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ABAY INSURANCE S.C.

የአዕምሮዎ ሰላም!
Your Peace of Mind!

ANNUAL REPORT
2022/23



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የአዕምሮዎ ሰላም!
Your Peace of Mind!



FOR YOUR **LIFE**
ለህይወትዎ



FOR YOUR **PROPERTY**
ለንብረትዎ



FOR YOUR **LEGAL LIABILITIES**
ለህጋዊ ኃላፊነትዎ

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ABAY INSURANCE S.C.



ACRONYM

"AISCO", WHICH STANDS FOR ABAY INSURANCE S.C.

ESTABLISHMENT
JULY, 2010

AUTHORIZED CAPITAL
500,000,000

PAID UP CAPITAL AS AT JUNE 30, 2023
BIRR 448,823,000



MISSION

TO PROVIDE DIVERSIFIED INSURANCE SERVICES TAILORED TO MEET THE EVER-CHANGING RISK EXPOSURE OF THE PUBLIC AND MAXIMIZE SHAREHOLDERS VALUE BY USING COMPETENT STAFFS AND TECHNOLOGY ENABLERS IN AN INNOVATIVE AND RESPONSIBLE MANNER.

VISION

"TO BECOME ONE OF THE TOP THREE PRIVATE INSURANCE COMPANIES IN ETHIOPIA BY 2030"

MOTTO

"YOUR PEACE OF MIND!"

CORE VALUES

- DIVERSITY
- INTEGRITY
- CUSTOMER FOCUS
- TEAMWORK
- ACHIEVE IN QUALITY
- THRIVE TO BE A LEARNING ORGANIZATION
- ENSURE PROFESSIONALISM

HEAD OFFICE ADDRESS:

TEL: +251-11-5535300
FAX: +251-11-5157690
P.O. BOX:5879

WEBSITE: [HTTP://WWW.ABAYINSURANCE.COM//](http://www.abayinsurance.com//)

EMAIL: [INFO@ABAYINSURANCE.COM](mailto:info@abayinsurance.com)

PHYSICAL ADDRESS: ADDIS ABABA, BOLE SUB CITY, WOREDA 3, HOUSE NO. 377



ABAY INSURANCE S.C. BOARD OF DIRECTORS



Ato Abate Sitotaw
Board Chairman



Ato Mitiku Beyene
Vice Chairman



Ato Mulugeta Abate
Director



Prof. Yilkal Adamu
Director



Ato Zemene Tsehay
Director



Ato Desalegn Ayalew
Director



W/ro Monaliza shiferaw
Director



Ato Alemayehu Birbirša
Director



Ato Aragaw Tadesse
Director



Ato Getnet Girum
Company Secretary

ABAY INSURANCE S.C. EXECUTIVE MANAGEMENT



Yohannes Zewdie
Chief Executive Officer



Solomon Seifu
Deputy Chief Executive
Officer, General
Insurance



Paulos Tadesse
Manager, Underwriting
& Reinsurance
Department



Behailu Betsha
Manager, Finance
& Investment
Department



Tewodros Lemma
Manager, Claims
Management
Department



Adugna Belay
Manager, Marketing
& Corporate Planning
Department



Moges Tesfaye
Manager, Human Resource
& Facility Management
Department



Tadesse Worku
Manager,
Engineering Service



Birhanu Getachew
Manager,
Corporate Risk Management
& Compliance Service



Damenech Sileshi
Manager,
Audit Service



Tamirat Belay
Manager,
ICT Service



Sisay Shihunegn
Manager,
Legal Service

MESSAGE OF THE BOARD OF DIRECTORS, CHAIRPERSON



Dear Honorable Shareholders,

I, on behalf of the Members at the Board of Directors, have the pleasure to welcome all our esteemed shareholders on this 13th Annual Ordinary and 12th extra ordinary Meeting. I am delighted and impressed at your participation in this Annual General Meeting at Abay Insurance S.C. Your spontaneous participation with taking trouble in long road journey manifests itself of your confidence on the Company, Thank you all.

Meanwhile, Annual Report - 2022/2023 of our Company has been dispatched to you for your kind perusal. I believe you will get a comprehensive view to assess the financial position of the Company and assure you that we shall always be with you and your investment will always be secured. I presume the performance of the business operation during the year under review was historic and more than satisfactory.

Through well-articulated direction of the board of directors and amicable leader-

ship of the management conveyed with effective performance of all employee the company reached with total asset of Birr 2,066,520.154 showing 40% increment from the previous year same period.

Finally, I would like to express my profound gratitude on behalf of my-self and board of directors to all our valued Policyholders, Shareholders, Management and well-wishers of the company who extended their cooperation, suggestions & guidance in running the business successfully. I would also like to record my thanks to the employees of the Company for their dedicated services for growth of the Company.

Thank you

Ato Abate Sitotaw
Chairman, Board of Directors



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Abay Insurance S.C. is pleased to present the annual report along with the audited financial statements for the year that ended on June 30, 2023 to the 13th Annual General Ordinary and 12th Extra- Ordinary Meeting of Share Holders.

THE BUSINESS ENVIRONMENT

GLOBAL ECONOMIC CONDITION

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's war at Ukraine, and climatic catastrophe resulting from acts of nature. Global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023.

The World Economic Outlook projected that global economy growth will decline from 3.4% in 2022 to 2.8% in 2023 with a slight increase reaching 3% in 2024. Growth in advanced economies is expected to decline from 2.7% in 2022 to 1.3% in 2023 and 1.4% in 2024. In emerging and developing economies, however, growth is expected to drop from 4% in 2022 to 3.9% in 2023 and 4.2% in 2024.

The IMF is now forecasting global real GDP growth at 2.8% for 2023 and 3.0% for 2024, marking a sharp slowdown from 3.4% growth in 2022 due to tighter monetary policy. The United States of America is the largest economy in the world, with a GDP of over 20 trillion dollars. China follows close behind as the second largest economy in the world, with a GDP of 17.7 trillion dollars. The Chinese economy is expected to expand by 5.2 percent in 2023 and this would generate a strong recovery in private consumption.

Global Economic Prospects in its regional outlooks shows that growth in Emerging & developing Asia is projected to rise from 4.4% in 2022 to 5.3% in 2023 before declining slightly to 5.1% in 2024. In Emerging & developing Europe growth is forecast to decline to 0.8% in 2022 before rising to 1.2% in 2023 and 2.5% in 2024.

Growth in Latin America and the Caribbean is projected to be 2.4% in 2022 before declining to 1.6% in 2023 and slightly increasing to 2.2% in 2024. In the case of Middle East and Central Asia growth is forecasted to accelerate to 5.3% in 2022 before slowing to 2.9% in

2023 and 3.5% in 2024. The Sub-Saharan African growth is forecasted to accelerate to 3.9% in 2022 with a slight decline in 2023 to 3.6% and increasing to 4.2% in 2024.

Economic growth in Sub-Saharan Africa (SSA) slowed to 3.6% in 2022, from 4.1% in 2021; and economic activity in the region is projected to further slow down to 3.1% in 2023. The persistent sluggishness of the global economy, declining yet high inflation rates, and challenging global and domestic financial conditions amid high levels of debt explain the downgrade. Growth is estimated to pick up to 3.7% and 3.9% in 2024 and 2025 respectively, thus signaling that the slowdown in growth should be bottoming out this year. Growth conditions, however, remain insufficient to reduce extreme poverty and boost shared prosperity in the medium to long term. The slow recovery of per capita income growth, at 1.2% next year and 1.4% in 2025, still falls short of accelerating poverty reduction to the region's pre-pandemic path.

In line with the global pickup in inflation, price levels have risen significantly in African countries but are projected to moderate in 2023. African countries double-digit inflation is driven mainly by supply chain disruptions and the fallout from the war in Ukraine. Stubbornly high inflation fueled by rising food and energy prices as well as weaker currencies and low investment growth continues to constrain African economies, creating uncertainty for consumers and investors.

The war in Ukraine, climate shocks, and heightened security has further weakened the growth prospects of African especially through rising energy, fertilizer and food prices. The crisis has further highlighted vulnerabilities due to supply constraints, weak infrastructure, economic dependence on external partners and volatile global markets, all of which leave the poor more at risk of extreme poverty and food insecurity.

Domestic Economic Situation

Based on the projections of the latest United Nations data the current population of Ethiopia is 125,804,522. With this number the country takes 1.6% share and 25th rank of the World population. The UN estimates that Ethiopian population will reach 126,527,060 in July, 2023.

As per the projection of Trading Economics global macro models and analysts, Annual Growth Rate in Ethiopia is expected to reach 5.2% by the end of 2023. GDP from Agriculture, Manufacturing and Services in Ethiopia is expected to reach ETB 766.28 Billion, ETB 682.96 Billion and ETB 946.59 Billion respectively by the end of 2023 and its per Capita in Ethiopia is expected to reach 878.38 USD by the end of 2023. In the long-term, the Ethiopia GDP is projected to trend around 142.45 USD Billion in 2024 and 151.71 USD Billion in 2025..

UN World Economic Situation and Prospects (WESP) 2023 report, projects Ethiopia's inflation rate to rest on 24.9 % in 2023, signaling a decrease from 34.5 % in 2022 which at the time was catalyzed by war and crises. The IMF, on the other hand, reported that the Ethiopian economy has been subject to multiple shocks over the past two and a half years, including the pandemic, drought, conflict in the north of Ethiopia, and the war in Ukraine. This has created significant macroeconomic and humanitarian challenges.

The World Economic Forum (WEF) has identified burdensome customs administrative procedures, the high cost of logistics, and access to credit and foreign exchange as major challenges to small and medium-sized enterprises (SMEs) in Ethiopia. Growth: Official estimate for real GDP growth in 2022 is 6.6%, while UNDP projects 3.0% and IMF 3.8%. Inflation: Worsening of inflation to 37.2% in May 2022 and 34% in June 2022 compared to 33.6% in February 2022

According to African Development Bank, Ethiopian GDP growth is projected to fall to 4.8% in 2022 but pickup to 5.7% in 2023, driven by industry and by private consumption and investment. The growth of the real GDP in Ethiopia is forecasted to continuously

increase between 2023 and 2028 (5 years) by investment and manufacturing in Ethiopia. The current macroeconomic situation is characterized by significant current account deficits leading to dwindling international reserves and high debt accumulation. Shortage of foreign exchange and rising inflation are the main challenges affecting investment in the country.

As per the view of Economist Intelligence Unit, political instability will remain high in 2023 owing to high levels of insecurity nationwide. Scarce foreign-exchange reserves, high inflation and instability will weigh on growth in the medium term as the country also faces a looming financial crisis due to falling foreign reserves. Recovering foreign investment and the government's reform agenda will, however, stimulate economic growth in 2024-2027.

Ethiopia Economic Outlook is projected the country's GDP to grow 5.8% in 2023 and 6.2% in 2024, driven by industry, private consumption, and investment. The peace dividend rebounding tourism and prospect of liberalizing more sectors are expected to boost the growth outlook. Inflation is projected to decline to 28.1% in 2023 and 20.1% in 2024. The fiscal deficit is projected to grow to 3.1% in 2023 and 2.5% in 2024 due to the expected increase in government expense.

According to the Ministry of Finance, Ethiopian GDP is projected to grow 5.8% in 2023 and 6.2% in 2024, driven by industry, private consumption, and investment. The peace dividend, rebounding tourism, and prospect of liberalizing more sectors are expected to boost the growth outlook. Ethiopia plans to cover the deficit by getting about Br 39 billion from foreign loans and 242 billion birr in domestic borrowing. At the end of 2022/23 budget year, average inflation rate of consumer price is projected to 31.4%. GDP is projected to grow 5.8% in 2023 and 6.2% in 2024, driven by industry, private consumption, and investment. The peace dividend, rebounding tourism, and prospect of liberalizing more sectors are expected to boost the growth outlook.

The Ethiopian Insurance Industry

lion as of June 2022.

The Insurance Sector in Ethiopia constitutes 18 insurance companies out of which 17 are privately owned. According to data obtained from NBE, over the last ten years (2012/13-2021/22) the average annual growth rate of the insurance industry in terms of total GWP of Non-life and Life insurance is 15.8% & 18.9% respectively. As per the data collected from all insurance companies as of June 30, 2023, a total of Gross Written Premium of 22.995 Billion is recorded in the industry out of which 21.387 Billion is from Non-life and 1.476 Billion is from Life insurance. The remaining 133 Million is collected from Takaful Insurance. As the state-owned insurance company holds 30% of the Market share, the remaining 70% is confiscated among the private insurance companies.

According to the 2022/23 budget year 3rd quarter report of Association of Ethiopian Insurers (AEI), the total number of branches has reached 727 out of which 423 branches are located in the capital and the rest 304 in different regions. In addition, 156 contact offices and 2013 sales agents have been registered.

The average annual capital growth rate of the industry for the last ten years (2012/13-2021/22) is 23.4% and the total capital has reached more than Birr 12.87 Billion 10.9 bil-

Insurance industry in Ethiopia is struggling to survive in an increasingly competitive environment. It is 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 limited 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 and the prevalence of conflicts and local displacements seriously hampered the industry.

However, there could be a number of underlying positive factors that support the outlook for a booming insurance market. The continued growth of private investments and the rising awareness to insure the natural and political disasters in the country has become driving the demand for insurance product. Furthermore, insurers are benefiting from positive changes in regulation and compliance systems.

COMPANY'S PERFORMANCE REVIEW 2022/23

PREMIUM PRODUCTION

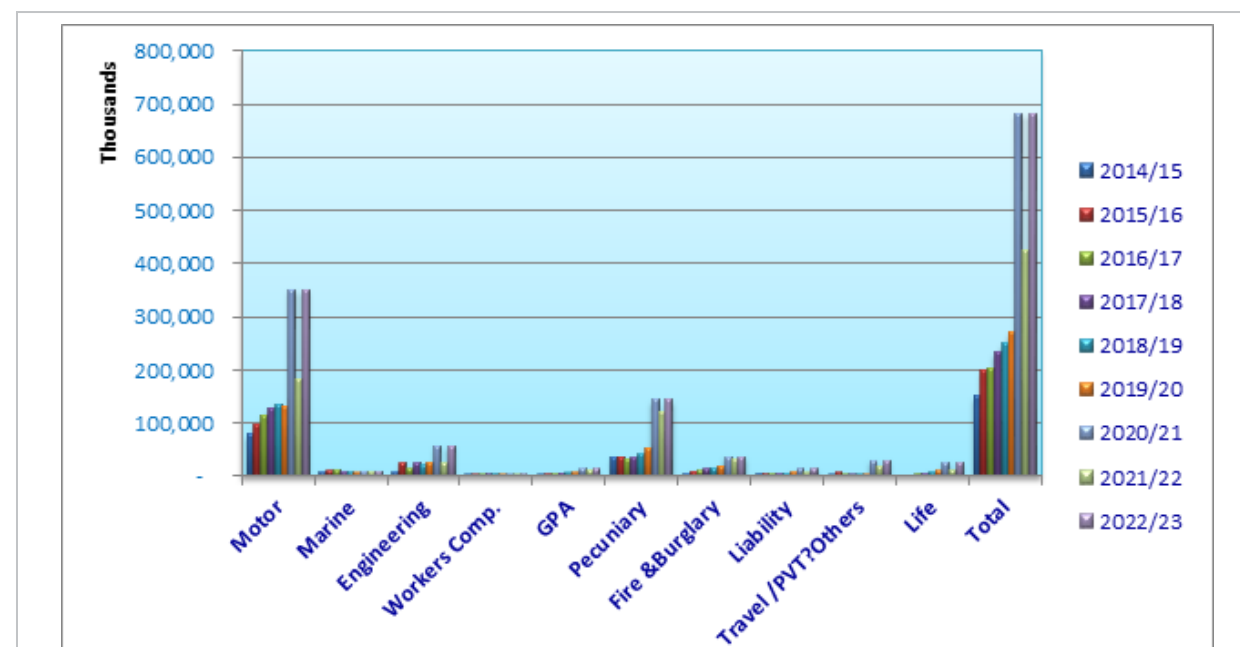
In the budget year under review, the company has registered a Gross Written Premium of Birr 681,732,168 out of which Birr 655,889,338 is from the General Insurance Business and Birr 25,842,830 is from Long-term Insurance Business. This achievement shows a growth rate of 61% compared to the previous year's performance of Birr 424,213,850.

From the total production for the year 2022/23, Motor class of business took the lion share (51.4%) followed by pecuniary class of business (21.2%). Average annual gross written premium productions growth rate for the

past ten years is 23%.

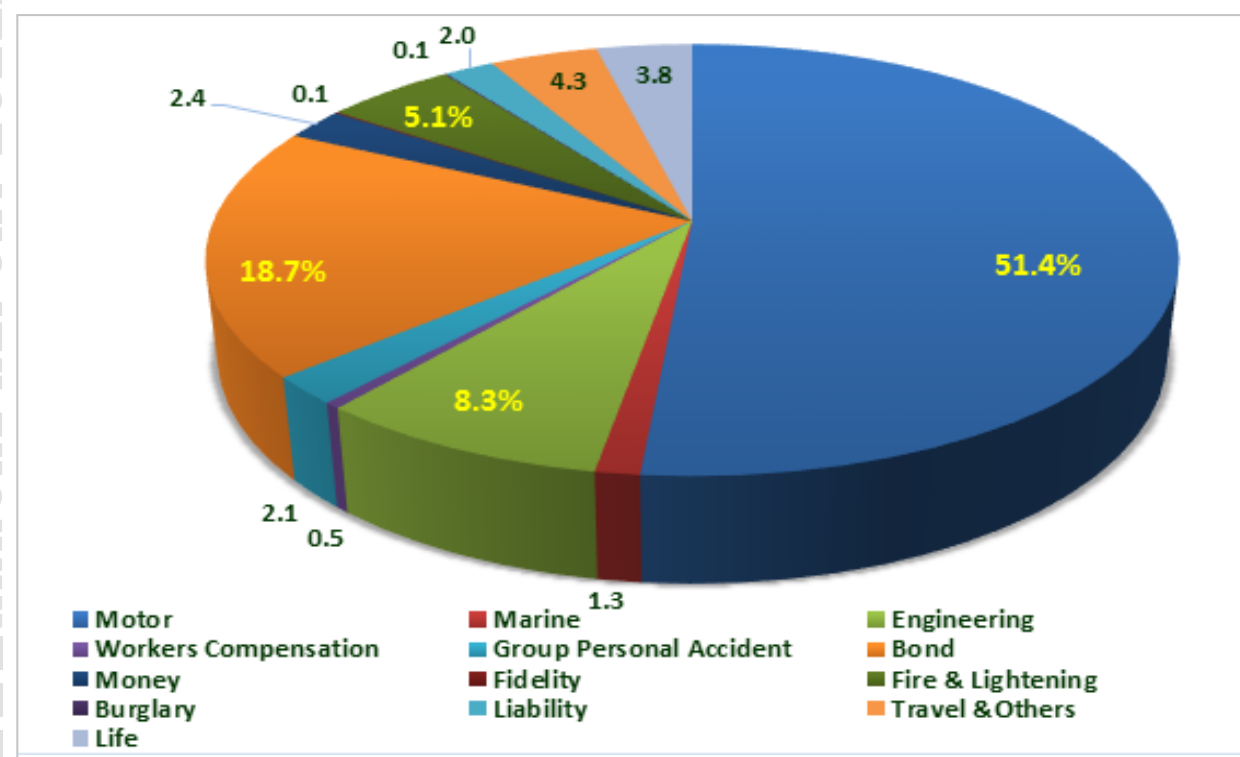
Net Earned Premium of General Insurance for the period under review is Birr 328,870,273, which shows a 31.4% increment from the previous year's performance of Birr 250,243,755. The Company has sold 62,239 policies in 2021/22, out of which 38,037 new policies, 19,428 are renewed policies, and 4,774 are additional policies

Chart 1: Gross written Premium Portfolio Mix Trend (2014/15 to 2022/23)



Except marine and workmen compensation all other classes have registered growth compared to last year same period performance. This growth significantly acquired from the motor and bond classes of business.

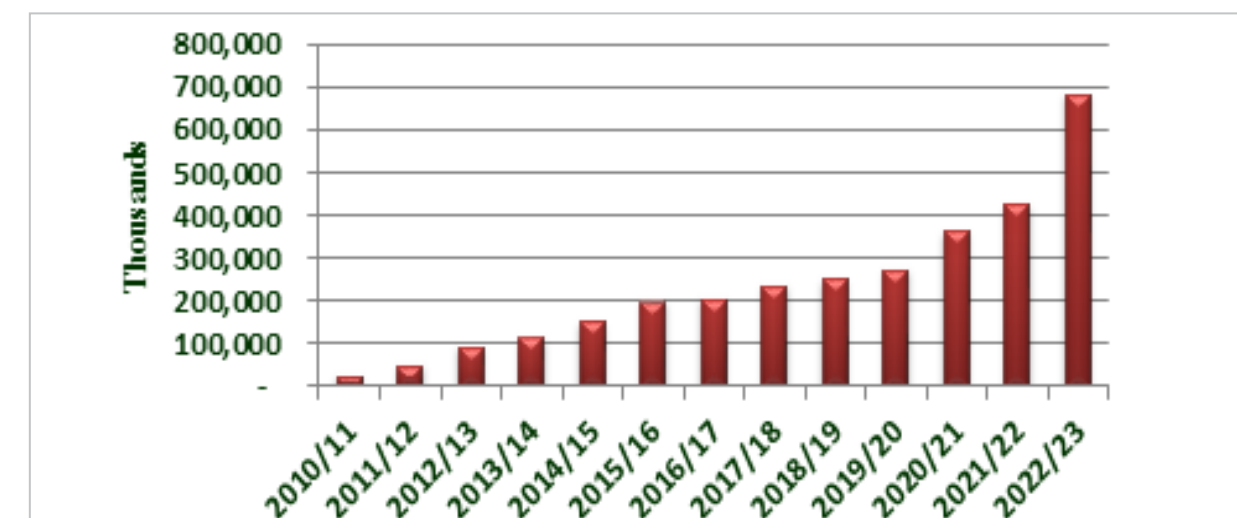
Chart 2: Premium Portfolio Composition 2022/23



As chart 2 depicts the Company's portfolio is dominated by Motor and Bond businesses. Conversely, 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.

The Long-Term business of the company has registered a total premium of Birr 25,842,830 which is raised by 128% compared to last year same period performance of Birr 11,332,951. As a young business, it is so encouraging and more effort made to reinforce the long-term business is very important.

Chart 3: Premium Growth Trend from 2010/11 to 2022/23 Budget Year



The above graph shows that annual premium growth rate in 2022/23 budget year is 61%. This growth rate is due to the cumulative efforts of employees, resilient leadership

of the board of directors, and the competent management skills in line with prudent underwriting strategy of the company

REINSURANCE AND PREMIUM CESSION

The Reinsurance Treaty has been led by Africa Re based on A.M. Best ratings rated "A" and the young indigenous Ethiopian Re, followed by Zep/PTA Re and Tunis Re, both are rated "B+".

standard ratio set by the regulators that is up to 30%.

General Insurance Premium Cession amount is Birr 201,681,538. Since the Gross Written Premium is Birr 655,889,338 the cession ratio became 31%. The ratio is very close to the

The reinsurance backing is mainly to safeguard the company against unexpected catastrophes. Accordingly, the company retains more by increasing its capital and free reserve.

BRANCH NETWORKS

Abay Insurance S.C. is operating through 39 branches; this mainly aimed at addressing the accessibility of the company in the country by which 23 are located in Addis Ababa and the remaining 16 branches are located in various regions. In addition, it is underway of expanding more branches within

and outside of the capital city.

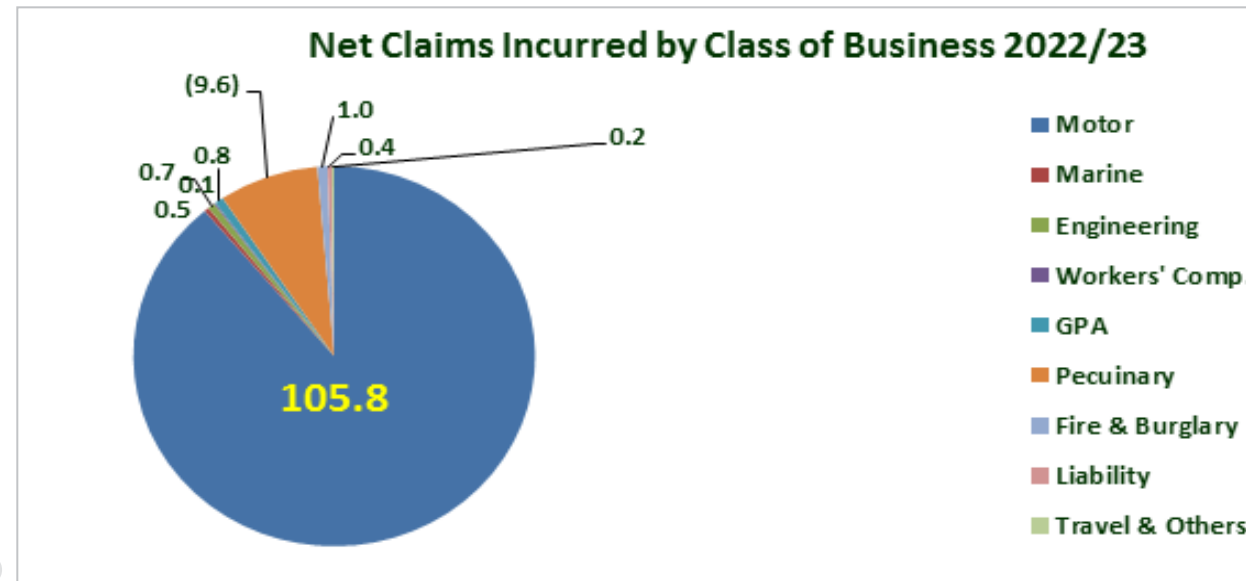
Now the company is offering different types of General and Long-term Insurance products to the public.

CLAIMS

During the period under review, the total net claim incurred of General Insurance business is Birr 159,588,893. It shows 20% increase from last year same period Birr 134,347,673. The net claim paid is Birr 151,814,478. It increases by 48.3% from the previous year's performance of Birr 102,368,181 and considered accept-

able in comparison with the growth and customer service of the company. Motor class of business dominates all other classes of business constituting 105.8% of the total net claims incurred.

Chart 4: Net Claims Incurred by Class of Business 2022/23



The above chart shows that, 105.8% of the net claims expense emanated from Motor class

of business and all others constitute -5.8%.

LOSS RATIO

It is the ratio of Net earned premium and Net Claims incurred. Consequently, the net earned premium with respect to non-life insurance business for the year 2022/23 is Birr 328,870,273 and the net claims incurred for the same period is Birr 159,588,893. This has resulted in an overall loss ratio of 49% for the period. It declined by 5% from the previous

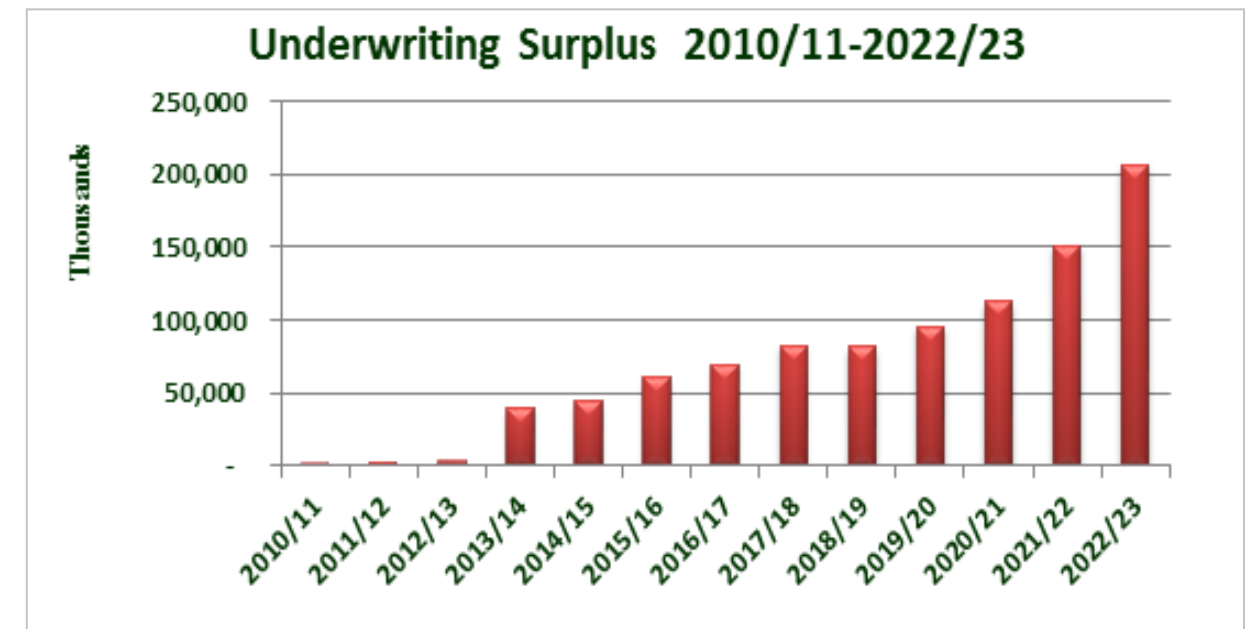
year's performance of 54%. The loss ratio of the Company is below the industry's ten years average ratio of 63%. This achievement is because of the company's prudent and selective underwriting. The prudent and professional underwriting philosophy will persist to maintain profitable growth.

UNDERWRITING RESULT

Underwriting surplus is a direct result of the core operation that clearly indicates the strength of an insurance company. Consequently, the achievement is regarded as a significant operational success on the sustainability of the company.

The Underwriting Surplus registered is Birr 206,510,672. This performance is increased by 38% from the preceding year's performance of Birr 149,485,753. This achievement is due to the implementation of prudent underwriting practice and utmost professionalism.

Chart 6: Underwriting Surplus Growth Trend 2010/11-2022/23

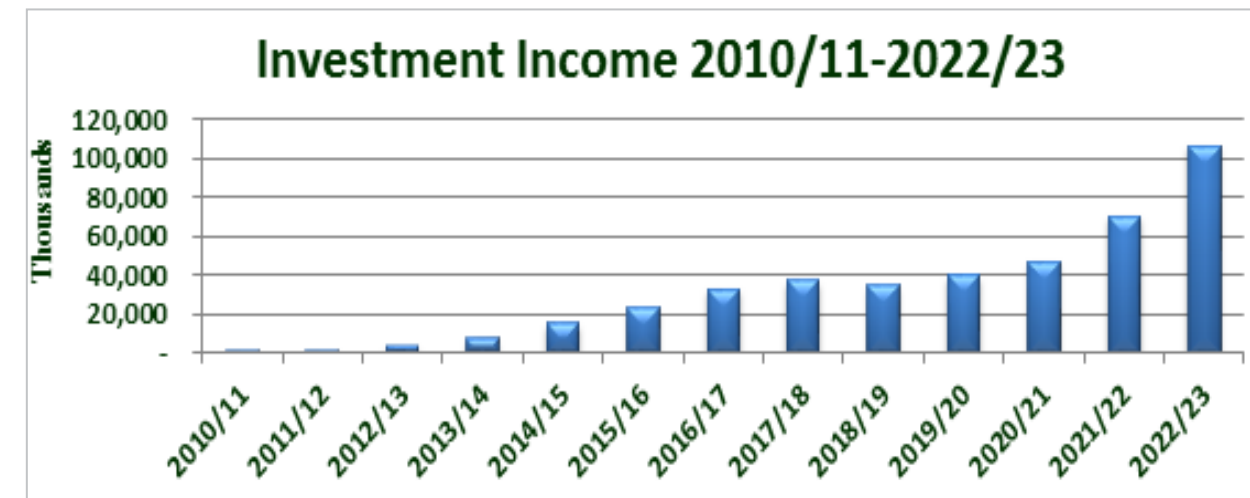


INVESTMENT RESULT

The investment return of Birr 111,657,000 acquired from non-life insurance business. It shows an increment of 52% from the previous year's performance of Birr 70,023,414. This is mainly attributed to the careful proceedings

taken in order to have a better return on the investment activities specifically from interest income on time deposit, dividend income & rent income

Chart 7: Investment Income 2010/11-2022/23

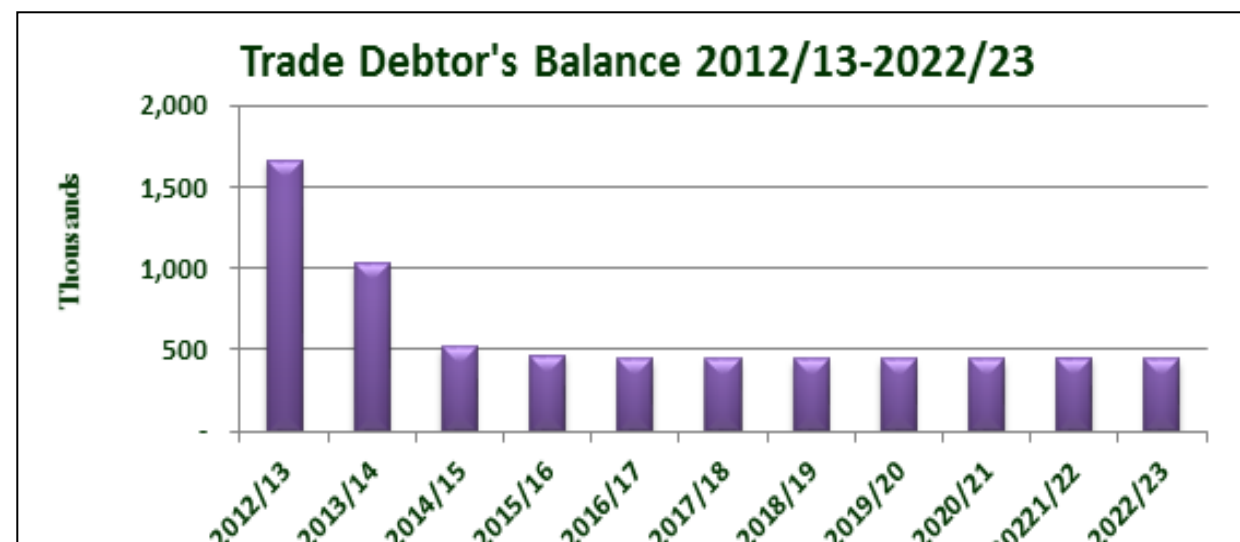


Trade Debtors

The balance as at June 30, 2023 from trade debtors is 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) per customer. It

has already set 100% provision and significant amount of this figure is still under pending legal process; the write-off process will proceed when the pending finalized.

Chart 8: Trade Debtor's Balance 2010/11-2022/23



EXPENSES

In the fiscal year 2022/23, the total expense of the non-life business is Birr 150,964,229. It shows a 43% growth from the previous year's Birr 105,679,813 and a reduction of 5.2% from the budget of Birr 159,290,126. Being cost conscious in all activities, the Company's ex-

pansion and increased volume of activities along with salary increment and associated costs has contributed to the rising of administrative expenses.

PROFIT

The Company's non-life business has registered a Gross Profit of Birr 162,010,988 for the year 2022/23 generated. The profit shows 42% increment from the previous year's result of Birr 113,827,354 and 31% above its target Birr 123,994,154. The Company has a clear and practical strategy with respect to profit and the whole team quite directed towards executing the same. The Company maintains a profitable growth, even though very

difficult in practice to strike the balance between growth and profit.

The Earnings per share during the year under review is 37.39%. As the company had issued ordinary shares during the current year, there was dilutive effect on the earning per share during the year under review.

THE LIFE ASSURANCE FUND

The Gross Written Premium from Long Term Insurance business stood at birr 25,842,830 showing an increment of 128% from last year performance of Birr 11,320,275. The net premium after deducting the reinsurer's share of premium Birr 6,059,433 is Birr 19,783,397 and it exceeds by 139% as compared to the previous year of birr 8,284,299. Total income from underwriting including reinsurance commission and investment reached Birr 33,067,151. It shows 104.5% increment from last year same period of Birr 16,167,908.

and policyholder's benefits is Birr 11,284,734, which is increased by 163% from Birr 4,283,479 of last year same period. Moreover, during the period, the total commission and management expense amounted Birr 3,024,079, which shows 43% increment compared to last year similar period of Birr 2,121,303.

The net increase in life fund for the year is Birr 12,007,449, which shows an increment of 30% from its budget Birr 9,260,041 and 78 % growth from last year same period of Birr 6,727,150.

During the year under review, net claim

The actuarial valuation of Life Assurance Fund of the Company as at June 30, 2023 revealed an Actuarial Surplus of Birr 15,085,492 which increased by 124.2% from last year same period of Birr 6,727,150. From the total actu-

arial surplus, the actuary recommended Birr 7,542,746 to be made available for distribution to shareholders, while Birr 7,542,746 is to be carried forward inappropriate.

ASSET STRUCTURE

The registered total asset of the company reached Birr 2,066,520,154 showing 40% increment from the previous year same period of Birr 1,476,951,985. The company cash & bank balance constitutes 42% followed by reinsurance assets, property plant and equipment and investment securities with contribution

of 20%, 11% and 11% respectively. The total liability of the Company for the year under review is Birr 1,405,253,678 which shows 45% increment from the previous year same period of Birr 971,254,894.

EQUITY

As at June 30, 2023, the total paid-up capital of the company reached Birr 448,823,000; showing a 24% increment from the previous year same period of Birr 361,263,000. Share premium, Legal reserve and Retained earn-

ings of General Insurance are Birr 1,351,8000, Birr 66,664,522 and Birr 144,427,500 respectively making the total shareholders' funds of Birr 661,266,022.

PROPOSAL ON DIVIDEND AND CAPITAL

The company has been selling the remaining shares from those subscribed in the fiscal period under review to those who have requested to buy additional shares. The Management and of Board of Directors would like to propose to issue new shares worth Birr 500,000,000.00 to be Paid within three years to make the total paid-up Capital Birr 1,000,000,000.

Furthermore, the Management and Board of Directors recommend distributing the net profit after tax, legal reserve, Board member annual remuneration of Birr 135,801,682 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 employee's number during the year end has reached 275 out of which 52% are females. The employees are composed of different educational levels and qualification. The majority share, 56.7% of employees is first-degree holders. The remaining share goes to Second Degree, Diploma holders, Certificate, and Vocational/TVET level with a share of 12%, 18.5%, 2.5, and 10.2 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 up to 3 step salary increment and 4 months' salary bonus and multi-dimensional capacity build-

ing 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. Accordingly, the company has been implementing the new organizational structure and benefit scheme following the approval of Board of Directors and implementation of five years strategic plan by crafting main issues on the ten years development plan of the country.

CORPORATE SOCIAL RESPONSIBILITY

The success of a Company mainly depends on the wellbeing and goodness to the society where it operates. The company has participated in different community based developmental activities including the support in risk management and awareness creation endeavors. In addition, the company has been fulfilling its responsibility in supporting displaced people from different conflict ar-

reas of the country. Besides, it has also been contributing for mega projects like The Great Renaissance Dam and the river side development of Addis Ababa City. Furthermore, the Company has been timely settling its respective tax obligations and participating in various membership activities.

CHALLENGES

The nation faces challenges from macro-economic imbalances, a high rate of inflation, and lack of foreign currency, in addition to the political and social unrest that come along with sectorial policy changes and reforms. The Ethiopian insurance industry, on the other hand, has continued to face challenges from a variety of factors, including a lack of public awareness of risk management, a shortage of qualified insurance professionals, strict regulation, lack of cooperation among insurers and unprofessional competition through price-cutting and unprincipled practices.

Most of all, it's evident that Ethiopia's econ-

omy has been seriously affected by the extended conflict within the country which in turn hits every sector of the country's economy leaving the macro-economic imbalance throughout the period under review. The Company has already closed Mekelle throughout the budget year. The social unrest and displacement elsewhere in the country highly affected the sales performance of some of our branches. The company has always attempted to resolve issues pleasantly and professionally in order to reduce the likelihood of unfavorable consequences and increase the fulfillment of all the corporate strategic goals.

THE WAY FORWARD

The industry has been suffering unethical competition that will not be advantageous to the consumer, the regulator, or the insurance companies despite the industry's acquisition of sufficient capital, professionalism, profitability, and fair claim treatment. Fewer players will be able to maintain the existing level of profit margin; as a result, they will either implement a stricter underwriting strategy or potentially even leave the industry. The Board and management of Abay Insurance S.C will keep up the current risk management and sensible prudent underwriting practices.

The potential of this insurance sector is still unrealized. Many insurable risks continue to be uninsured. We will therefore focus on increasing client awareness in order to increase the penetration rate and subsequently the market share of our company. In addition, the business needs to keep growing and expanding its distribution networks to be closer to clients. The market economy's key pillar of good corporate governance strengthens the trust of consumers and investors. Consequently, Abay Insurance S.C. Board of Directors and Management will continue to uphold the systems of check and balance and will strengthen Corporate Risk Management, Compliance, and Internal Audit to handle the unanticipated scenarios.

Global supervision is moving in the direction of risk-based supervision, which means capital requirements vary depending on the risk profile of a particular insurance company and even the nation at large. The ongoing regulatory change and opening up the financial sector for foreign operators necessitates more funding. By offering shares to both its current owners and

the general public, Abay Insurance S.C. has been able to strengthen its capital base while assessing its own risk and solvency margin.

Finally, in response to the implementation of a five-year strategic plan, the company has built a solid organizational structure and benefit package. Ahead of the future strategic years, the organizational structure, benefit plan, policy manuals, and five-year strategy plan have all been inspected and analyzed through well maintained monitoring and evaluation scheme. In order to maximize the effectiveness of its risk management activities, AISCO will continue to update, review, and implement its five-year Strategic Plan. It will also regularly examine, measure, and evaluate the economic and socio-political environment in which it is operating.

ACKNOWLEDGMENT

The Board of Directors of Abay Insurance S.C. would like to thank all of the Company's respected clients for their ongoing patronage and support. Shareholders, Sister Companies, intermediaries, commercial partners, reinsurers, and the regulatory body are all acknowledged and thanked on an equal basis.

The Board of Directors especially grateful for the accomplishments of the management and staff, whose important contributions helped the organization, succeed despite the difficult socioeconomic conditions and numerous conflicts and instability around the nation. In order to offer a superb service to distinguished consumers, they have demonstrated exceptional devotion, knowledge, dedication, and ambition, which has led to a remarkable success. The Board of Directors is therefore incredibly pleased of them and wants to express high praise for their unreserved effort.

Finally, the Board of Directors would like to reassure the Company's management and staff that they will continue to receive assistance as they work to realize the anticipated objectives of the following years of the strategic phase.



Yohannes Zewdie
Chief Executive Officer



Abate Sitotaw
Chairman, Board of Director

INDEPENDENT AUDITORS REPORT

- Balance Sheet
- Income Statement
- Revenue Account
- Statement of Changes in Shareholders' Equity
- Statement of Cash Flows
- Notes to the financial Statements





ACTUARY CERTIFICATE

I have conducted an actuarial valuation of the general insurance liabilities, 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 2023;
- (ii) The actuarial value of the liabilities in respect of all life assurance business did not exceed the amount of reserves of the life assurance business at 30 June 2023; and
- (iii) The severance benefit liability as at 30 June 2023 can be incorporated in the financial statements in line with the International Accounting Standards 19.

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

Abed Mureithi
Fellow of the Institute and Faculty of Actuaries
Actuary

Actuarial Services (EA) Ltd,
26th Floor, Old Mutual Tower,
Upper Hill Road, Upper Hill, Nairobi Kenya.
P. O. Box 10472 – 00100, Nairobi, GPO Kenya.

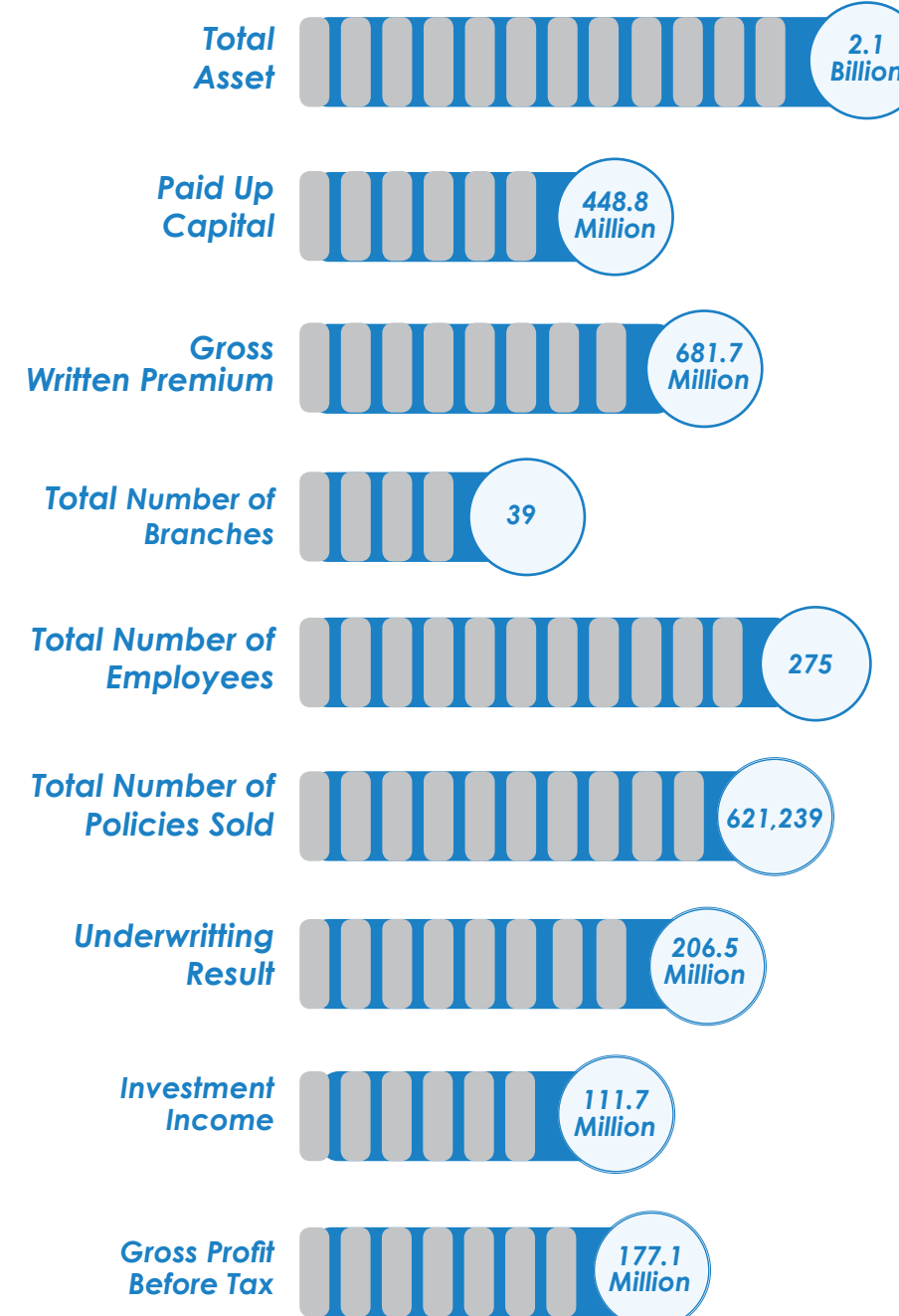
Phone: +254 20 271 74 03
+254 20 271 00 28
+254 70 871 00 28 / +254 78 571 00 28
Email: info@actserv-africa.com || Website: www.actserv.co.ke



ዓባይ ኢንሹራንስ አ.ማ. **ABAY INSURANCE S.C.**

የአዕምሮዎ ሰላም!
Your Peace of Mind!

MAJOR PERFORMANCE INDICATORS 2022/23 (2015 E.C.)



ABAY INSURANCE S.C.
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE

Directors
(as of 30 June, 2023)

Abate Sitotaw	Board Chairman
Mitiku Beyene	Vice Chairman
Prof. Yilkal Adamu	Member
Mulugeta Abate	Member
Zemene Tsehay	Member
Aragaw Tadesse	Member
Alemayehu Birbira	Member
Desalegn Ayalew	Member
Monaliza shiferaw	Member
Getnet Girum	Company Secretary

Executive management (as of 30 June, 2023)

Yohannes Zewdie	Chief Executive Officer
Solomon Seifu	Dputy, Chief Executive Officer Operation
Behailu Betseha	Manager, Finance & Investment Department
Aduugna Belay	Manager, Marketing, Corporate Planning & Branch Operations Department
Paulos Tadesse	Manager, Underwriting and Branch Operations Department
Tewodros Lema	Manager - Claims Management Department
Moges Tesfaye	Manager, HRM & Facilities Management Department
Birhanu Getachew	Manager, - Enterprise Risk Management & Compliance Service,
Tadesse Worku	Manager, Engineering and Inspection Service
Damenech Sileshi	Manager, Audit Service
Tamirat Belay	Manager, IT Service
Sisay Shihunegn	Manager, Legal Service

Independent auditor

TMS Plus
 Chartered Certified Accountants (UK)
 Authorized Auditors (Ethiopia)
 22 Matoria Street
 Addis Ababa
 Ethiopia

Corporate office

Abay Insurance Head Quarters Building
 Atlas Area
 Bole Sub City (Atlas)
 Ethiopia

Company secretary

Abay Insurance Head Quarters Building
 7th floor
 Bole Sub City (Atlas)
 Addis Ababa,
 Ethiopia

Principal bankers

Abay Bank S.C.
 Enat Bank S. C.
 Commercial Bank of Ethiopia
 Tsehay Bank S.C
 Amhara Bank S.C
 United Bank S. C.
 Awash International Bank S. C.
 Bunna International Bank S. C.
 Debub Global Bank
 NIB International Bank

Date of Appointment

2020
 2023
 2020
 2020
 2020
 2023
 2023
 2023
 2017

Date of Appointment

29-Jan-19
 15-Oct-18
 14-Dec-16
 20-May-23
 2-Nov-18
 4-Jun-19
 1-Aug-21
 1-Aug-23
 26-Aug-13
 22-Jun-16
 27-May-19
 1-Jun-21

ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30 June 2023, to the members of Abay Insurance S.C. This report discloses the financial performance and state of affairs of the Company .

Incorporation and address

Abay Insurance S. C. was incorporated in Ethiopia in July 2010 as a Share Company. The Company was established by diversified groups of shareholders, Cooperatives, Micro Finance Institutions (MFIs), other business organizations and individual citizens.

Principal activities

The principal activity of the company is to provide insurance services to manufacturing and services, international trade businesses, low income people and society at large.

Results and dividends

The Company's results for the year ended 30 June 2023 are set out on page 4. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Gross premium income	681,732	424,214
Profit before income tax	177,095	120,553
Income tax expense	(16,461)	(15,501)
Profit after income tax for the year	160,634	105,052

Directors

The directors who held office during the year and to the date of this report are set out on page 20.



Abate Sitotaw
 Board Chairman
 October 26, 2023

**ABAY INSURANCE S.C.
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF DIRECTORS' RESPONSIBILITIES**

In accordance with the Financial Reporting Proclamation No. 847/2014 and the Insurance Business Proclamation No. 746/2012, the National Bank of Ethiopia (NBE) has directed the Company to prepare financial statements in accordance with IFRS, whether their designation changes or they are replaced, from time to time.

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

- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) enable the National Bank of Ethiopia to determine whether the Insurance company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

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

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

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

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



Yohannes Zewdie
Chief Executive Officer
October 26, 2023



Abate Sitotaw
Board Chairman
October 26, 2023



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

**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 at 30 June 2023, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, or give a true and fair view of the financial position of the Company as at 30 June 2023, and its financial performance 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 and the proposal for distribution of profit submitted by the directors so far as it related to these financial statements and pursuant to Proclamation No.1243/2021 of the Commercial Code of Ethiopia, and hence we recommend approval of the financial statements.

Taf. Shi & Ay

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

Addis Ababa
26 October 2023

ABAY INSURANCE S.C. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023

		Currency: Ethiopian Birr	
		30 June 2023	30 June 2022
		Birr'000	Birr'000
Notes			
ASSETS			
	Cash and bank balances	15	863,698
	Investment securities:		
	– Available for sale	16	204,465
	– Loans and receivables	16	15,800
	Trade receivables	17	216,666
	Reinsurance assets	18	419,145
	Deferred acquisition cost	19	16,100
	Other assets	20	32,873
	Intangible assets	21	5,953
	Property, plant and equipment	22.1	221,672
	Statutory deposit	23	70,148
	Total assets		2,066,520
LIABILITIES			
	Insurance contract liabilities	24	888,979
	Trade payables	25	352,998
	Other liabilities	26	143,908
	Current income tax liabilities	14	13,844
	Retirement benefit obligations	27	3,422
	Deferred tax liabilities	14	2,102
	Total liabilities		1,405,254
EQUITY			
	Share capital	28	448,823
	Share premium	28	1,351
	Retained earnings	31	144,428
	Legal reserve	32	66,665
	Total equity		661,266
	Total equity and liabilities		2,066,520
			1,476,952

The notes on pages 29 to 85 are an integral part of these financial statements.
The financial statements on pages 25 to 85 were approved and authorised for issue by the board of directors on October 26, 2023 and were signed on its behalf by:

[Signature]

Yohannes Zewdie
Chief Executive Officer
October 26, 2023

[Signature]

Abate Sitotaw
Board Chairman
October 26, 2023



ABAY INSURANCE S.C.
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
AS AT JUNE 30, 2023

Currency: Ethiopian Birr				
	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000	
Gross premium income	6.1	556,394	410,716	
Premiums ceded to reinsurers	6.2	(207,741)	(152,188)	
Net premium income		348,653	258,528	
Fee and commission income	7	60,155	51,713	
Net underwriting income		408,808	310,241	
Claims expenses	8.1	191,389	124,751	
Claims recoverable from reinsurers	8.2	(195,903)	(131,676)	
Gross change in contract liabilities	8.3	175,389	145,556	
Net claims expenses		170,875	138,631	
Underwriting commission expenses	9	21,854	16,839	
Total underwriting expenses		192,729	155,470	
Underwriting profit		216,079	154,771	
Investment income	10	106,668	69,063	
Other operating income	11	5,019	4,365	
		111,687	73,428	
Net income		327,766	228,199	
Impairment reversal/(Impairment) on trade receivables	17.1	2	(1)	
Depreciation and impairment of property, plant and equipment	22	(13,124)	(11,167)	
Impairment on other assets	20	-	-	
Employee benefit expense	12	(93,605)	(64,999)	
Other operating expenses	13	(47,022)	(31,479)	
Profit before tax		174,017	120,553	
Transfer from Life fund		3,078	-	
		177,095	120,553	
Income tax expense	14b	(16,461)	(15,501)	
Profit for the year		160,634	105,052	
Other comprehensive income (OCI) net of income tax		-	-	
Items that will not be subsequently reclassified into profit or loss:				
Remeasurement gain/(loss) on retirement benefits obligations	27	(522)	14	
Deferred tax (liability)/asset on remeasurement gain or loss	14d	(157)	4	
		(679)	18	
Total comprehensive income for the year		159,955	105,070	
Basic & diluted earnings per share (Birr)	29	0.37	0.31	

The notes on pages 29 to 85 are an integral part of these financial statements.

ABAY INSURANCE S.C.
STATEMENT OF CHANGES IN EQUITY
AS AT JUNE 30, 2023

Currency: Ethiopian Birr						
		Share capital	Share premium	Retained earnings	Legal reserve	Total
	Notes	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2021						
		280,512	1,351	64,169	41,014	387,046
Profit for the year	31	-	-	105,052	-	105,052
Other comprehensive income:						-
Re-measurement gains on defined benefit plans (net of tax)	14	-	-	18	-	18
Total comprehensive income for the year		-	-	105,071	-	105,070
Issue of shares	28	80,751	-	-	-	80,751
Statutory reserve - IBNR (10%)		-	-	-	-	-
Transfer to legal reserve	32	-	-	(9,587)	9,587	-
Transfer to life fund liability of policyholders		-	-	996	-	996
Prior years adjustment	30	-	-	(9,190)	-	(9,190)
Actuarial Surplus - Distributable		-	-	-	-	-
Dividend paid	31	-	-	(58,975)	-	(58,975)
Sub-total		80,751	-	(76,756)	9,587	13,582
As at 30 June 2022		361,263	1,351	92,484	50,601	505,697
As at 1 July 2022						
		361,263	1,351	92,484	50,601	505,697
Profit for the year	31	-	-	160,634	-	160,634
Other comprehensive income:						-
Re-measurement gains on defined benefit plans (net of tax)	14	-	-	(679)	-	(679)
Total comprehensive income for the year		-	-	159,955	-	159,955
Issue of shares	28	87,560	-	-	-	87,560
Transfer to legal reserve	32	-	-	(16,064)	16,064	-
Increase in actuarial liability - Long term Insurance		-	-	(5,954)	-	(5,954)
Dividend paid	31	-	-	(81,729)	-	(81,729)
Directors compensation		-	-	(1,185)	-	(1,185)
Prior years adjustment		-	-	-	-	-
Transfer from Life fund	32	-	-	(3,078)	-	(3,078)
Sub-total		87,560	-	(108,009)	16,064	(4,386)
As at 30 June 2023		448,823	1,351	144,428	66,665	661,266

The notes on pages 29 to 85 are an integral part of these financial statements.



**ABAY INSURANCE S.C.
STATEMENT OF CASH FLOWS
AS AT JUNE 30, 2023**

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash flows from operating activities			
Cash generated from operations	33	368,647	281,760
Interest and dividend income	10	(106,668)	(69,063)
Rent Income		(4,351)	(4,129)
Interest paid		1,332	979
Income tax paid		(18,475)	(9,055)
Net cash (outflow)/inflow from operating activities		240,485	200,491
Cash flows from investing activities			
Purchase of equity investments	16	(40,526)	(40,557)
Dividend received	10	21,547	17,282
Interest received	10	85,121	51,781
Rent income received		2,665	4,129
Purchase of Intangible assets		(677)	(657)
Purchase of property, plant and equipment	22	(36,471)	(11,804)
Purchase of DBE Bond	16	(15,800)	-
Interest on Government bonds		-	-
Proceeds from sale of property, plant and equipment	33	513	57
Additional investment in fixed time deposit	15	(179,426)	(159,057)
Increase in Statutory deposit	23	(14,413)	(8,753)
Net cash (outflow)/inflow from investing activities		(177,468)	(147,579)
Cash flows from financing activities			
Proceeds from issues of shares	28	87,560	80,751
Payment of lease liability		(13,599)	(1,590)
Interest paid		(1,332)	(511)
Directors compensation		(1,185)	-
Dividend paid	31	(81,729)	(58,975)
Net cash (outflow)/inflow from financing activities		(10,285)	19,676
Net increase/(decrease) in cash and cash equivalents		52,732	72,587
Cash and cash equivalents at the beginning of the year	15	181,517	108,930
Cash and cash equivalents at the end of the year	15	234,249	181,517

The notes on pages 29 to 85 are an integral part of these financial statements.

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2023**

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
Wereda 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 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations 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 have been prepared in accordance with the going concern principle under the historical cost concept.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that the Company would remain in existence 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 2023, and have not been applied in preparing these financial statements, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, as set out below:

IFRS 9 - Financial Instruments



IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements.

It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial asset: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Early adoption of the standard is permitted. The Company is currently assessing the expected impact on this standard.

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

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 2023 and earlier application is permitted. The Company is currently assessing the expected impact on this standard.

2.3 Foreign currency translation

a) Functional and presentation currency

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

2.4 Property, plant and equipment

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

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

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

Asset class	Depreciation rate (years)	Residual value (%)
Buildings	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.

2.5 IFRS 16 - Leases

i) Company acting as a lessee

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. At the commencement date, the company recognizes a right-of-use asset at cost and a lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the company uses the incremental borrowing rate.

After the commencement date, the company measures the right-of-use asset applying the cost model (cost less any cumulative depreciation and any cumulative impairment). In the case of the lease liability, the company measures it by increasing the carrying amount to reflect interest on lease liability, reducing the carrying amount to reflect the lease payments made, and re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments.

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.

ii) Company acting as a lessor - Finance leases

Where the company is the lessor, the company classifies each of its leases as either an operating lease or a finance lease.

Finance lease

If a lease agreement transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within receivable.

At the commencement date, the company recognizes assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. After the initial measurement, the company recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Operating lease

The company recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The company applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

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.

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.

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.

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

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

'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 staffs free of interest. 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 IFRS 4 p37(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).

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.

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 1268/2022. 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.

(c) 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.

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:

- Level1 —Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level2— Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Company's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.25 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.

2.27 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.

2.28 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.

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.

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 valuemasurement 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.

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.

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.

30 June 2023

Endowment
Term assurance
Permanent Health
Total life insurance

	Gross Reinsurance Birr'000	Net Birr'000
Endowment		-
Term assurance	7,420	7,420
Permanent Health	5,856	5,856
Total life insurance	13,276	13,276

30 June 2022

Endowment
Term assurance
Permanent Health
Total life insurance

	Gross Reinsurance Birr'000	Net Birr'000
Endowment	5,165	5,165
Term assurance	735	735
Permanent Health	2,377	2,377
Total life insurance	8,277	8,277

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.

		30-Jun-23		
		Best estimate	Increase	Decrease
	Change in assumptions	Birr'000	Birr'000	Birr'000
Mortality rate	+10%	12,350	0	(0)
Expenses	+10%	12,350	7	(7)
Lapse and surrenders rate	+1%	12,350	(3)	3
Investment return/discount rate	+10%	12,350	(1)	1

		30-Jun-22		
		Best estimate	Increase	Decrease
	Change in assumptions	Birr'000	Birr'000	Birr'000
Mortality rate	+10%	6,812	(1)	1
Expenses	+10%	6,812	34	(34)
Lapse and surrenders rate	+1%	6,812	(12)	12
Investment return/discount rate	+10%	6,812	(6)	6

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:

30 June 2023

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

Total non-life insurance

	Gross Reinsurance Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering & Energy	42,623	(24,659)	17,964
General liability	21,659	(9,758)	11,901
Marine and Transit	5,236	(1,466)	3,770
Motor	338,956	(27,900)	311,056
Personal accident	10,987	(553)	10,434
Pecuniary	450,070	(353,164)	96,906
Fire and Lightening	20,986	(8,768)	12,218
Workmen Compensation	2,129	(104)	2,025
Aviation	-	-	-
Total non-life insurance	892,646	(426,372)	466,275

30 June 2022

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

Total non-life insurance

	Gross Reinsurance Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering & Energy	29,601	(18,362)	11,239
General liability	14,806	(5,611)	9,195
Marine and Transit	4,851	(1,112)	3,739
Motor	210,380	(27,525)	182,855
Personal accident	9,612	(481)	9,131
Pecuniary	256,761	(163,414)	93,347
Fire and Lightening	20,275	(9,699)	10,576
Workmen Compensation	2,299	(102)	2,197
Aviation	-	-	-
Total non-life insurance	548,585	(226,306)	322,279

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 2023 Birr'000	30 June 2022 Birr'000
Average claim cost	+10%	4,324	3,170
Average number of claims	+10%	4,324	3,710

	Change in assumptions	Change in liability	
		30 June 2023 Birr'000	30 June 2022 Birr'000
Average claim cost	-10%	(4,323)	(3,170)
Average number of claims	-10%	(4,323)	(3,170)

Claims development table

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

Gross non-life insurance contract outstanding claims provision for 2023:

Accident year	2019 Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000	2023 Birr'000	Total Birr'000
2019	115,781	115,215	484,164	172,571	206,226	1,093,957
2020	863	173	2,723	3,504	-	7,263
2021	145	-	61	-	-	206
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
	116,789	115,388	486,948	176,075	206,226	1,101,427
Cumulative Incurred	116,789	115,388	486,948	176,075	206,226	1,101,427
IBNR	-	7	61	4,565	38,599	43,232
Ultimate Claims Projected	116,789	115,394	487,010	180,640	244,825	1,144,658

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

Accident year	2018 Birr'000	2019 Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000	Total Birr'000
2018	105,688	114,364	156,111	153,744	135,327	665,235
2019	1,437	1,251	135,520	3,375	-	141,582
2020	77	175	13,996	-	-	14,248
2021	50	-	-	-	-	50
2022	-	-	-	-	-	-
	107,253	115,790	305,626	157,119	135,327	821,115
Cumulative Incurred	107,253	115,790	305,626	157,119	135,327	821,115
IBNR	-	24	192	1,357	24,935	26,508
Ultimate Claims Projected	107,253	115,813	305,818	158,476	160,263	847,623

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 2023			
Cash and bank balances	15	863,698	863,698
Investment securities:			-
- Available for sale	16	204,465	204,465
- Loans and receivables	16	15,800	15,800
Trade receivables	17	216,666	216,666
Other assets	20	22,505	22,505
Statutory deposit	23	70,148	70,148
Total financial assets	204,465	1,188,817	1,393,282

Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
30 June 2022			
Cash and bank balances	15	631,540	631,540
Investment securities:			-
- Available for sale	16	163,939	163,939
- Loans and receivables	16	-	-
Trade receivables	17	171,679	171,679
Other assets	20	16,165	16,165
Statutory deposit	23	55,735	55,735
Total financial assets	163,939	875,119	1,039,058

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.

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 60% 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 15% 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 2023.



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 2023 and 30 June 2022 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 2023	30 June 2022
	Birr'000	Birr'000
Cash and bank balances	863,698	631,540
Investment securities:		
– Available for sale	204,465	163,939
– Loans and receivables	15,800	-
Trade receivables	216,666	171,680
Reinsurance assets	419,145	221,972
Other assets	22,505	16,165
Statutory deposit	70,148	55,735
Total maximum exposure	1,812,427	1,261,031

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 2023 and 30 June 2022 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.

(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.

(d) Credit quality of other financial assets

	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
30 June 2023				
Trade receivables:				
Due from policy holders	-	-	440	440
Due from re-insurers	216,666	-	-	216,666
Gross	216,666	-	440	217,106
Less: Impairment allowance(note 19a)	-	-	(440)	(440)
Net	216,666	-	-	216,666

	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
Other assets				
Staff loan	15,313	-	-	15,313
Staff saving	260	-	-	260
Staff debtors	1,257	-	-	1,257
Other debtors	5,675	-	-	5,675
Gross	22,505	-	-	22,505
Less: Impairment allowance(note 19a)	-	-	-	-
Net	22,505	-	-	22,505

	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
30 June 2022				
Trade receivables:				
Due from policy holders	-	-	452	452
Due from re-insurers	171,670	-	-	171,670
Gross	171,670	-	452	172,122
Less: Impairment allowance(note 19a)	-	-	(452)	(452)
Net	171,670	-	-	171,670



	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
Other assets				
Staff loan	10,194			10,194
Staff saving	260			260
Staff debtors	1,378	-	-	1,378
Other debtors	4,333			4,333
	16,165	-	-	16,165
Gross				
Less: Impairment allowance(note 19a)				-
Net	16,165	-	-	16,165

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.

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 2023 Birr'000	30 June 2022 Birr'000
Due from policy holders	440	452
Other assets	-	-
Total allowance for impairment	440	452

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 2023					
Insurance contract liabilities	873,373	15,606			888,979
Trade payables	352,998				352,998
Other liabilities	23,970	119,938			143,908
Total financial liabilities	1,250,341	135,544	-	-	1,385,885
	0-1 year Birr'000	1-3 years Birr'000	3-5 years Birr'000	> 5 years Birr'000	Total Birr'000
30 June 2022					
Insurance contract liabilities	544,129	8,400			552,529
Trade payables	270,224				270,224
Other liabilities	14,485	113,863			128,348
Total financial liabilities	828,838	122,263	-	-	951,101

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 20% for general insurance and 15% for 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 2023	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	863,698	-	863,698
Investment securities:			
– Available for sale	-	204,465	204,465
– Loans and receivables	15,800	-	15,800
Trade receivables	-	216,666	216,666
Statutory deposit	70,148	-	70,148
Total	949,646	421,131	1,370,777
Liabilities			
Trade payables	-	352,998	352,998
Other liabilities	-	47,200	47,200
Total	-	400,198	400,198
30 June 2022	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	631,540	-	631,540
Investment securities:			
– Available for sale	-	163,939	163,939
– Loans and receivables	-	-	-
Trade receivables	-	171,679	171,679
Statutory deposit	55,735	-	55,735
Total	687,275	335,618	1,022,893
Liabilities			
Trade payables	-	270,224	270,224
Other liabilities	-	29,895	29,895
Total	-	300,119	300,119

(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

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.

	30 June 2023 Birr'000	30 June 2022 Birr'000
A Admissible assets		
Cash and bank balances	863,698	631,540
Investment securities:		
– Available for sale	204,465	163,939
– Loans and receivables	15,800	-
Trade receivables	216,666	171,680
Reinsurance assets	419,145	221,972
Deferred acquisition cost	16,100	10,397
Other assets	32,873	24,432
Current income tax asset		
Property, plant and equipment	221,672	191,981
Statutory deposit	70,148	55,735
Excluded assets:		
Prepaid Expense	(5,075)	(2,724)
Furniture & Fixture	(6,300)	(4,055)
Sundry Debtors	(32,953)	(23,664)
	2,016,239	1,441,233
B Admissible liabilities		
Insurance contract liabilities	888,979	552,529
Trade payables	352,998	270,224
Other liabilities	143,908	128,348
Current income tax liabilities	13,844	12,159
Retirement benefit obligations	3,422	2,349
Deferred tax liabilities	2,102	5,646
	1,405,254	971,255
C Admitted capital (A-B)	610,985	469,978
D Net written premium	272,026	235,826
E Technical Provision	888,979	552,529
Solvency Margin		
F Limit of net premium 20% of net premium	54,405	47,165
G Limit of technical provision 25% technical provision	222,245	138,132
H Minimum paid up capital	75,000	75,000
Since C > G, 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.

4.8.1 Valuation models

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

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

• **Level 1:** Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

• **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

• **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.8.2 Financial instruments not measured at fair value

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

	30 June 2023		30 June 2022	
	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000
Financial assets				
Cash and bank balances	863,698	863,698	631,540	631,540
Investment securities:				
– Available for sale	204,465	204,465	163,939	163,939
– Loans and receivables	15,800	15,800	-	-
Trade receivables	216,666	216,666	171,679	171,679
Other assets	22,505	22,505	16,165	16,165
Statutory deposit	70,148	70,148	55,735	55,735
Total	1,393,282	1,393,282	1,039,058	1,039,058
Financial liabilities				
Trade payables	352,998	352,998	270,224	270,224
Other liabilities	47,200	47,200	29,895	29,895
Total	400,198	400,198	300,119	300,119



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

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 2023 is as follows:

5.1 Statement of Financial Position - 30 June 2023

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

General Business Birr'000	Life Business Birr'000	Total Birr'000
813,189	50,509	863,698
199,465	5,000	204,465
15,800	-	15,800
215,728	938	216,666
419,145	-	419,145
16,013	87	16,100
32,470	403	32,873
5,953	-	5,953
221,402	270	221,672
67,148	3,000	70,148
2,006,314	8,206	2,066,520

LIABILITIES

Insurance contract liabilities	873,549	15,431	888,979
Trade payables	344,432	8,566	352,998
Other liabilities	142,007	1,901	143,908
Current income tax liabilities	13,844		13,844
Branch account	1,567	(1,567)	-
Retirement benefit obligations	3,422	-	3,422
Deferred tax liabilities	2,102		2,102
Total liabilities	1,380,922	24,331	1,405,254

EQUITY

Share capital	428,823	20,000	448,823
Share premium	1,081	270	1,351
Retained earnings	129,342	15,085	144,428
Legal reserve	66,145	519	66,665
Total equity	625,392	35,874	661,266
Total equity and liabilities	2,006,314	60,206	2,066,520

5.2 Statement of Financial Position - 30 June 2022

ASSETS

Cash and bank balances	595,206	36,333	631,539
Investment securities:			-
– Available for sale	163,939	-	163,939
– Loans and receivables	-	-	-
Trade receivables	171,680	-	171,680
Reinsurance assets	221,140	832	221,972
Deferred acquisition cost	10,242	155	10,397
Other assets	24,196	236	24,432
Intangible assets	5,276	-	5,276
Deferred tax asset	-	-	-
Property, plant and equipment	191,628	353	191,981
Statutory deposit	52,735	3,000	55,735
Total assets	1,436,042	40,909	1,476,951

LIABILITIES

Insurance contract liabilities	544,254	8,276	552,530
Trade payables	265,999	4,225	270,224
Other liabilities	127,445	903	128,348
Current income tax liabilities	12,159		12,159
Branch account	5,679	(5,679)	-
Retirement benefit obligations	2,349	-	2,349
Deferred tax liabilities	5,645		5,645
Total liabilities	963,530	7,725	971,255

EQUITY

Share capital	341,263	20,000	361,263
Share premium	1,081	270	1,351
Retained earnings	80,087	12,395	92,482
Legal reserve	50,081	519	50,600
Total equity	472,512	33,184	505,696
Total equity and liabilities	1,436,042	40,909	1,476,951

5.3 The consolidated financial data for the reporting segments for the year ended 30 June 2023 is as follows: 30 June 2023

Gross premium written
Gross premium income
Reinsurance expenses
Net premium income

Fee and commission income
Net underwriting income

Paid Claims expenses
Claims expenses recoverable
Gross change in contract liabilities
Net claims expenses

Underwriting commission expenses
Total underwriting expenses
Underwriting profit

Investment income
Other operating income

Net income

Impairment reversal/(Impairment) on trade receivables
Depreciation and impairment of property, plant and equipment
Impairment on other assets
Employee benefit expense
Other operating expenses

Profit before tax from reportable segments
Transfer from Life fund

Income tax expense

Profit for the year
Assets and liabilities

Total assets
Total liabilities
Net assets/(liabilities)

External revenue

Net premium earned
Net fees and commission
Other income

Total segment revenue
Reportable segment profit before tax
Reportable segment assets
Reportable segment liabilities

General Business Birr'000	Life Business Birr'000	Total Birr'000
655,889	25,843	681,732
530,551	25,843	556,394
(201,682)	(6,059)	(207,741)
328,869	19,784	348,653
58,844	1,311	60,155
387,713	21,095	408,808
181,305	10,084	191,389
(195,903)	-	(195,903)
174,188	1,201	175,389
159,590	11,285	170,875
21,614	240	21,854
181,205	11,525	192,729
206,509	9,570	216,079
101,446	5,222	106,668
5,019	0	5,019
312,974	14,792	327,766
2		2
(13,039)	(85)	(13,124)
-	-	-
(91,739)	(1,866)	(93,605)
(46,189)	(833)	(47,022)
162,009	12,008	174,017
	3,078	3,078
162,009	15,086	177,095
(12,886)	(3,575)	(16,461)
149,123	11,511	160,634
2,006,314	60,206	2,066,520
1,380,922	24,331	1,405,254
625,392	35,875	661,266
328,869	19,784	348,653
58,844	1,311	60,155
106,465	5,222	111,687
494,178	26,317	520,495
149,123	11,511	160,634
2,006,314	60,206	2,066,520
1,380,922	24,331	1,405,254



5.4 30 June 2022

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross premium written	412,894	11,320	424,214
Gross premium income	399,396	11,320	410,716
Premiums ceded to reinsurers	(149,152)	(3,036)	(152,188)
Net premium income	250,244	8,284	258,528
Fee and commission income	50,270	1,443	51,713
Net underwriting income	300,514	9,727	310,241
Paid Claims expenses	116,847	7,904	124,751
Claims expenses recoverable	(131,676)	-	(131,676)
Gross change in contract liabilities	149,177	(3,621)	145,556
Net claims expenses	134,348	4,283	138,631
Underwriting commission expenses	16,681	158	16,839
Total underwriting expenses	151,029	4,441	155,470
Underwriting profit	149,485	5,286	154,771
Investment income	65,659	3,404	69,063
Other operating income	4,365	-	4,365
Net income	219,509	8,690	228,199
Impairment reversal/(Impairment) on trade receivables	-	-	-
Depreciation and impairment of property, plant and equipment	(11,082)	(85)	(11,167)
Impairment on other assets	-	0	-
Employee benefit expense	(63,774)	(1,225)	(64,999)
Other operating expenses	(30,826)	(653)	(31,479)
	113,827	6,727	120,554
Actuarial value of policy holders liability	-	-	-
Income tax expense	(13,983)	(1,518)	(15,501)
Profit for the year	99,844	5,209	105,053
Assets and liabilities			
Total assets	1,436,042	40,909	1,476,952
Total liabilities	963,530	7,725	971,255
Net assets/(liabilities)	472,512	33,184	505,697
External revenue			
Net premium earned	250,244	8,284	258,528
Net fees and commission	50,270	1,443	51,713
Other income	70,024	3,404	73,428
Total segment revenue	370,538	13,131	383,669
Reportable segment profit before tax	99,844	5,209	105,053
Reportable segment assets	1,436,042	40,909	1,476,952
Reportable segment liabilities	963,530	7,725	971,255

6 NET PREMIUM INCOME

6.1 Gross premiums on insurance contracts

Life insurance	25,843	11,320
Non-life insurance	655,889	412,894
Total gross written premium	681,732	424,214
Change in unearned premium provision	(125,338)	(13,498)
Total gross premium income	556,394	410,716

6.2 Premiums ceded to reinsurers on insurance contracts

Life insurance premium ceded	(6,059)	(3,036)
Non-life insurance premium ceded	(201,682)	(149,152)
Total premiums ceded to reinsurers	(207,741)	(152,188)
Total net premium income	348,653	258,528

An excess of loss reinsurance cover for long-term insurance contracts was purchased at a cost of ETB 198 (2023: ETB 198:2022). 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

Policy administration services	11,672	6,696
Reinsurance commission income	48,483	45,017
Total fees and commission income	60,155	51,713

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	10,084	7,904
Non-life insurance contracts	181,305	116,847
Total claims expenses	191,389	124,751

8.2 Claims recoverable from reinsurers

Claims recovered from life insurance contracts	-	-
Claims recovered from non-life insurance contracts	(29,490)	(14,479)
Increase in provision for outstanding claims recoverable	(166,413)	(117,197)
Total claims recovered from reinsurers	(195,903)	(131,676)

8.3 Gross change in contract liabilities

Change in life insurance contract liabilities	51	(3,355)
Change in non-life insurance contract liabilities	179,381	153,391
Change in life insurance contract IBNR provision	1,150	(266)
Change in non-life insurance contract IBNR provision	6,703	4,277
Claims recoveries	(11,896)	(8,491)
Total gross change in contract liabilities	175,389	145,556

30 June 2023 30 June 2022
Birr'000 Birr'000

25,843	11,320
655,889	412,894
681,732	424,214
(125,338)	(13,498)
556,394	410,716
(6,059)	(3,036)
(201,682)	(149,152)
(207,741)	(152,188)
348,653	258,528

30 June 2023 30 June 2022
Birr'000 Birr'000

11,672	6,696
48,483	45,017
60,155	51,713

30 June 2023 30 June 2022
Birr'000 Birr'000

10,084	7,904
181,305	116,847
191,389	124,751

-	-
(29,490)	(14,479)
(166,413)	(117,197)
(195,903)	(131,676)

51	(3,355)
179,381	153,391
1,150	(266)
6,703	4,277
(11,896)	(8,491)
175,389	145,556



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	30 June 2023	30 June 2022
	Birr'000	Birr'000
9 Underwriting commission expenses		
Commission paid	27,557	15,969
Changes in deferred acquisition cost	(5,703)	870
Total underwriting commission expenses	21,854	16,839
10 Investment income		
Dividend income	21,547	17,282
Interest income on cash and bank balances	85,121	51,781
Total investment income	106,668	69,063
11 Other operating income		
Profit from sale of property, plant & equipment	-	-
Interest income on staff loans	-	-
Sundry income	5,019	4,365
Total other operating income	5,019	4,365
12 Employee benefits expense		
Short term employee benefits:		
Salaries	54,018	40,013
Staff allowances	7,160	4,097
Other staff expenses	25,896	15,973
Pension costs		
Defined contribution plan	5,975	4,333
Defined benefit plan expense (Note 27)	556	583
	93,605	64,999
13 Other operating expenses		
Rental expenses	764	2,104
Communication	1,298	1,231
Utilities	142	359
Stationery and printing	4,845	2,543
Advertising and Notices	4,974	2,070
Transport, per diem	1,073	825
Fuel and lubricant	4,883	2,173
Repair and maintenance	4,762	3,805
Membership fee and contribution	3,218	809
Property insurance	2,361	471
Penalties and fines	42	661
Entertainment	1,119	388
Legal and professional fee	414	566
Audit fee	189	173
Board of directors' fee	1,230	926
Financial expenses	486	566
Other operating expenses	15,222	11,809
	47,022	31,479

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14 Company income and deferred tax		
14a Current income tax		
Company income tax (Note 14b)	20,161	16,696
Deferred income tax/(credit) to profit or loss	(3,700)	(1,195)
Total charge to profit or loss	16,461	15,501
Tax (credit) on other comprehensive income	157	30
Total tax in statement of comprehensive income	16,618	15,531
14b Reconciliation of effective tax to statutory tax		
The tax on the Company's profit before income tax differs from the amount that would arise using the statutory income tax rate as follows:		
	30 June 2023	30 June 2022
	Birr'000	Birr'000
Profit before tax	162,011	113,827
Add: Profit from life insurance business	15,085	6,727
	177,096	120,554
Add: Disallowed expenses		
Entertainment	1,029	1,181
Penalty	42	661
Staff leave provision	2,847	4,088
Provision for Bonus	16,201	9,059
Board of directors remuneration - Monthly allowance	2,485	-
Donation	-	-
Lease Amortization	9,668	8,453
Severance Expense	3,422	2,349
Depreciation for accounting purpose	13,113	11,156
Amortization for accounting purpose	-	-
Total disallowable expenses	48,807	36,947
Less: Allowed expenses		
Depreciation for tax purpose	28,810	17,349
Dividend income taxed at source (Note 10)	21,547	17,282
Bonus paid	9,059	5,867
Rent Expense	11,080	7,090
Prepaid tax on Rental Income	-	-
Unappropriated Actuarial surplus - Taxed at 2020/21	3,364	1,667
Interest income taxed at source-Local Deposit (Note 10)	84,839	52,593
Total allowed expenses	158,698	101,848
Taxable profit	67,205	55,653
Current tax at 30%	20,161	16,696
Deferred tax	(3,700)	(1,195)
Income tax expense/ (credit) recognised in profit or loss	16,461	15,501
14c Current income tax liability		
Balance at the beginning of the year	12,159	(1,991)
Charge for the year:		
Excess tax paid refund request rejected by Tax Authority (Note 14)	20,161	6,510
Income tax expense	(8,315)	(4,535)
Withholding tax paid	(12,161)	(4,521)
Payment during the year	12,844	12,159
Balance at the end of the year		



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.

30 June 2023 30 June 2022
Birr'000 Birr'000

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

To be recovered after more than 12 months
To be recovered within 12 months

(2,102) (5,645)
(2,102) (5,645)

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 2022 Birr'000	Credit/ (charge) to profit or loss Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Property, plant and equipment	(6,350)	3,221		(3,129)
Post employment benefit obligation	705	479	(157)	1,027
Total deferred tax assets/(liabilities)	(5,645)	3,700	(157)	(2,102)

Deferred income tax assets/(liabilities):	At 1 July 2021 Birr'000	Credit/ (charge) to profit or loss Birr'000	Credit/ (charge) to equity Birr'000	30 June 2022 Birr'000
Property, plant and equipment	(7,378)	1,028		(6,350)
Post employment benefit obligation	534	167	4	705
Total deferred tax assets/(liabilities)	(6,844)	1,195	4	(5,645)

15 Cash and bank balances

Cash in hand
Short term deposit with local banks
Fixed term deposit with local banks

30 June 2023 30 June 2022
Birr'000 Birr'000
29,594 5,755
204,655 175,762
234,249 181,517
629,449 450,023
863,698 631,540

Current
Non-current

30 June 2023 30 June 2022
Birr'000 Birr'000
234,249 181,517
629,449 450,023
863,698 631,540

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.

Cash in hand
Short term deposit with local banks

30 June 2023 30 June 2022
Birr'000 Birr'000
29,594 5,755
204,655 175,762
234,249 181,517

16 Investment securities

Available for sale:

Equity Investments

Loans and receivables:

Ethiopian Government Bonds

Current
Non-Current

30 June 2023 30 June 2022
Birr'000 Birr'000

204,465 163,939
204,465 163,939
15,800 -
15,800 -
220,265 163,939

30 June 2023 30 June 2022
Birr'000 Birr'000

15,800 -
- -
15,800 -

The Company hold equity investments in Abay Bank S.C of 1.97% (30 June 2023: 1.69%, 30 June 2022), Ethiopian Re-insurance Company 3.51% (30 June 2023: 3.51%, 30 June 2022), Abay Industry S.C 0.5% (30 June 2023: 0.5%, 30 June 2022), Amhara Bank S.C. 0.09% (30 June 2023: 0.06%, 30 June 2022), Enat Bank S.C. 0.20% (30 June 2023: 0.24%, 30 June 2022) and Tsehay Bank S.C. 0.12% (30 June 2023: 0.13%, 30 June 2022). 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 holders
Due from re-insurers

Less: impairment allowance

30 June 2023 30 June 2022
Birr'000 Birr'000

440 452
216,666 171,670
217,106 172,122
(440) (442)
216,666 171,680

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

30 June 2023 30 June 2022
Birr'000 Birr'000

Balance beginning of the year
Impairment (reversal)/Impairment charged during the year
Balance end of year

442 441
(2) 1
440 442

30 June 2022 30 June 2021
Birr'000 Birr'000

18 Reinsurance assets

Reinsurers' share of claims reported and loss adjustment expenses (Note 24)
Reinsurers' share of incurred but not reported (IBNR) claims (Note 24)
Reinsurers' share of unearned premium (Note 24)
Reinsurers' share of expected recoveries from salvage (Note 24)

320,766 155,970
10,252 6,129
95,571 65,648
(7,444) (5,775)
419,145 221,972



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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
19 Deferred acquisition cost		
Deferred acquisition cost - Engineering	1,187	1,512
Deferred acquisition cost -Fire	1,505	632
Deferred acquisition cost -Liability	876	1,266
Deferred acquisition cost -Marine	176	184
Deferred acquisition cost -Motor	4,695	1,808
Deferred acquisition cost -Accident	417	211
Deferred acquisition cost -Bonds	6,974	4,660
Deferred acquisition cost -Workmens	270	124
	16,100	10,397

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
As at 1 July	10,397	9,527
Movement during the year	5,703	870
As at 30 June	16,100	10,397

The movement in deferred acquisition costs is as follows:

20 Other assets		
Financial assets		
Staff loan	15,313	10,194
Staff saving	260	260
Staff debtors	1,257	1,378
Other debtors	5,675	4,333
Gross amount	22,505	16,165
Less: Specific impairment	-	-
	22,505	16,165
Non-Financial assets		
Prepaid staff expense	1,900	2,118
Withholding tax receivable	641	635
Prepayments	7,827	5,514
	10,368	8,267
Net amount	32,873	24,432
	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	18,730	13,950
Non- current	14,143	10,482
	32,873	24,432

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Balance at beginning of the year	-	-
(Recovery)/allowance made during the year for doubtful recoverables	-	-
Balance at end of year	-	-



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21 Intangible Assets

As at 1 July

Software in development

As at 30 June

22 Property, plant and equipment

22.1 Property, plant and equipment comprise owned and leased assets that donot meet the defination of investment porperty.

	Lease Property	Building	Furniture, fixture and fittings	Equipment	Automobiles	Computer equipment	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost							
As at 1 July 2021	9,862	138,092	5,363	2,873	56,958	13,216	226,364
Additions	1,590	279	1,383	677	7,076	2,390	13,394
Reclassifications			(202)	-		(48)	(250)
Disposals			-	-	-	-	-
As at 30 June 2022	11,452	138,371	6,544	3,550	64,034	15,558	239,508
As at 1 July 2022	11,452	138,371	6,544	3,550	64,034	15,558	239,508
Additions	6,398	190	2,928	923.24	27,315	5,116	42,869
Disposals				(120)	(379)		(499)
Reclassification			-	-	-	-	-
As at 30 June 2023	17,850	138,561	9,472	4,353	90,970	20,674	281,878
Accumulated depreciation							
As at 1 July 2021	31	7,128	2,161	827	21,922	4,582	36,651
Charge for the year	10	2,778	515	425	5,615	1,766	11,109
Disposals			(187)	-	-	(48)	(234)
As at 30 June 2022	41	9,906	2,489	1,252	27,537	6,301	47,526

	Land Lease	Building	Furniture, fixture and fittings	Equipment	Automobiles	Computer equipment	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accumulated depreciation							
As at 1 July 2022	41	9,906	2,489	1,252	27,537	6,301	47,526
Charge for the year	10	2,781	682.52	503	6,770	2,378	13,124
Disposals				(55)	(390)		(444)
As at 30 June 2023	52	12,688	3,171	1,700	33,917	8,679	60,206
Net book value							
As at 30 June 2022	11,411	128,464	4,055	2,298	36,496	9,257	191,981
As at 30 June 2023	17,798	125,873	6,300	2,653	57,053	11,995	221,672

The company's property, plant and Equipment were assessed at the balance sheet date as to whether an assets were impaired. Accordingly, the assessment had not shown any impairment.



22.2 Leases

A) As a Lessee

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. The company's leases is mainly dominated by branch offices leases.

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

30 June 2023	30 June 2022
Birr'000	Birr'000
204,257	180,963
17,416	11,018
221,672	191,981

Right-of-use assets

Balance as 1 July
Additions to the right-of-use assets during the year.
Depreciation charge for the year
Balance as 30 June

30 June 2023	30 June 2022
Birr'000	Birr'000
11,018	9,428
14,733	9,064
8,335	7,474
17,416	11,018

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

30 June 2023	30 June 2022
Birr'000	Birr'000
-	142
13,290	9,688
-	-
13,290	9,830

Lease liabilities included in the statement of financial position at 30 June 2022

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	4,640	9,266
Non-current	12,776	763

The company recognizes a lease liability at the present value of the lease payments that are not paid at that date. The company uses an incremental borrowing rate that is based on the interest rate that the company would have to pay on the commencement date of the lease for a loan of similar term, and with a similar security, to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The rate used to compute the present value of this lease liability was 11.50%

Amount recognised in profit or loss

In thousands of ETB

Interest on lease liabilities
Variable lease payments not included in the measurement of lease liabilities
Income from sub-leaseing right-of-use assets
Expenses relating short-term leases
Expenses relating to leases of low-valued assets, excluding short-term leases of low-value assets

30 June 2023	30 June 2022
Birr'000	Birr'000
1,332	979
	1,723

Amount recognised in the statement of cash flows

Total cash outflows for leases

30 June 2023	30 June 2022
Birr'000	Birr'000
(13,599)	(1,590)

B)As a Lessor

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

Finance lease

Finance income on the net investment in the lease

Operating lease

Lease income

30 June 2023 30 June 2022
Birr'000 Birr'000

4,351	4,129

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 ETB 54,189 (2022: Birr 42,077 million 2021) that is transferred to Ethiopian Government Saving Bond for the acquisition of Great Renaissance dam. The Bonds bears interest income of 6% /8% per annum.

Balance beginning of the year

Additions

Interest receivable on statutory deposit invested in government bond

Balance end of year

30 June 2023 30 June 2022
Birr'000 Birr'000

55,735	46,982
13,134	12,788
1,279	(4,035)
70,148	55,735

30 June 2023 30 June 2022
Birr'000 Birr'000

24 Insurance contract liabilities

Gross

Non-life insurance contracts

Claims reported and loss adjustment expenses

Claims incurred but not reported (IBNR)

Total outstanding claims provision

Unearned premium

487,986	320,378
43,232	31,701
531,218	352,079
361,671	206,441
892,889	558,520

Life insurance contracts

Life fund liability

Claims incurred but not reported (IBNR)

Total Life fund

Claims reported and loss adjustment expenses

Expected recoveries from salvage and subrogation reimbursements

13,276	7,322
1,978	828
15,254	8,150
176	125
(19,340)	(14,266)

Total insurance liabilities, gross

888,979	552,529
----------------	----------------

Reinsurance assets:

Non-life insurance contracts

Reinsurers' share of claims reported and loss adjustment expenses

Reinsurers' share of Incurred But Not Reported (IBNR claims)

Reinsurer's share of unearned premium

Expected recoveries from salvage and subrogation reimbursements

320,766	155,970
10,252	6,129
95,571	65,648
(7,444)	(5,775)

419,145	221,972
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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

Claims incurred but not reported (IBNR)

Total outstanding claims provision

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:

	30 June 2023			30 June 2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Short-term insurance contracts:						
(i) Outstanding claims provision						
At 1 July	352,079	(162,099)	189,980	199,477	(44,737)	154,740
Notified claims	167,608	(164,796)	2,812	147,409	(117,197)	30,212
IBNR	11,531	(4,123)	7,408	6,545	(165)	6,380
As at 30 June	531,218	(331,018)	200,200	353,431	(162,099)	191,332
At 1 July	352,079	(162,099)	189,980	199,477	(44,737)	154,740
Cash paid for claims settled in year (Note 8)	(181,305)	14,479	(166,826)	(116,847)	22,141	(94,706)
Increase in liabilities:						
– Arising from current-year claims	354,208	(183,398)	170,810	264,565	(139,503)	125,062
– Arising from prior-year claims	6,236		6,236	6,236		6,236
As at 30 June	531,218	(331,018)	200,200	353,431	(162,099)	191,332

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(ii) Provisions for unearned premiums

30 June 2023

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

30 June 2022

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

	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000
Engineering & Energy	31,324	(15,763)	15,561
General liability	20,231	(9,655)	10,576
Marine and Transit	3,407	(895)	2,512
Motor	184,989	(9,346)	175,643
Personal accident	7,234	(359)	6,875
Pecuniary	95,954	(52,643)	43,311
Fire and Lightening	16,947	(6,831)	10,116
Workmen Compensation	1,585	(79)	1,506
	361,671	(95,571)	266,100

	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000
Engineering & Energy	15,196	(7,586)	7,610
General liability	12,665	(5,514)	7,151
Marine and Transit	3,485	(791)	2,694
Motor	93,171	(4,776)	88,395
Personal accident	6,154	(308)	5,846
Pecuniary	58,536	(38,861)	19,675
Fire and Lightening	15,597	(7,730)	7,867
Workmen Compensation	1,637	(82)	1,555
	206,441	(65,648)	140,793

At 1 July

Change in unearned premium

As at 30 June

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

	30 June 2023			30 June 2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
At 1 July	206,441	(65,648)	140,793	179,888	(52,592)	127,296
Change in unearned premium	155,230	(29,923)	125,307	26,553	(13,056)	13,497
As at 30 June	361,671	(95,571)	266,100	206,441	(65,648)	140,793

b Life insurance contracts:

Life insurance fund

At 1 July

Increase in claims incurred but not reported:

Term
 Endowment
 Permanent health

Increase in individual life fund:

Net premium income (Note 5.3)
 Fee and commission income
 Net claims expenses
 Underwriting expenses
 Investment income
 Employee benefit expense
 Other operating expenses

As at 30 June

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Life insurance fund		
At 1 July		
Increase in claims incurred but not reported:		
Term	1,169	400
Endowment	3	2
Permanent health	806	426
	1,978	828
Increase in individual life fund:		
Net premium income (Note 5.3)	19,784	8,284
Fee and commission income	1,311	1,443
Net claims expenses	(11,285)	(4,283)
Underwriting expenses	(240)	(158)
Investment income	52,404	3,404
Employee benefit expense	(9,866)	(1,225)
Other operating expenses	(918)	(738)
	12,008	6,727
As at 30 June	12,008	6,727



ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2023

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Actuarial liabilities	13,276	7,322
Unappropriated profit	7,543	3,364
Actuarial surplus	7,543	3,364
Life fund	28,362	14,050

25 Trade payables

Due to reinsurer

	30 June 2023 Birr'000	30 June 2022 Birr'000
	352,998	270,224
	352,998	270,224

26 Other liabilities

Financial liabilities

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
	2,715	2,702
	16,301	9,059
	168	125
	11,612	8,765
	16,404	9,244
	-	-
	47,200	29,895

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
	737	582
	2,162	1,558
	-	-
	(156)	(149)
	777	983
	1,512	158
	440	241
	62,637	72,915
	28,599	22,165
	96,708	98,453
	143,908	128,348

Gross amount

Current
 Non- current

	30 June 2023 Birr'000	30 June 2022 Birr'000
	23,970	14,485
	119,938	113,863
	143,908	128,348

ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2023

27 Defined benefit obligations

Defined benefits liabilities:

- Severance pay (Note)

Liability in the statement of financial position

Income statement charge included in personnel expenses:

- Severance pay (Note)

Total defined benefit expenses

Remeasurements for:

- Severance pay (Note27c)

	30 June 2022 Birr'000	30 June 2021 Birr'000
	3,422	2,349
	3,422	2,349
	556	583
	556	583
	522	(14)
	522	(14)

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

Severance pay

The Company employees are entitled to a Severance Benefit. The Severance Benefit Entitlement is provided under the Labour Proclamation No. 1156/2019 effective from 05 September 2019, and 494/2006 effective date 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:

- . 2 months wages for funeral expenses
- . 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:

a Liability recognised in the financial position

	30 June 2023 Birr'000	30 June 2022 Birr'000
	3,422	2,348

b Amount recognised in the profit or loss

Current service cost
 Interest cost

	30 June 2023 Birr'000	30 June 2022 Birr'000
	207	308
	349	275
	556	583

c Amount recognised in other comprehensive income:

Remeasurement (gains)/losses arising from participant's movement
 Tax credit /(charge)

	30 June 2023 Birr'000	30 June 2022 Birr'000
	522	(14)
	522	(14)



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

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	2,348	1,779
Current service cost	207	308
Interest cost	349	275
Remeasurement (gains)/ losses	522	(14)
Past service cost		
Benefits paid		
At the end of the year	3,426	2,348

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2023 Birr'000	30 June 2022 Birr'000
Discount Rate (p.a)	14.25%	14.25%
Future salary increases (p.a)	12.25%	12%
Mortality assumptions - Males	A1945 - 52 males	A1945 - 52 males
Mortality assumptions - Females	A1945 - 52 females	A1945 - 52 females
Weighted average duration of defined benefit obligation	4.4	4.4

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	0.112
30	0.116	0.116
35	0.132	0.132
40	0.188	0.188
45	0.330	0.330
50	0.599	0.599
55	1.035	1.035
60	1.720	1.720

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:

		30 June 2023				
		Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate		14.30%	15.30%	14.30%	13.30%	14.30%
Salary rate		12.30%	12.30%	13.30%	12.30%	11.30%
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period		2,349	2,349	2,349	2,349	2,349
Total net expense recognised in income statement		1,025	1,025	1,025	1,025	1,025
Net expense recognized in the other comprehensive income		522	315	748	757	321
Employer contributions		(473)	(473)	(473)	(473)	(473)
Net liability at end of period		3,422	3,215	3,648	3,657	3,221

		30 June 2022				
		Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate		14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate		12.25%	12.25%	13.25%	12.25%	11.25%
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period		1,779	1,779	1,779	1,779	1,779
Total net expense recognised in income statement		800	800	800	800	800
Net increase recognised in other comprehensive income		(14)	(147)	130	136	(143)
Employer contributions		(216)	(216)	(216)	(216)	(216)
Net liability at end of period		2,349	2,216	2,493	2,499	2,220

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 2023 is ETB 216.

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



	30 June 2023 Birr'000	30 June 2022 Birr'000
28 Share capital and share premium		
Authorised:		
Ordinary shares of Birr 1,000 each	500,000	500,000
Issued and fully paid:		
Ordinary shares of Birr 1,000 each	448,823	361,263
Share premium	1,351	1,351
Total share capital and share premium	450,174	362,614

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 2021	280,512	234,308	1,351	281,863
Issued during the year	80,751	46,204		80,751
As at 30th June 2022	361,263	280,512	1,351	362,614
At 1 July 2022	361,263	361,263	1,351	362,614
Issued during the year	87,560	87,560		87,560
As at 30th June 2023	448,823	448,823	1,351	450,174

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 2023 Birr'000	30 June 2022 Birr'000
Profit attributable to shareholders	160,634	105,052
Weighted average number of ordinary shares in issue	429,668	341,033
Basic & diluted earnings per share (Birr)	0.37	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 2023:nil, 30 June 2022: nil), hence the basic and diluted loss per share have the same value.

30 Dividende per share

Dividend per share (EPS) is calculated by dividing the net profit after tax, legal reserve, unappropriated life surplus and Board of directors annual remuneration by the weighted average number of ordinary shares in issue during the year.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Profit attributable to shareholders	135,802	81,729
Weighted average number of ordinary shares in issue	429,668	341,033
Basic & diluted earnings per share (Birr)	0.32	0.24

31 Retained earnings

At the beginning of the year	92,482	64,168
Profit/ (loss) for the year	160,634	105,052
Other comprehensive income	(679)	18
Transfer to legal reserve	(16,064)	(9,587)
Dividend paid	(81,729)	(58,975)
Directors compensation	(1,185)	
Decr-/Incr+ in actuarial liability - Long term Insurance	(5,954)	996
Transfer from life fund	(3,078)	
Prior years Adjustment		(9,190)
At the end of the year	144,428	92,482

32 Legal reserve

At the beginning of the year	50,601	41,014
Transfer from profit or loss	16,064	9,587
At the end of the year	66,665	50,601

33 Cash generated from operating activities

Profit before tax	174,017	120,553
Adjustments for non- cash items:		
Depreciation of property, plant and equipment	22 13,124	11,167
Amortisation of intangible assets	21 -	-
Retirement benefit obligations	27 -	-
Gain/(Loss) on disposal of property, plant and equipment	(458)	(41)
Provision (benefit) for deferred taxes	(3,543)	(1,199)
Change in operational assets:		
-Decrease/ (Increase) in trade receivables	(44,986)	(5,825)
-Decrease/ (increase) in deferred acquisition cost	(5,703)	(870)
-Decrease/ (increase) in other assets	(8,441)	(9,673)
-Decrease/ (Increase) in reinsurance assets	(197,173)	(128,139)
Change in operational liabilities:		
-Increase/ (decrease) in other liabilities & retirement benefit obligations	16,633	74,279
-Increase/(decrease) in insurance payables	82,774	53,857
-Increase/(decrease) in insurance contract liabilities**	342,404	167,651
	368,647	281,760

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Proceeds on disposal	55	16
Net book value of property, plant and equipment disposed (Note 20)	458	41
Gain/(loss) on sale of property, plant and equipment	503	57



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

34 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 2023 Birr'000	30 June 2022 Birr'000
a Transactions with related parties		
Loans and advances to key management	2,258	2,237
	2,258	2,237

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

	30 June 2023 Birr'000	30 June 2022 Birr'000
Salaries and other short-term employee benefits	7,911	6,625
Post-employment benefits	2,590	602
Board of Directors Remuneration - Annual compensation	1,227	1,188
Board of Directors Remuneration - Monthly allowance	1,369	920
	13,097	9,334

35 Directors and employees

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

	30 June 2023 Number	30 June 2022 Number
Professionals and High Level Supervisors	189	160
Semi-professional, Administrative and Clerical	51	53
Technician and Skilled	7	1
Manual and Custodian	28	39
	275	253

36 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.

37 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 2023 Birr'000	30 June 2022 Birr'000
No later than 1 year	-	142
Later than 1 year and no later than 2 years	4,640	4,042
Later than 2 years but not later than 5 years	8,651	5,846
Total	13,290	10,029

38 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 30 June 2023 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.



ABAY INSURANCE S.C HEADQUARTER



ዓባይ ኢንሹራንስ አ.ማ.

የሒሳብ መግለጫዎች እና አዲት ሪፖርት
23 ሰኔ 2015 ዓ.ም.

ታፈሰ፣ሸሰማ እና አያሌው የአዲት አገልግሎት
የህብረት ሽርክና ማህበር
የተመሰከረላቸው ሂሳብ አዋቂዎች (ዩ.ኤስ)
የተፈቀደላቸው አዲተሮች (ኢትዮጵያ)
ስ.ቁ. 0116180638/ 0118961751/52
ፋክስ 011662 12 60/70
ፖ.ሰ.ቁ. 110690
አዲስ አበባ ኢትዮጵያ

Tafesse, Shisema and Ayalew
Certified Audit Partnership
Chartered Certified Accountant (UK)
Authorized Auditors (Ethiopia)
Tel. 0118961752 Fax 011 662 1260/70
Mob. 0911229425/0930034356/57
P.O. Box – 110690 e-mail tmsplus@ethionet.et
Addis Ababa-Ethiopia

የዓባይ ኢንሹራንስ አክሲዮን ማህበር

ለ2015 ዓ.ም የበጀት ዓመት በተዘጋጀው ሂሳብ ላይ የቀረበ የውጭ አዲተሮች ሪፖርት

በሂሳብ መግለጫዎች አዲት ላይ የቀረበ ሪፖርት

የሙያ አስተያየት

ከዚህ ሪፖርት ጋር ተያይዘው የቀረቡትንና እ.አ.አ ጁን 30/ 2023 (በእኛ አቆጣጠር ሰኔ 23 ቀን 2015 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 ፍሰት መግለጫዎች እንዲሁም ኩባንያው የሚከተለውን የሂሳብ አሰራር ፖሊሲዎች እና ማብራሪያዎች ያካተቱትን የሂሳብ መግለጫዎች አዲት 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 ጁን 30/2023 የነበረውን ሀብትና ዕዳ እንዲሁም በዚያው ዕለት ላለቀው ዓመት የነበረውን የሂሳብ እንቅስቃሴ እና የጥሬ ገንዘብ ፍሰት በሚገባ ያሳያሉ።

የአስተያየታችን መሰረት

የአዲት ስራችንን ያከናወንነው አለም አቀፍ የአዲት ደረጃዎችን በመከተል ሲሆን በእነዚህ ደረጃዎች መሰረት የሚጠበቅብን ኃላፊነት ከዚህ በታች የአዲተሮች ሃላፊነት በሚለው ርዕስ ስር ተመልክቷል፡
: የአለም አቀፍ የሂሳብ ባለሙያዎች የስነምግባር ደረጃዎች በርድለሂሳብ ባለሙያዎች ያወጣው የስነ-ምግባርኮድበሚጠይቀው መሰረት ከአክሲዮን ማህበሩ ነጻ እና ገለልተኛ ሆነን ስራችንን አከናውናል። እንዲሁም የስነምግባር ደንቡ የሚጠይቃቸውን እና የሚጠበቁብንን ሌሎች ኃላፊነቶች አሟልተናል።

ከዚህ በላይ የሰጠው የሙያ አስተያየት ደረጃውን ተከትለን ባከናወንነው የአዲት ስራና በቀረበልን የአዲት ማስረጃ በመተማመን ነው።

የሂሳብ መግለጫዎችን በተመለከተ የዳሬክተሮች በርድ ኃላፊነት

አለም አቀፍ የፋይናንስ ሪፖርት ደረጃዎችን በመከተል የሂሳብ መግለጫዎችን አዘጋጅቶ ማቅረብ እንዲሁም ሆነ ተብሎም ሆነ ወይም በስህተት ከሚፈጸም ጉልህ ስህተት ነፃ የሆኑ የሂሳብ መግለጫዎችን ለማዘጋጀት አስፈላጊ ናቸው ብሎ ያመነባቸውን የውስጥ ቁጥጥር ስርዓቶች መዘርጋት የኢንሹራንሱ የዳሬክተሮች በርድ ኃላፊነት ነው። በርዱ የሂሳብ መግለጫዎችን በሚያዘጋጅበትወቅት የኩባንያውን ቀጣይነት በመገምገም ስጋት የሚፈጥሩ ሁኔታዎችን በግልፅ ማመለከትና የኩባንያውን መፍረስ ወይም የአንዳንድ አጥፊነቶችን ስራ ማቆም ግድ የሚሉ ሁኔታዎች ከሌሉ በስተቀር የኩባንያውን ቀጣይነት በማሰብሂሳቡ የተዘጋጀ መሆኑን የመግለፅ ኃላፊነት አለበት።

የዳሬክተሮች በርድ የኩባንያውን የፋይናንሻል ሪፖርት ሂደት የመከታተል ኃላፊነት አለበት ።



የአዲተሮች ኃላፊነት

የእኛ ኃላፊነት የቀረቡት የሂሳብ መግለጫዎች ሆኑ ተብሎም ሆነ በስህተት ከሚፈጸም ጉልህ ስህተት ነፃ ስለመሆናቸው ምክንያታዊ ማረጋገጫ መስጠትና ይህንኑ አስተያየታችንን በሪፖርታችን መግለፅ ነው። ምክንያታዊ የሆነ ማረጋገጫ ለመስጠት የሚከናወነው የአዲት ተግባር በሂሳቡ ውስጥ ሊኖሩ የሚችሉ ጉልህ ስህተቶችን በሙሉ ፈልጎ ያገኛል ተብሎ አይጠበቅም ምክንያታዊ ማረጋገጫ በከፍተኛ ደረጃ የሚታይ የማረጋገጥ ሂደት በመሆኑ አለም አቀፍ የአዲት ደረጃዎችን በመከተል የሚከናወነው አዲትም ቢሆን ጉልህ ስህተቶችን ሁል ጊዜ ፈልጎ የማግኘት ዋስትና ስለማይሰጥ ነው። ስህተቶች ሆኑ ተብሎ ወይም በስህተት የሚፈጸሙና በተናጠል ወይም በድምር ጉልህ ሆነው የሂሳብ መግለጫዎችን መሰረት አድርጎ በሚወሰን ኢኮኖሚያዊ ውሳኔ ላይ ተጽዕኖ ሊያሳድሩ ይችላሉ።

የሌሎች ህጋዊ ሁኔታዎች አዲት ሪፖርት

በ2013 ዓ.ም በወጣው የኢትዮጵያ ንግድ ህግ አንቀጽ 1243/2013 በሚያዘው መሰረት የቀረበው የዳሬክተሮች ሪፖርት እና ትርፍ ክፍፍል በተመለከተ ከቀረበው ሪፖርት የተለየ አስተያየት የሌለን መሆኑን እየገለፅን ጠቅላላ ጉባኤው የዳሬክተሮችን ሪፖርት እንዲያፀድቀው አስተያየታችንን እንሰጣለን።

Taf. Shi & Ay

ታፈሰ፣ ሺሰማ እና አያሌው የአዲት አገልግሎት የህብረት ሽርክና ማኅበር

የተመሰከረላቸው የሂሳብ አዋቂዎች(ዩኤ) አዲስ አበባ
የተፈቀደላቸው አዲተሮች (ኢትዮጵያ)15 ጥቅምት 2016 ዓ.ም



		ገንዘብ በኢትዮጵያ ብር	
ማብራሪያ		ጁን 30/2023	ጁን 30/2022
		ብር 000	ብር 000
ሀብቶች			
ጥሬ ገንዘብ እና ተመጣጣኝ	15	863,698	631,540
የኢንሹራንስ ዋስትና			
ሊሸጥ የሚችል	16	204,465	163,939
ብድር እና ተሰብሳቢ	16	15,800	-
የንግድ ተሰብሳቢ	17	216,666	171,680
ከጠለፋ ዋስትና ሰጪዎች ተሰብሳቢ	18	419,145	221,972
የዘገዩ የደንበኛ ማግኛ ወጪ	19	16,100	10,397
ሌሎች ሀብቶች	20	32,873	24,432
ግዙፋዊ ኃልዎት የሌላቸው ሀብቶች	21	5,953	5,276
ቋሚ ንብረቶች	22.1	221,672	191,981
እስከ ቀን 7ደቡ የሚቆይ ህጋዊ ተቀማጭ	23	70,148	55,735
ጠቅላላ ሀብት		2,066,520	1,476,952
ተከፋይ ዕዳዎች			
የኢንሹራንስ ውል ተከፋዮች	24	888,979	552,529
የንግድ ተከፋዮች	25	352,998	270,224
ሌሎች ተከፋዮች	26	143,908	128,348
የአመቱ የትርፍ ግብር ተከፋይ	14	13,844	12,159
የጡረታ ግዴታዎች	27	3,422	2,349
ወደፊት የሚከፈል ትርፍ ግብር	14	2,102	5,645
ጠቅላላ ዕዳዎች		1,405,254	971,255
የባለ አክሲዮኖች ሀብት			
የተከፈለ ካፒታል	28	448,823	361,263
የአክሲዬን ሽያጭ ትርፍ	28	1,351	1,351
የተጠራቀመ ትርፍ	31	144,428	92,482
ሕጋዊ መጠበቂያ	32	66,665	50,601
ጠቅላላ የባለአክሲዬች ሀብት		661,266	505,697
ጠቅላላ የባለአክሲዬኖች ሀብትና ዕዳ		2,066,520	1,476,952

በሪፖርቱ የተመለከቱት ማብራሪያዎች የሂሳብ መግለጫዎች አካል ናቸው፡፡
የኩባንያው የዳይሬክተሮች ቦርድ የሂሳብ መግለጫዎች እንዲታተሙ ጥቅምት 15/2016 አፅድቋል፡፡ ቦርዱን በመወከል የፈረሙት፡


የሐንስ ዘውዴ
ዋና ስራ አስፈጻሚ


አባተ ስጦታው
የቦርድ ሊቀመንበር

		ገንዘብ በኢትዮጵያ ብር	
	ማብራሪያ	ጁን 30/2023 ብር 000	ጁን 30/2022 ብር 000
ያልተጣራ አረቦን	6.1	556,394	410,716
ለመድን ሰጮዎች የተላለፈ	6.2	(207,741)	(152,188)
የተጣራ አረቦን		348,653	258,528
የኮሚሽን ገቢ	7	60,155	51,713
የተጣራ የመድን ውል ሥራ ገቢ		408,808	310,241
የካሣ ክፍያ	8.1	191,389	124,751
ሊቀነስ ከዋስትና ሰጮዎች የሚተካ	8.2	(195,903)	(131,676)
የውል ዕዳ ለውጥ	8.3	175,389	145,556
የተጣራ የካሣ ክፍያ ወጪ		170,875	138,631
የመድን ውል ሥራ ወጪ	9	21,854	16,839
የኮሚሽን ወጪ			
ጠቅላላ የመድን ውል ሥራ ወጪ		192,729	155,470
የመድን ሥራ ውል ትርፍ		216,079	154,771
የኢንሸስትመንት የተገኘ ገቢ	10	106,668	69,063
ሌሎች የአፕሬሽን ገቢዎች	11	5,019	4,365
		111,687	73,428
የተጣራ ገቢ		327,766	228,199
የተሰብሳቢዎች የዋጋ ቅናሽ	17.1	2	(1)
የቋሚ ሀብት የእርጅና ቅናሽ	22	(13,124)	(11,167)
የሌሎች ሀብቶች የዋጋ ቅናሽ	20	-	-
የሰራተኛ ጥቅማጥቅም ወጪ	12	(93,605)	(64,999)
ሌሎች የአፕሬሽን ወጪዎች	13	(47,022)	(31,479)
ከግብር በፊት የተገኘ ትርፍ		174,017	120,553
ከሕይወት ዋስትና የዘረ		3,078	
ከትርፍ ግብር በፊት የተገኘ ትርፍ		177,095	120,553
ወደፊት የሚከፈል ትርፍ ግብር	14b	(16,461)	(15,501)
ትርፍ ከታክስ በኋላ		160,634	105,052
ሌሎች አጠቃላይ ገቢዎች			
ወደፊት ወደ ትርፍና ኪሳራ የማይዘፋ			
የጡረታ ክፍያ እንደገና ግመታ ትርፍ/ኪሳራ/	27	(522)	14
በእንደገና ግመታ ከተገኘ ትርፍ/ኪሳራ/ የመነጨ ሀብት/ዕዳ	14d	(157)	4
		(679)	18
የአመቱ አጠቃላይ ገቢ		159,955	105,070
በአንድ አክሲዮን የተገኘ ገቢ	29	0.37	0.31



		ገንዘብ በኢትዮጵያ ብር	
	ማብራሪያ	ጁን 30/2023 ብር 000	ጁን 30/2022 ብር 000
ከአኖሪ ሥራዎች የተገኘ ጥሬ ገንዘብ			
	ከአፕሪል 15 ቀን በፊት የተገኘ ጥሬ ገንዘብ	32	368,647
	የወለድ እና የትርፍ ክፍል ገቢ	10	(106,668)
	የኪራይ ገቢ		(4,351)
	የተከፈለ ወለድ		1,332
	የተከፈለ የትርፍ ግብር		(18,475)
ከአኖሪ ሥራዎች የተገኘ የተጣራ ጥሬ ገንዘብ		240,485	200,491
ከኢንሹራንስ ሥራዎች የተገኘ ጥሬ ገንዘብ			
	የአክሲዬን ግዥ	16	(40,526)
	የትርፍ ክፍል ገቢ	10	21,547
	የወለድ ገቢ	10	85,121
	የኪራይ ገቢ		2,665
	ግዛቶች ሥራዎች የሌላው ሀብቶች ግዥ		(677)
	የቋሚ ንብረት ግዥ	22	(36,471)
	ከመንግስት ቦንድ ግዥ (DBE Bond)	16	(15,800)
	የቋሚ ንብረት ሽያጭ የተገኘ ገቢ	32	513
	የጊዜ ተቀማጭ ተጨማሪ ኢንሹራንስ መንገድ	15	(179,426)
	ከሀገራዊ ተቀማጭ ጭማሪ	23	(14,413)
የተጣራ ከኢንሹራንስ ሥራዎች የተገኘ ጥሬ ገንዘብ		(177,468)	(147,579)
ከፋይናንሲንግ ሥራዎች የተገኘ ጥሬ ገንዘብ			
	የአክሲዬን ሽያጭ ገቢ	28	87,560
	የሊዝ ክፍያ		(13,599)
	የተከፈለ ወለድ		(1,332)
	የዳይሬክተሮች የዓመት አበል		(1,185)
	የተከፈለ የትርፍ ክፍል	30	(81,729)
የተጣራ ከፋይናንሲንግ ሥራዎች የተገኘ ጥሬ ገንዘብ		(10,285)	19,674
የተጣራ የአመቱ የጥሬ ገንዘብ ጭማሪ(ቅናሽ)		52,732	72,587
	ጥሬ ገንዘብና መሰል በዓመቱ መጀመሪያ የነበረ(የዘረ)	15	181,517
በአመቱ መጨረሻ ያለ ጥሬ ገንዘብ		15	234,249
			181,517

በሪፖርቱ የተመለከቱት ማብራሪያዎች የሂሳብ መግለጫዎች አካል ናቸው ።

ማብራሪያ		ገንዘብ በኢትዮጵያ ብር				
		የተከፈለ ካፒታል	የአክሲዮን ሽያጭ ትርፍ	የተጣራ ተቀማጭ ትርፍ	ሕጋዊ መጠበቂያ	ጠቅላላ
		ብር 000	ብር 000	ብር 000	ብር 000	ብር 000
እ.ኤ.አ ሐምሌ 1/2021 የነበረ						
		280,512	1,351	64,169	41,014	387,046
የዓመቱ ትርፍ	31	-	-	105,052	-	105,052
ሌሎች አጠቃላይ ገቢዎች		-	-	-	-	-
የሠራተኛ ጥቅማጥቅም ግመታ ትርፍ (ግብር ተቀንሶ)	14	-	-	18	-	18
		-	-	105,071	-	105,071
የአመቱ አጠቃላይ ገቢ						
የአክሲዮን ሽያጭ	28	80,751	-	-	-	80,751
የሀገራዊ ግዴታ ተቀማጭ (10%)		-	-	-	-	-
ሀገራዊ መጠበቂያ	32	-	-	(9,587)	9,587	-
ወደ የሕይወት ዋስትና የዘረ				996		996
ያለፈ ዓመት ማስተካከያ	30			(9,190)		(9,190)
የአክሲዮን ግመታ						-
የትርፍ ክፍል የተከፋፈለ	31	-	-	(58,975)	-	(58,975)
		80,751	-	(76,756)	9,587	13,582
እ.ኤ.አ ሰኔ 30/2022 የነበረ						
		361,263	1,351	92,484	50,601	505,697
እ.ኤ.አ ሐምሌ 1/2022 የነበረ						
		361,263	1,351	92,484	50,601	505,697
የዓመቱ ትርፍ	31			160,634		160,634
ሌሎች አጠቃላይ ገቢዎች						-
የሰራተኛ ጥቅማጥቅም ግመታ ትርፍ (ግብር ተቀንሶ)	14			(679)		(679)
		-	-	159,955	-	159,955
የአመቱ አጠቃላይ ገቢ						
የአክሲዮን ሽያጭ	28	87,560				87,560
ወደ ሀገራዊ መጠበቂያ የዘረ	32			(16,064)	16,064	-
ከሀይወት መድን የጨመረ የገማች ሰዳ				(5,954)	-	(5,954)
የትርፍ ክፍል የተከፋፈለ				(81,729)		(81,729)
የዳይሬክተሮች የዓመት አበል				(1,185)		(1,185)
ያለፈ ዓመት ማስተካከያ				-		-
ከሕይወት ዋስትና የዘረ	31			(3,078)		(3,078)
		87,560	-	(108,009)	16,064	(4,386)
		448,823	1,351	144,430	66,665	661,269

እ.ኤ.አ ሰኔ 30/2023

በሪፖርቱ የተመለከቱት ማብራሪያዎች የሂሳብ መግለጫዎች አካል ናቸው ።



ANNUAL GENERAL MEETING



ELECTION OF BOARD OF DIRECTORS



ABAY INSURANCE S.C.



ACKNOWLEDGMENT



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ANNUAL PERFORMANCE REVIEW





ዓባይ ኢንሹራንስ አ.ማ. ABAY INSURANCE S.C.

የአዕምሮዎ ሰላም!
Your Peace of Mind!

HEAD OFFICE ADDRESS

Physical Address:

Addis Ababa, Bole Sub City, Woreda 03, House No. 377

Tell: +251-11-553 53 00,

Fax: +251-11-558 63 28

P.O. Box: 5879

Email: info@abayinsurance.com

Website: <http://www.abayinsurance.com//>



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