ ያመነባቸውን የውስጥ ቁጥጥር ስርዓቶች መዘርጋት የኢንሹራንስ የዳሬክተሮች ቦርድ ኃላፊነት ነው። ቦርዱ የሂሳብ መግለጫዎችን በሚያዘጋጅበት ወቅት የኩባንያውን ቀጣይነት በመገመገም ስጋት የሚፈጥሩ ሁኔታዎችን በግልፅ ማመለከትና የኩባንያውን መፍረስ ወይም የአንዳንድ ሶፕራሽኖችን ስራ ማቆም ግድ የሚሉ ሁኔታዎች ከሌሉ በስተቀር የኩባንያውን ቀጣይነት በማሰብ ሂሳቡ የተዘጋጀ መሆኑን የመግለፅ ኃላፊነት አለበት።

የዳሬክተሮች ቦርድ የኩባንያውን የፋይናንሽል ሪፖርት ሂደት የመከታተል ኃላፊነት አለበት።



2

የሥራተኞች ኃላፊነት

የእኛ ኃላፊነት የቀረበት የሂሳብ መግለጫዎች ሆነ ተብሎ ሆኖ በሰህተት ከሚፈጸም ጉልህ ስህተት ነፃ ስለመሆናቸው ሞክንያቸው ማረጋገጫ መስጠትና ይህንኑ አስተያየታችንን በሪፖርታችን መግለፅ ነው። ሞክንያቸው የሆነ ማረጋገጫ ለመስጠት የሚከናወነው የሥራተኞች ተግባር በሂሳቡ ውስጥ ሊኖሩ የሚችሉ ጉልህ ስህተቶችን በመሉ ፊልጎ ያገኛል ተብሎ አይጠበቅም ሞክንያቸው ሞክንያቸው ማረጋገጫ በከፍተኛ ደረጃ የሚታይ የማረጋገጥ ሂደት በመሆኑ አለም አቀፍ የሥራተኞች ደረጃዎችን በመከተል የሚከናወነው ሥራተኞች በሆኑ ጉልህ ስህተቶችን ሁል ጊዜ ፊልጎ የማግኘት ዋስትና ስለማይሰጥ ነው። ስህተቶች ሆኖ ተብሎ ወይም በሰህተት የሚፈጸሙና በተናጠል ወይም በደምር ጉልህ ሆኖ የሂሳብ መግለጫዎችን መሰረት አድርጎ በሚወሰን ኢኮኖሚያዊ ውሳኔ ላይ ተጽዕኖ ሊያሳድሩ ይችላሉ።

የሌሎች ህጋዊ ሁኔታዎች ሥራተኞች ሪፖርት

በ1952 ዓ.ም በወጣው የኢትዮጵያ ንግድ ህግ አንቀጽ 375 በሚያዘው መሰረት የቀረበው የዳሬክተሮች ሪፖርት ላይ የሂሳብ መግለጫዎችን በተመለከተ ከቀረበው ሪፖርት የተለየ አስተያየት የሌለን መሆኑን እየገለፅን ጠቅላላ ገባሌው የዳሬክተሮችን ሪፖርት እንዲያፀድቀው አስተያየታችንን እንሰጣለን።

Tafesse Shisema

ታሪክ፡ ቪሰማ እና አያሌው የሥራተኞች አገልግሎት የሀብት ሽርክና ማኅበር
የተመሰከረላቸው የሂሳብ አዋቂዎች(የኬ)
የተፈቀደላቸው ሥራተኞች (ኢትዮጵያ)



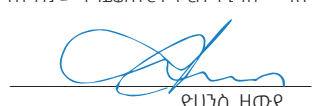
አዲስ አበባ
19 መስከረም 2013

ዓባይ ኢንሹራንስ አ.ማ
የሀብትና ዕዳ መግለጫ
ኢ.ኤ.አ 30 ሰኔ 2020

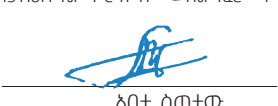
ገንዘብ በኢትዮጵያ ብር			
ማብራሪያ	ጁን 30/2020 ብር 000	ጁን 30/2019 ብር 000	
ሀብቶች			
ጥሬ ገንዘብ እና ተመጣጣኝ	15	304,321	298,631
የኢንሸስትመንት ዋስትና ሊሸጥ የሚችል			
ሊሸጥ የሚችል	16	106,900	63,608
ብድር እና ተሰባሳቢ	16	-	-
የንግድ ተሰባሳቢ	17	108,814	75,822
ከጠለፋ ዋስትና ሰጭዎች ተሰባሳቢ	18	93,646	74,440
የዘገዴ የደንበኛ ማገኛ ወጭ	19	5,783	4,817
ሌሎች ሀብቶች	20	17,455	14,684
ግዙፋዊ ኃልዎት የሌላቸው ሀብቶች	21	4,619	4,619
ክታክስ የሚገኝ ሀብት	14	-	966
ቋሚ ንብረቶች	22	177,676	164,661
እስከ ቀን ገደቡ የሚቆይ ህጋዊ ተቀማጭ	23	41,018	31,414
ጠቀላላ ሀብት		860,232	733,662
ተከፋይ ዕዳዎች			
የኢንሸራንስ ወል ተከፋዮች	24	331,186	294,385
የንግድ ተከፋዮች	25	134,708	114,012
ሌሎች ተከፋፎች	26	54,865	62,638
የአመቱ የትርፍ ግብር ተከፋይ	14	677	-
የጡረታ ግዴታዎች	27	1,133	762
ወደፊት የሚከፈል ትርፍ ግብር	14	3,990	2,555
ጠቀላላ ዕዳዎች		526,559	474,352
የባለ አክሲዬኖች ሀብት			
የተከፈለ ካፒታል	28	234,308	180,000
የአክሲዬን ሽያጭ ትርፍ	28	1,351	1,351
የተጠራቀመ ትርፍ	30	63,775	49,857
ሕጋዊ መጠባበቂያ	31	34,239	28,102
ጠቀላላ የባለአክሲዬኖች ሀብት		333,673	259,310
ጠቀላላ የባለአክሲዬኖች ሀብትና ዕዳ		860,232	733,662

በሪፖርቱ የተመለከቱት ማብራሪያዎች የሂሳብ መግለጫዎች አካል ናቸው፡፡

የከባኝነት የዳይሬክተሮች ቦርድ የሂሳብ መግለጫዎች እንዲታተሙ መስከረም 18/2013 አፅድቋል፡፡ ቦርዱን በመወከል የፈረመት፡



የሀገሥት ዘወዴ
ዋና ስራ አስፈጻሚ



አባተ ሰጦታው
የቦርድ ሊቀመንበር



ዓባይ ኢንሹራንስ አ.ማ
የትርፍ /ኪሳራ/ እና ሌሎች አጠቃላይ ገቢዎች መግለጫ
ኢ.ኤ.አ 30 ሰኔ 2020 ላለቀው ዓመት

ገንዘብ በኢትዮጵያ ብር			
ማብራሪያ	ጁን 30/2020 ብር 000	ጁን 30/2019 ብር 000	
የልተጣራ አረቦን	6	259,713	242,781
ለመደን ሰጭዎች የተላለፈ	6	(78,925)	(64,784)
የተጣራ አረቦን		180,788	177,997
የኮሚሽን ገቢ	7	29,036	22,425
የተጣራ የመደን ወል ሥራ ገቢ		209,824	200,423
የካሣ ክፍያ	8.1	106,955	90,513
ለቀነሰ ከዋስትና ሰጭዎች የሚተካ	8.1	(31,235)	(26,022)
የወል ዕዳ ለውጥ	8.3	21,904	38,730
የተጣራ የካሣ ክፍያ ወጭ		97,624	103,221
የመደን ወል ሥራ ወጭ	9	11,760	10,378
የኮሚሽን ወጭ		109,384	113,599
ጠቀላላ የመደን ወል ሥራ ወጭ		100,440	86,823
የኢንሸስትመንት የተገኘ ገቢ	10	38,527	33,082
ሌሎች የኦፕሬሽን ገቢዎች	11	4,078	2,509
		42,605	35,591
የተጣራ ገቢ		143,045	122,414
የተሰባሳቢዎች የዋጋ ቅናሽ	17	(1)	-
የቋሚ ሀብት የእርጅና ቅናሽ	22	(8,403)	(6,096)
የሌሎች ሀብቶች የዋጋ ቅናሽ	20	-	-
የሰራተኛ ጥቅማጥቅሞ ወጪ	12	(39,411)	(31,185)
ሌሎች የኦፕሬሽን ወጪዎች	13	(20,359)	(19,543)
ከግብር በፊት የተገኘ ትርፍ		74,871	65,590
ወደፊት የሚከፈል ትርፍ ግብር	14	(11,849)	(9,465)
ትርፍ ከታክስ በኋላ		63,022	56,125
ሌሎች አጠቃላይ ገቢዎች			
ወደፊት ወደ ትርፍና ኪሳራ የሚይዘሩ			
የጡረታ ክፍያ እንደገና ግመታ ትርፍ/ኪሳራ/	27	214	72
በእንደገና ግመታ ከተገኘ ትርፍ/ኪሳራ/ የመነጨ ሀብት/ዕዳ		64	22
		278	94
የአመቱ አጠቃላይ ገቢ		63,300	56,219
በአንድ አክሲዬን የተገኘ ገቢ	29	0.28	0.31



ዓባይ ኢንሹራንስ አ.ማ
የጥሬ ገንዘብ ፍላጎት መግለጫ
ኢ.ኤ.አ 30 ሰኔ 2020 ላለቀው ዓመት

ማብራሪያ		ገንዘብ በኢትዮጵያ ብር	
		ጁን 30/2020 ብር 000	ጁን 30/2019 ብር 000
ከሻጫሽን ሥራዎች የተገኘ ጥሬ ገንዘብ			
ከኦፕሬሽን የተገኘ ጥሬ ገንዘብ	32	75,289	159,144
የወሰደ እና የትርፍ ክፍፍል ገቢ		(38,527)	(33,082)
የተከፈለ ወለድ		(490)	-
የተከፈለ የትርፍ ግብር		(8,707)	(11,883)
ከሻጫሽን ሥራዎች የተገኘ የተጣራ ጥሬ ገንዘብ		27,565	114,179
ከኢንቨስትመንት ሥራዎች የተገኘ ጥሬ ገንዘብ			
የአክሲዩን ግዢ		(43,292)	(11,326)
የትርፍ ክፍፍል ገቢ	10	10,569	7,891
የወሰደ ገቢ		27,958	24,957
ግዛፋዊ ኃልት የሌላቸው ሀብቶች ግዢ		-	-
የቋሚ ዕቃ ግዢ	22	(16,241)	(143,036)
ከመግለት በኋላ ግዢ ወለድ	16	-	-
ከዕቃ ሽያጭ የተገኘ ገቢ		335	313
የገዜ ተቀባይ ተጨማሪ ኢንቨስትመንት		(44)	108,333
ከሀገራዊ ተቀማጭ ጭማሪ	23	(9,604)	(1,648)
የተጣራ ከኢንቨስትመንት ሥራዎች የተገኘ ጥሬ ገንዘብ		(30,319)	(14,516)
ከፋይናንሲንግ ሥራዎች የተገኘ ጥሬ ገንዘብ			
የአክሲዩን ሽያጭ	28	54,308	325
የሊዝ ክፍያ		(4,619)	-
የተከፈለ የትርፍ ክፍፍል	30	(41,289)	(58,859)
የተጣራ ከፋይናንሲንግ ሥራዎች የተገኘ ጥሬ ገንዘብ		8,400	(58,534)
የተጣራ የአመቱ የጥሬ ገንዘብ ጭማሪ(ቅናሽ)		5,646	41,129
በአመቱ መጀመሪያ የነበረ(የዞረ)	15	77,764	36,635
በአመቱ መጨረሻ ያለ ጥሬ ገንዘብ	15	83,410	77,763

በሪፖርቱ የተመለከቱት ማብራሪያዎች የሂሳብ መግለጫዎች አካል ናቸው ።



ዓባይ ኢንሹራንስ አ.ማ
በተጣራ ሀብት ላይ የታዩ ለውጥ ሂሳብ መግለጫ
ኢ.ኤ.አ 30 ሰኔ 2020 ላለቀው ዓመት

ማብራሪያ		ገንዘብ በኢትዮጵያ ብር				
		የተከፈለ ካፒታል ብር 000	የአክሲዩን ሽያጭ ትርፍ ብር 000	የተጠራቀመ ትርፍ ብር 000	ሕጋዊ መጠባበቂያ ብር 000	ጠቀላላ ብር 000
ጁላይ 1/2018 የነበረ		179,675	1,351	57,845	23,533	262,404
የአመቱ ትርፍ	30	-	-	56,132	-	56,132
ሌሎች አጠቃላይ ገቢዎች		-	-	-	-	-
የሰራተኛ ጥቅማጥቅሞ ግመታ ትርፍ	14	-	-	94	-	94
የአመቱ አጠቃላይ ገቢ		-	-	56,226	-	56,226
የአክሲዩን ሽያጭ	28	325	-	-	-	325
የሀገራዊ ግዴታ ተቀማጭ (10%)		-	-	931	(931)	-
ሀገራዊ መጠባበቂያ	31	-	-	(5,500)	5,500	-
ወደ የሕይወት ዋስትና የዞረ				(1,138)		(1,138)
ያለፈ ዓመት ማስተካከያ	30			352		352
የአክቶራሪ ግመታ				-		-
የትርፍ ክፍፍል የተከፋፈለ	30	-	-	(58,859)	-	(58,859)
		325	-	(64,214)	4,569	(59,320)
ጁን 30/2019 የነበረ		180,000	1,351	49,857	28,102	259,310
ጁላይ 1/2019 የነበረ		180,000	1,351	49,857	28,102	259,310
የአመቱ ትርፍ	30			63,023		63,023
ሌሎች አጠቃላይ ገቢዎች						
የሰራተኛ ጥቅማጥቅሞ ግመታ ትርፍ	14			278		278
የአመቱ አጠቃላይ ገቢ		-	-	63,301	-	63,301
የአክሲዩን ሽያጭ	28	54,308				54,308
ሀገራዊ መጠባበቂያ	31			(6,137)	6,137	-
የሀገራዊ ግዴታ ተቀማጭ (10%)				-	-	-
ወደ የሕይወት ዋስትና የዞረ				(1,956)		(1,956)
የትርፍ ክፍፍል የተከፋፈለ	30			(41,289)		(41,289)
		54,308	-	(49,382)	6,137	11,063
ጁን 30/2020		234,308	1,351	63,776	34,239	333,674

በሪፖርቱ የተመለከቱት ማብራሪያዎች የሂሳብ መግለጫዎች አካል ናቸው ።





**ANNUAL GENERAL
MANAGERS MEETING**

**ANNUAL
PERFORMANCE
REVIEW MEETING**





CORPORATE SOCIAL RESPONSIBILITY



STAFF DAY



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የአዕምሮዎ ሰላም!
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