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AFRICA INSURANCE COMPANY (S.C)

አመታዊ ሪፖርት

2015 ዓ.ም

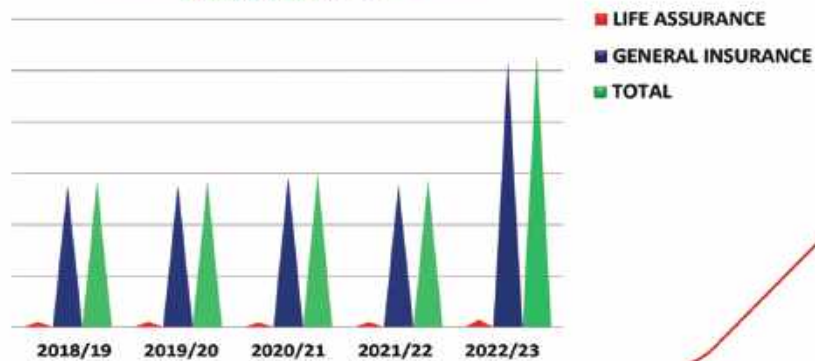
# ANNUAL REPORT

2022/23

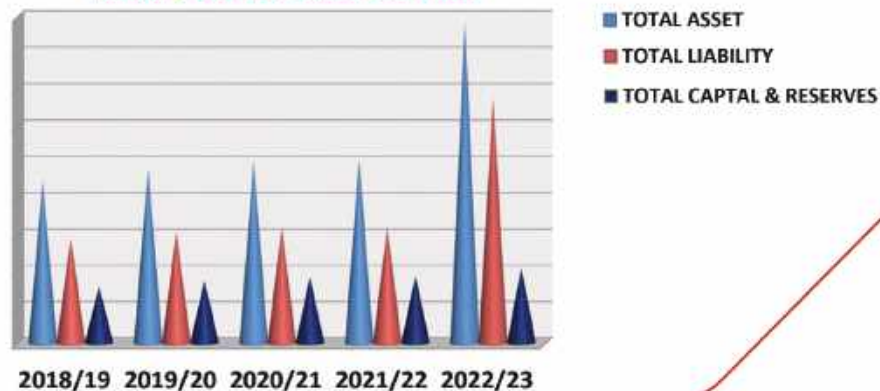
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Committed to Excellence & Quality Service!

## አፍሪካ ኢንሹራንስ ኩባንያ (አ.ማ.) AFRICA INSURANCE COMPANY (S.C)

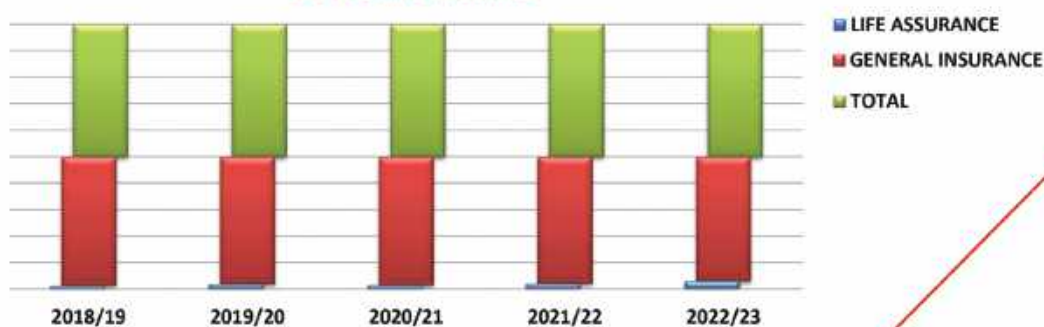
AFRICA INSURANCE COMPANY (S.C.)  
GROSS PREMIUM



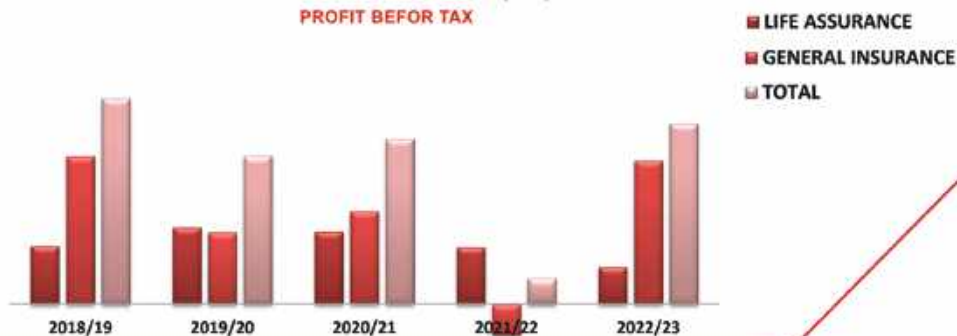
AFRICA INSURANCE COMPANY (S.C.)  
TOTAL ASSET, LIABILITY & CAPITAL



AFRICA INSURANCE COMPANY (S.C.)  
NET CLAIMS INCURRED



AFRICA INSURANCE COMPANY (S.C.)  
PROFIT BEFORE TAX



**አፍሪካ ኢንሹራንስ ኩባንያ (አ.ማ.)**  
**AFRICA INSURANCE COMPANY (S.C)**

**Mission**

To provide reliable and quality general and long term insurance products and services in the best interest of our existing and potential customers at a competitive price. These will be attained by deploying highly competent and motivated employees, modern technology and ensuring long term and sustainable growth of profit, productivity and maximizing the overall wealth of its shareholders.

**Vision**

To outshine as the most preferred insurance company in the nation.

**Values**

- Trustworthiness
- Integrity
- Transparency
- Team Work
- Service Excellence
- Employee Focused
- Customer Focused
- Corporate Citizenships

**የላቀና ጥራት ያለው አገልግሎት መስጠት ቃል ኪዳናችን ነው!**  
***Committed to Excellence & Quality Service !***





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## NOTICE

### **Notice of the 28<sup>th</sup> Ordinary Annual General Meeting**

In accordance with the Provisions of Articles 366,367,370 and 393 of the Commercial Code of Ethiopia Proc.1243/2021 and Article 17 of the Company's Articles of Association, notice is hereby given to all Shareholders that the 28<sup>th</sup> Ordinary Annual General Meeting of Shareholders of Africa Insurance Company, (S.C) will be held on Thursday, November 23, 2023 at 9:00 am(Morning) at Hilton Addis Hotel to transact the following businesses:-

#### **1. The Agenda for the 28<sup>th</sup> Annual General Meeting**

After ascertain the attainment of quorum of the meeting;

- 1.1. To approve the Agenda items of the meeting;
- 1.2. To hear and endorse share transfers conducted for the year 2022/23 and accept new share holders thereof;
- 1.3. To hear and approve the report of the Board of Directors for the year 2022/23;
- 1.4. To hear and approve the Auditor's report for the year 2022/23;
- 1.5. To decide on the appropriation of the net result (Profit) of the Company for the year 2022/23;
- 1.6. To hear and approve measures taken by NBE regarding board of directors election held on 27<sup>th</sup> general annual meeting ;
- 1.7. To hear and approve the newly appointed member of BOD in fulfillment of the required Number of directors;
- 1.8. To approve Board remuneration for the year 2022/23 and their monthly allowance for the year 2023/24;
- 1.9. To approve the minutes of the AGM;
- 1.10. Any other Businesses;

#### **Note:-**

- ✦ Shareholders who might not be able to attend the Meeting in person, may fill proxy forms three working days prior to the Meeting at the Head Office of the company located at Bole Rwanda on the New Building of the Company on the 11<sup>th</sup> floor of the Building; or may participate in the meeting through their respective representatives bearing duly registered and authenticated letters(s) of power of attorney issued through a Notary Office.
- ✦ Shareholders or Proxies or Representatives bearing duly registered & authenticated letters of power of Attorney may participate in the meeting producing/submitting original/ copies of:-
  - Renewed Id Cards or passports of both the representers and the represented.
  - Letters of power of attorney.

  
Company's Secretary

BY ORDER OF THE BOARD OF DIRECTORS OF  
AFRICA INSURANCE COMPANY (S.C)





## **BOARD OF DIRECTORS**



Ato Alemu Berhe  
Vice Chairman



Dr. Aklilu Wubet  
Chairman



Ato Birhanu Tadesse  
Director



Ato Getachew Tadesse  
Director



Ato Fikadesilassie Beza  
Director



Ato Abdurahman Abdulbaki  
Director



W/ro Mekdes G/Tsadik  
Director



W/ro Amsal Kasahun  
Director



Ato Yisak Kebede  
Company's Secretary





# EXECUTIVE Management



Ato Kiros Jiranie  
Managing Director - CEO



Ato Kassahun Begashaw  
Deputy Managing Director



Ato Bedilu Mekonnen  
Manager, Risk Management & AML-CFT  
Compliance Department



Ato Yohannes Hailu  
Manager, Claims Department



Ato Daniel Teweldebrhan  
Manager, Finance and Investment  
Department



Ato Demis Abera  
Manager, U/W & Branch Operations  
Department



Ato Tesfaye Girma  
Manager, HRD & Property  
Administration Service



Ato Tesema Hidetu  
Manager, Audit Service



Ato Mezmur Hawaz  
Manager, Reinsurance Service



Ato Estifanos Emiru  
Engineering Service Representative



Ato Michael Mesfin  
Manager, Legal Service



Ato Dejenie Megersa  
Manager, IT Service



## BOARD OF DIRECTORS' REPORT

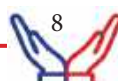
**T**he Board of Directors of Africa Insurance Company (S.C.) has the pleasure in submitting the statement of financial position of the Company as at 30th June 2023, the related statement of profit and loss and other comprehensive income, statement of change in equity and statement of cash flow. The Report covering the financial year, 2022-23 is presented hereunder:

### ETHIOPIAN ECONOMIC OVERVIEW

Real GDP growth fell to 5.3% in 2022 from 5.6% in 2021 but remained above East Africa's average (4.7% in 2021 and 4.4% in 2022). Supply-side drivers of growth were industry and services, and demand-side drivers were private consumption and investment. Inflation rose to 34% in 2022 from 26.6% in 2021. Both growth and inflation were adversely impacted by internal conflict, drought, and the effects of Russia's invasion of Ukraine on commodity prices. The fiscal deficit widened to 4.2% of GDP in 2022 from 2.8% in 2021 due to higher defense spending and weak revenue performance. The banking sector, dominated by state-owned banks, is stable, although the nonperforming loans ratio was 5.4% in 2021, above the required 5.0% due to conflict-induced project stalling. The current account deficit deteriorated to 4.0% of GDP in 2022 from 3.2% in 2021 due to higher prices for commodity imports. International reserves declined to about 1 month of import cover in 2022 from 2.2 months in 2021. Public and publicly guaranteed debt declined to 50.1% of GDP (with external debt at 23.6% of GDP) in 2022 from 51.0% in 2021. Ethiopia benefited from the G20 Debt Service Suspension Initiative in 2020-21. However, Ethiopia's application for the G20 Common Framework for debt restructuring in 2021 saw Fitch and S&P downgrade its sovereign rating from B to CCC. Income per capita grew 2.7% in 2022, but internal conflict and drought increased humanitarian support requirements from 15.8 million people in 2021 to 20 million in 2022. GDP is projected to grow 5.8% in 2023 and 6.2% in 2024, driven by industry, private consumption, and investment. Inflation is projected to decline to 28.1% in 2023 and 20.1% in 2024. *(African Development Bank Outlook 2022).*

### ETHIOPIAN FINANCIAL SECTOR

By the end of the third quarter of 2022/23, the number of banks in Ethiopia reached 30, of which 28 were private and 2 state owned. These banks have opened 746 new bank branches during the review quarter, there by increasing







the total number of bank branches to 10,967. As a result, the ratio of population to bank branch stood at 9,7871 . Of the total bank branches, 32.1% were located in Addis Ababa. About 94.9% of the new bank branches were opened by private banks. State owned banks accounted for 20.4% of the total bank branches while private banks took 79.6% share. Meanwhile, total capital of the banking system reached birr 234.1 billion of which private banks accounted for 64 percent and state owned banks (Commercial Bank of Ethiopia and Development Bank of Ethiopia) 36 percent. The banking sector disbursed Birr 123 billion in new loans during the review quarter, signifying 13 percent annual growth. Of the total new loans disbursed, the share of state owned banks was 39.6 percent and that of private banks 60.4 percent. Agriculture (25.7 percent), international trade (16.8 percent), domestic trade (15.6 percent), manufacturing (10.5 percent), building and construction (9.6 percent), and consumer & staff loans (9.5 percent) were the main beneficiaries of the fresh loans. In the meantime, the banks collected Birr 97.3 billion in loans, which was 78.2 percent higher than a year earlier depicting improvements in the banks' capacity to collect disbursed loans and loan servicing ability of customers. Of the total loan collection, 71.6 percent was collected by private banks and 28.4 percent by state owned banks. Total outstanding credit of the banking system (including corporate bond) increased to Birr 1.9 trillion depicting 27.7 percent year-on-year growth. About 99.5 percent of the total outstanding credit of private banks was claims on cooperatives and private enterprises.

Insurance companies numbered 18, of which 17 were private and 1 state owned. While the number of insurance companies remained static, their branches went up to 732 from 673 a year ago showing a 8.8 percent annual expansion. Of the total branches, about 56.4 percent were located in Addis Ababa signifying their concentration in a single capital city. Likewise, total capital of insurance companies increased to Birr 15.3 billion from 12.5 billion last year, of which private insurance companies accounted for 77.6 percent.

During the review quarter, the number of Micro Finance Institutions (MFIs) reached 46 which mobilized about Birr 24 billion in saving deposit, showing 16.9 percent annual growth. Total outstanding credit of these institutions increased by 25.8 percent and reached Birr 36.3 billion, highlighting the growing role of MFIs in providing access to finance and financial inclusion both in rural and urban areas. Their total asset also grew by 26.8 percent and stood at Birr 51.5 billion. *(NBE Quarterly Report)*





## THE ETHIOPIAN INSURANCE INDUSTRY

During the financial year 2022/23, the industry reported a Gross premium income of over birr 22.9 billion, showing a growth of 34.1% against birr 16.7 billion in the previous financial year. Out of the current total premium of birr 22.9 billion, about 93.9% (birr 21.5 billion) was contributed by the general insurance business, while the remaining 6.1% (birr 1.5 billion) by the long-term business.

The total asset of the insurance industry stood at birr 49.7 billion as at June 30, 2023. Of this total birr 46 billion was reported under the general insurance business. The long term insurance business's total asset as at the reporting period was about birr 3.7 billion. Similarly, the total capital of the insurance companies increased by birr 3 billion as compared with last year's same period of birr 13.4 billion.

## PERFORMANCE OVERVIEW OF AIC

### 👉 GROSS WRITTEN PREMIUM

During the financial year under review, i.e. 2022/23, the gross written premium income excluding self-insurance was about birr 1.062 billion, registering a remarkable growth of 83.8% as compared with last year's production of birr 57.8 million. Of this total, the general insurance business's share was birr 1.034 billion (97.4%), while the life business contribution was about birr 27.7 million (2.6%). During the financial year, the general insurance gross premium grew by birr 476.7 million (85.4%), while the Life business showed a growth of 38% or by birr 7.6 million, as compared with the previous financial year's gross premium of birr 557.9 million and birr 20.1 million, respectively.

During the year under review a self insurance premium of birr 8.1 million was excluded from the above disclosed figure for the sake of IFRS compliance purpose.

### 👉 CLAIMS PAID

A gross claim of birr 486.2 million was paid out to claimants during the year under review in respect both business. General insurance business claims was about birr 468.3 million and this showed a decrease of birr 11.1 million (2%) as compared with last year's reported claim of birr 479.4 million.







Similarly, during the financial year under consideration, claims amounting birr 17.9 million was paid out to life assurance beneficiaries and this also showed an increment of birr 7.8 million (78%) as compared with the previous financial year's gross claims paid of birr 10.1 million.

Out of the total claims paid out under both businesses, about birr 51.1 million is expected to be recovered from reinsurers and other local insurance companies. Accordingly, this resulted in net claims of birr 435.8 million.

### 👉 INVESTMENT INCOME

The Investment income of both life and non-life businesses in 2022/23 showed an increment of birr 21.2 million as compared with last year figure of birr 94.4 million and reached birr 115.6 million. Of this total figure, birr 46.8 million was generated from deposits held at different banks, while birr 20.1 million and birr 47.7 million was earned from investment in shares and rentals, respectively. On top of this, the company has also collected about birr 924 thousand from different sources, such as bid form fee and other activities.

The rent income accounted during the period declined by birr 5.6 million, while the dividend and interest income earned during the year under review grew by birr 11.2 million and birr 15.3 million, respectively. Of the total investment income birr 90.1 million was reported under the General business, while the remaining birr 25.5 million was accounted in the life business.

### 👉 GENERAL AND ADMINISTRATION EXPENSES

General and Administrative expenses of birr 180.1 million were incurred during the financial year. Compared to last year's same period of birr 143 million, this showed an increment of birr 37 million. Out of the total expense incurred, life's share was about birr 4.9 million (2.7%), while the remaining larger part belongs to the general business.

### 👉 PROFIT RESULT

During the financial year under review, the general insurance business registered a profit after tax of birr 36 million, while the life business reported a net profit of birr 8.1 million. Hence, the overall profit after tax for the financial year closed at birr 44.2 million and this has shown a an increment of birr 36.3 million as compared with last year's same period of birr 7.9 million. The earnings per share, the net profit for the financial year under consideration, birr 44.2 million to the weighted average outstanding number of shares as of



the reporting date, 276,295 shares, stood at birr 160 per share.

### 👉 TOTAL ASSET

The total asset of the company as at June 30, 2023 was about birr 1.773 billion and this was showed an increment by birr 388 million (27.9%) as compared to last year's balance of birr 1.385 billion. Out of the total asset reported, birr 278.2 million and birr 273.7 million represents bank deposits, and the book value of long term assets, respectively. The investment in other company's share was also considered as a major component of the total asset of the company and this was about birr 257 million as of the reporting date.

### 👉 TOTAL LIABILITY

The total liability of the company as of June 30, 2023, reached birr 1.354 billion. Last year, as of June 30, 2022 this was about birr 1.011 billion. As usual the major share of the total liability, i.e. about birr 1.090 billion or 80.5% belongs to provisions. As compared with last year's same period, this provisions was increased by birr 259.9 million.

### 👉 PAID UP CAPITAL

As at the end of the financial year under review, the total equity and reserves of the company stood at birr 418.7 million. Last year this was about birr 374.8 million. Of the total capital of the current year paid up capital represents about 66%, (birr 276.3 million), while the remaining 34% constitute Legal reserve, birr 59.4 million, Retained earnings, birr 36.2 million, Revaluation reserves, birr 32.6 million and Share premium, birr 14.3 million.

### 👉 INVESTMENT

The total long term and short term investment balance of the company as at the end of the financial year 2022/23 reached birr 834.5 million. Of the total balance, birr 432.3 million represents a long term investment, with birr 159.1 million in Real Estate/ buildings, birr 257 million on other company's shares and birr 16.2 million on government bonds, while the remaining birr 402.1 million corresponds to a short term investment, i.e. investment in fixed time deposits.

Based on the valuation undertaken on December 2022, the market value of the building and land were estimated about birr 982.1 million and birr 155 million, respectively. During the financial year investment in other companies share was increased by birr 29.9 million, while the investment in fixed time



## 👉 HUMAN RESOURCE

During the year ended at June 30, 2023, 52 new employees joined the company to replace resigned employees and fulfill additional manpower needs. In aggregate, an employment contract of 39 employees was terminated, of which 37 resigned on their own accord.

As at 30 June 2023, the total number of staff of the company was 371.

In order to enhance capability and fill the capacity gap, short-term trainings were provided for management staffs and employees on 43 training topics for 10,992 hours. The short-term trainings given can be classified in to leadership development and professional/technical trainings.

In addition to short-term trainings, the company gave the chance for staff members to pursue their education in CII, ACCA, and to attend at higher education at 1st degree and 2nd degree Level.

## 👉 CORPORATE GOVERNANCE

During the fiscal year 2022-2023, the board conducted 12 monthly regular meetings, 7 monthly extraordinary meetings, and 2 board subcommittee meetings. In a bid to ensure compliance and discharge the lofty responsibilities entrusted to it, the board accomplished the following major activities:

- With the strong leadership and guidance provided to the company, the board managed to profitability despite the huge loss of customer base caused by conflict in the country.
- The Board revised the policies and procedural manuals of the company;
- The board has succeeded in conducting meetings and following up on the performance of the company as per the regulatory requirements.
- The Board approved the 2023–24 annual budget to be executed in accordance with the established policies and procedures.
- The Board approved and closely followed up on the undergoing revision of the company's organizational structure.
- Close follow-up of the company's financial status and continuous supervision, evaluation, and support of the implementation of company performance;
- The Board took the necessary decisions to enforce resolution and capital increment.
- The Board took the necessary decisions and continued to follow up on



approval of AGM resolutions.

- The board gave direction on resolving issues that may affect or impact business.
- The board closely worked with the management to curb claims-related issues in claims management.
- The board closely worked with the internal audit to identify potentially problematic operational areas and has taken corrective measures.
- Frequent Board directions and implementation of an action plan and rectification measures to take corrective measures as per the findings of the NBE on site audit findings
- As part of its CSR program and to discharge its social responsibility as a corporate entity, the company, along with its peer groups, made its share of financial contribution towards ensuring the Gebeta Letiwulid government development program

## 👉 CHALLENGES FACED AND THE WAY FORWARD

Businesses function within interacting and influencing forces that are outside their peripheries (beyond their control). That is why this section of the report is going to address some of the challenges, opportunities and the way forward, first, by having the major emphasis on economic environment followed by other related issues of the topic.

Ethiopia's GDP was projected to grow 5.8% in 2023, driven by industry, private consumption, and investment. The peace dividend, rebounding tourism, and prospect of liberalizing more sectors were expected to boost the growth outlook. Inflation was projected to decline to 28.1% in 2023, following the peace dividend. The fiscal deficit was projected to grow to 3.1% in 2023 due to the expected increase in government revenue driven by domestic resource mobilization improvements, implementation of the fiscal consolidation strategy, and resumption of donor inflows. The current account deficit was expected to narrow to 3.7% of GDP during 2023–24 as merchandise and service exports and foreign direct investment expected to rise and imports of capital inputs continue to decline.

Though the above projections exist as mentioned in previous paragraphs, the Country's Real GDP growth fell to 5.3% in 2022 from 5.6% in 2021, inflation rose to 34% in 2022 from 26.6% in 2021, the fiscal deficit (Government Revenue less Expenditure) widened to 4.2% of GDP in 2022 from 2.8% in 2021, although the non performing loans ratio Increased to 5.4% in 2021 from 5.0%,







the current account deficit deteriorated to 4.0% of GDP in 2022 from 3.2% in 2021, international reserves declined to about 1 month of import cover in 2022 from 2.2 months in 2021, public and publicly guaranteed debt declined to 50.1% of GDP (with external debt at 23.6% of GDP) in 2022 from 51.0% in 2021, income per capita grew by 2.7% in 2022, humanitarian support requirements increased from 15.8 million people in 2021 to 20 million in 2022. *(AEO, 2023)*

Turning to insurance in Ethiopia, the industry faces many pressures including very dynamic regulatory complexities, which put companies with significant risks that impact financial and operational stability, and conversely, potential opportunities to embrace.

The insurance companies have limited capacities (i.e., premium setting is based on outdated methods, and there is a considerable lack of risk assessment methodologies since auxiliary services such as actuaries are hardly available in the nation). Besides, competition is stiff in the market as the majority of insurers are ambitious to increase their sales volume by providing unfair and unjustifiable premium discounts in their belief to attract clients and attain their premium production budget (i.e., not profit, but being production-oriented). Their aggressive pricing policy has led to an unhealthy premium cutting leveled as cut throat competition. Insurance companies' investment activities are, still heavily constrained by the restrictions that the NBE's investment proclamation has been imposed. This compels them to invest the majority of their funds in government securities and bank deposits.

A directive issued by the NBE on the range of insurance capital required to obtain insurance business licenses has to be Birr 400 million and 100 million for general and long-term insurance businesses respectively, however, subject to transitory provisions (Directive No.SIB/57/2022). Very recently, the NBE has issued a directive cited as “Motor Insurance Minimum Premium Rate”, the purpose of which is to have a minimum/economic premium for all active players in the market and to tackle the unhealthy or cut throat competition. As to different sources, new entrants are on pipeline to join the market even if there is such new directive requiring more capital so that AIC as an incumbent insurer is expected to consider them, among other things.

From the above projections, one can pinpoint the following major notes as opportunities:





- The economy was projected to grow better than its immediate past but not as expected;
- The peace dividend to prevail and stretch across the nation;
- Inflation to decline;
- Narrow fiscal deficit; and
- Narrow current account deficit, etc.

These projections have not been met yet due to some challenges. Some of the ongoing challenges were:

- Conflict and unrest in several regions;
- The occurrence of drought;
- The incessant Russia-Ukraine war on commodity prices at an international level; and others.

As noted in the previous annual report of the Company (2021/22), this year too (2022/23), even with all ups and downs having a mix of challenges and opportunities in the nation and beyond, Ethiopia is among the fastest growing non-oil economies in the world as the government reforms undertaken in recent years have succeeded in opening the economy to foreign direct investments and resulted in expansion of commercial agriculture and manufacturing industry. Hence, there is a chance to regain for AIC as an actor in the market. The Company's vision "to outshine as the most preferred Insurance Company in the nation" can reshape its path for a better future through measurable tools that the Company has in its 5 (Five) years' BSC-aligned strategic plan. That is, AIC is more cognizant of its business vulnerability to short and long tail events. As an insurer, the Company is playing wide-ranging role in the Country to support the businesses and society by paying claims against the risks covered with added social responsibility. Needless to say, AIC has shared the above external and internal challenges at Country and Company (firm) levels, respectively, it is possible to bring tangible success largely built on mutual trust between the Company itself and clients, brokers, insurers, reinsurers and other stakeholders.



## 👉 VOTE OF THANKS

The Board of Directors wishes to express its sincere gratitude to all esteemed customers of the company for their sustainable support and trust. The Board of Directors and staff of the company wish to convey special recognition for shareholders of the company for their investment and persistent backing.

Last but not least, the Chairman would also like to thank the Board of Directors, the management, the employees of the Company for the persistent effort made, and results achieved.



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Akililu Wubet  
(Chairman, Board of Directors)







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AFRICA INSURANCE COMPANY S.C.

**ANNUAL IFRS FINANCIAL STATEMENTS**  
*For The Year Ended 30 June 2023*





## AFRICA INSURANCE COMPANY(S.C)

### ANNUAL IFRS FINANCIAL STATEMENTS

AS AT 30 JUNE 2023

#### DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE

**Company registration number 3-1619/87**

**Directors (as of 30 June, 2023)**

|                      |                     |           |
|----------------------|---------------------|-----------|
| Dr Aklilu Wubet      | Chairman & Director | Nov, 2016 |
| Alemu Berehe         | Director            | Aug, 2023 |
| Getachew Tadesse     | Director            | Nov, 2016 |
| Abdurahman Abdalbaki | Director            | Mar, 2020 |
| Fikadesilassie Beza  | Director            | Aug, 2023 |
| Birhanu Tadesse      | Director            | Aug, 2023 |
| Mekdes G/Tsadik      | Director            | Apr, 2019 |
| Amsal Kasahun        | Director            | Aug, 2023 |
| Yisak Kebede         | Board Secretary     | Nov, 2022 |

#### Executive management (as of 30 June, 2023)

|                     |  |             |
|---------------------|--|-------------|
| Kiros Jiranie       | Chief Executive Officer                                  | Jul,1-1996  |
| Kassahun Begashaw   | Deputy Managing Director                                 | Apr,15-2014 |
| Demis Abera         | Manager, UW & Branch Operations Department               | Sep,1-1996  |
| Yohannes Hailu      | Manager, Claims Department                               | Dec,6-1994  |
| Daniel Teweldebrhan | Manager, Finance and Investment Department               | Aug,15-1999 |
| Bedilu Mekonnen     | Manager, Risk Management & AML-CFT Compliance Department | Nov,10-2014 |
| Michael Mesfin      | Manager, Legal Service                                   | Mar,13-2020 |
| Tesema Hidetu       | Manager, Internal Audit Service                          | Oct,1-2020  |
| Tesfaye Girma       | Manager, HRD & Property Administration Service           | Aug,1-2011  |
| Mezmur Hawaz        | Manager, Reinsurance Service                             | Aug,15-1998 |
| Estifanos Emiru     | Engineering Service Representative                       | Mar,31-2020 |
| Dejene Megersa      | Manager, IT Service                                      | Nov,6-2015  |

#### Independent auditor

TMS Plus  
Chartered Certified Accountants (UK)  
Authorized Auditors (Ethiopia)  
Yosef Broz Tito Street  
Addis Ababa  
Ethiopia

#### Corporate Office

Africa Insurance Head Office Building  
Bole Sub City (Bole)  
Addis Ababa,  
Ethiopia

#### Company Secretary

Africa Insurance Head Office Building  
Bole Sub City (Bole)  
Addis Ababa,  
Ethiopia

#### Actuarial Service

ACTUARIAL SERVICES (E.A)LTD  
26th Floor,UAP Old Mutual Tower  
Upper Hill Road  
P.O.Box 10472-00100  
NAIROBI,KENYA







# AFRICA INSURANCE COMPANY(S.C)

## ANNUAL IFRS FINANCIAL STATEMENTS

### AS AT 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, all the reporting entities established in accordance the Ethiopian law or operating in Ethiopia are to prepare financial statements in accordance with International Financial Reporting Standards, whether their designation changes or they are replaced, from time to time.

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

- Exhibit clearly and correctly the state of its affairs;
- Explain its transactions and financial position; and
- 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 Management accepts 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, the requirements of the Accounting and Auditing Board of Ethiopia 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".

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.

Dr Aklilu Wubet  
(Chairman, Board of Directors)



Kiros Jiranie  
Managing Director/CEO



## **ACTUARY CERTIFICATE**

I have conducted an actuarial valuation of the general insurance liabilities, life insurance liabilities and severance benefits of Africa 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 assurance business at 30 June 2023.
- (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.

A handwritten signature in black ink.

**Abed Mureithi**  
**Fellow of the Institute and Faculty of Actuaries**  
**Actuary**

**TMS** Plus

Tafesse, Shisema and Ayalew Certified Audit Partnership  
Chartered Certified Accountants (UK) and Authorized Auditors (Ethiopia)  
Member Firm of HLB International  
THE GLOBAL ADVISOR AND ACCOUNTING NETWORK



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E-mail:- tmsplus@ethionet.et/tafessef@hotmail.com P.O.Box 110690 Addis Ababa-Ethiopia

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Africa Insurance Share Company (S.C), which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and 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 so far as it related to these financial statements and pursuant to the Commercial Code of Ethiopia Proclamation No.1243/2021, recommended approval of the above mentioned financial statements. In addition we recommend the approval of the profit distribution proposed by the Board of Directors.

*Tafesse Shisema & Ayalew*

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



Addis Ababa  
22 October 2023





# AFRICA INSURANCE COMPANY(S.C)

## STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2023

|   |        | Currency:- Ethiopian Birr |                      |
|---|--------|---------------------------|----------------------|
|   | Notes  | 2023                      | 2022                 |
| <b>ASSETS</b>                                 |        |                           |                      |
| Cash and bank balances                        | 6.1    | 278,235,045               | 140,066,263          |
| Financial assets                              | 6.2    | 645,809,613               | 420,405,932          |
| Trade receivable                              | 6.3    | 9,385,719                 | 1,566,978            |
| Reinsurance assets                            | 6.4    | 334,655,525               | 339,860,962          |
| Deferred acquisition cost                     | 6.5    | 30,047,117                | 13,000,794           |
| Other receivables                             | 6.6    | 122,955,777               | 113,919,581          |
| Property, plant and equipment                 | 6.8    | 100,870,954               | 103,688,357          |
| Right of use assets                           | 6.12 a | 7,281,397                 | 5,577,423            |
| Intangible asset                              | 6.9    | 12,372,153                | 14,139,604           |
| Investment property                           | 6.10   | 159,078,240               | 166,859,055          |
| Investment in associate                       | 6.7    | 29,614,206                | 24,621,607           |
| Statutory deposit                             | 6.13   | 41,358,150                | 40,389,850           |
| Leasehold land                                | 6.11   | 1,419,948                 | 1,464,019            |
| <b>TOTAL ASSET</b>                            |        | <b>1,773,083,843</b>      | <b>1,385,560,426</b> |
| <b>LIABILITIES</b>                            |        |                           |                      |
| Insurance contract liabilities                | 6.15   | 1,090,254,912             | 830,100,254          |
| Credits arising from reinsurance arrangements | 6.16   | 101,022,701               | 37,087,309           |
| Deferred commission income                    | 6.20   | 20,831,332                | 10,856,082           |
| Trade payables                                | 6.17   | 41,709,783                | 30,783,289           |
| Lease liability                               | 6.12 b | 8,502,382                 | 5,759,343            |
| Other liabilities                             | 6.18   | 61,066,273                | 66,790,476           |
| Current income tax                            | 6.21   | 8,809,701                 | 10,970,299           |
| Deferred tax liability                        | 6.14 b | 22,095,064                | 18,388,964           |
| <b>TOTAL LIABILITIES</b>                      |        | <b>1,354,292,148</b>      | <b>1,010,736,018</b> |
| <b>EQUITY AND RESERVES</b>                    |        |                           |                      |
| Paid up capital                               | 6.22   | 276,315,000               | 275,721,000          |
| Share premium                                 | 6.23   | 14,251,676                | 14,251,676           |
| Retained earnings                             | 6.25   | 36,228,240                | 622,122              |
| Legal reserve                                 | 6.24   | 59,399,449                | 54,982,249           |
| Revaluation reserves                          | 6.26   | 32,597,329                | 29,247,360           |
| <b>Total Capital and Reserves</b>             |        | <b>418,791,694</b>        | <b>374,824,406</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>           |        | <b>1,773,083,843</b>      | <b>1,385,560,426</b> |

The notes on pages 28 to 120 are an integral part of these financial statements.







**Aklilu Wubet**  
**(Chairman, Board of Directors)**

**Kiros Jiranie**  
**Managing Director/CEO**



# AFRICA INSURANCE COMPANY(S.C)

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2023

|  |        | Currency:- Ethiopian Birr |                    |
|--|--------|---------------------------|--------------------|
|  | Notes  | 2023                      | 2022               |
| <b>Net Earned Premium</b>                                    | 6.27   | <b>604,549,749</b>        | <b>426,962,909</b> |
| Investment and Other Income                                  | 6.28   | 112,016,643               | 95,191,416         |
| Commission Earned  | 6.30   | 29,305,023                | 22,140,848         |
| <b>Total Income</b>  |        | <b>745,871,415</b>        | <b>544,295,172</b> |
| <b>Net Claims incurred</b>                                   | 6.32   | <b>477,552,679</b>        | <b>358,331,588</b> |
| Operating and Other Expenses                                 | 6.35   | 172,740,840               | 139,213,908        |
| Sales Commission Incurred                                    | 6.33   | 36,207,983                | 21,324,871         |
| <b>Total Expense</b>   |        | <b>686,501,502</b>        | <b>518,870,367</b> |
| <b>Result of Operating Activity</b>                          |        | <b>59,369,914</b>         | <b>25,424,805</b>  |
| Finance Costs  | 6.34.1 | 3,687,478                 | 2,108,097          |
| Impairment Loss  | 6.34.2 | 3,630,499                 | 1,711,456          |
| Share of Result of Associates-Profit(Loss)                   | 6.7b   | 3,578,535                 | (763,151)          |
| <b>Profit Before Tax</b>                                     |        | <b>55,630,473</b>         | <b>20,842,102</b>  |
| Income Tax Expense   | 6.21a  | 11,460,170                | 12,922,892         |
| <b>Profit For the Year</b>                                   |        | <b>44,170,302</b>         | <b>7,919,210</b>   |
| <b>Other comprehensive Income</b>                            |        |                           |                    |
| <b>Items That will not be reclassified to Profit or loss</b> |        |                           |                    |
| Fair Value Gain(loss) on Financial Assets                    | 6.29   | 5,882,011                 | (73,369)           |
| Remeasurement Gain (loss ) on Employees Benefit              | 6.29   | (245,773)                 | 1,105,786          |
| <b>Other Comprehensive Income before Tax</b>                 |        | <b>5,636,238</b>          | <b>1,032,417</b>   |
| Deferred Tax on Other Comprehensive Income                   | 6.14   | (1,690,871)               | (309,725)          |
| <b>Total Other Comprehensive Income, Net of Tax</b>          |        | <b>3,945,367</b>          | <b>722,692</b>     |
| <b>Total Comprehensive Income for the year</b>               |        | <b>48,115,671</b>         | <b>8,641,902</b>   |
| <b>Earning Per Share</b>                                     | 6.37   | <b>160</b>                | <b>32</b>          |





**AFRICA INSURANCE COMPANY(S.C.)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2023**



አፍሪካ አገጽ-ጋንስ ኩባንያ(አ.ማ.)  
 የላይኛ ጥራት ያለው አገልግሎት ማስጠንቀቂያ ኃላፊ ኪሳራ ገዢ



|   | Share Capital<br>(Paid up capital) | Share Premium | Revaluation Reserve-<br>Financial Instrument | Revaluation Reserve-<br>PP & E | Other<br>Component Of<br>Equity | Legal Reserve | Retained Earning | Total        |
|---|------------------------------------|---------------|--|--------------------------------|---------------------------------|---------------|------------------|--------------|
| <b>Balance at 1 July 2021</b>                             | 223,891,000                        | 14,357,440    | 26,237,654                                   | 2,852,126                      | 70,237                          | 53,229,685    | 45,094,196       | 365,732,338  |
| <b>Profit for the year</b>                                | -                                  | -             | -  | -                              | -                               | -             | 7,919,211        | 7,919,211    |
| <b>Increase in life fund</b>                              | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Transfers to Retained earning on Disposal (6.25)          | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Net translation gain/loss                                 | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Transfer From Life Fund                                   | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Transfer to legal reserve (6.24)                          | -                                  | -             | -  | -                              | -                               | 1,752,564     | (1,752,564)      | -            |
| Transfer to Equity  | -                                  | -             | -  | (635,113)                      | -                               | -             | 635,113          | -            |
| Prior year adjustment                                     | -                                  | (105,764)     | -  | -                              | -                               | -             | (6,314,175)      | (6,419,939)  |
| Prior year adjustment on Associate Account (6.7)          | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Opening balance Difference                                | -                                  | -             | -  | -                              | -                               | -             | (8,822)          | (8,822)      |
| <b>Other Comprehensive Income</b>                         | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Change In fair value of financial assets through O        | -                                  | -             | (51,358)                                     | -                              | -                               | -             | -                | (51,358)     |
| Remeasurement Gain or loss on Employee benefit            | -                                  | -             | -  | -                              | 773,813                         | -             | -                | 773,813      |
| <b>Transactions With Owners</b>                           | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Additional share issued                                   | 51,830,000                         | -             | -  | -                              | -                               | -             | -                | 51,830,000   |
| Dividend and profit sharing declared and paid,2021        | -                                  | -             | -  | -                              | -                               | -             | (44,950,840)     | (44,950,840) |
| <b>Balance at 30 June 2022</b>                            | 275,721,000                        | 14,251,676    | 26,186,296                                   | 2,217,013                      | 844,050                         | 54,982,249    | 622,122          | 374,824,407  |
| <b>Balance at 1 July 2022</b>                             | 275,721,000                        | 14,251,676    | 26,186,296                                   | 2,217,013                      | 844,050                         | 54,982,249    | 622,122          | 374,824,407  |
| <b>Profit for the year</b>                                | -                                  | -             | -  | -                              | -                               | -             | 44,170,302       | 44,170,302   |
| <b>Increase in life fund</b>                              | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Transfers to Retained earning on Disposal (6.25)          | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Net translation gain/loss                                 | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Transfer From Life Fund                                   | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Transfer to legal reserve (6.24)                          | -                                  | -             | -  | -                              | -                               | 4,417,199     | (4,417,199)      | -            |
| Transfer to Equity  | -                                  | -             | -  | (595,399)                      | -                               | -             | 595,399          | -            |
| Prior year adjustment (6.7)                               | -                                  | -             | -  | -                              | -                               | -             | (6,156,511)      | (6,156,511)  |
| Prior year adjustment on Associate Account                | -                                  | -             | -  | -                              | -                               | -             | 1,414,063        | 1,414,063    |
| Opening balance Difference                                | -                                  | -             | -  | -                              | -                               | -             | 60               | 60           |
| <b>Other Comprehensive Income</b>                         | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Change In fair value of financial assets through OCI      | -                                  | -             | 4,117,409                                    | -                              | -                               | -             | -                | 4,117,409    |
| Remeasurement Gain or loss on Employee benefit obligation | -                                  | -             | -  | -                              | (172,041)                       | -             | -                | (172,041)    |
| <b>Transactions With Owners</b>                           | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| Additional share issued                                   | 594,000                            | -             | -  | -                              | -                               | -             | -                | 594,000      |
| Dividend and profit sharing declared and paid,2021        | -                                  | -             | -  | -                              | -                               | -             | -                | -            |
| <b>Balance at 30 June 2023</b>                            | 276,315,000                        | 14,251,676    | 30,303,705                                   | 1,621,615                      | 672,009                         | 59,399,449    | 36,228,239       | 418,791,694  |

**AFRICA INSURANCE COMPANY(S.C.)**  
**STATEMENT OF CASH FLOW**  
**AS AT 30 JUNE 2023**

Currency:- Ethiopian Birr

|   | <u>2023</u>          | <u>2022</u>         |
|---|----------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                      |                     |
| Net profit/loss before taxation                               | 55,630,474           | 20,842,104          |
| Net profit before taxation (transferred from Life)            | -                    | -                   |
| Dividend income   | (16,556,416)         | (9,693,634)         |
| Associate Result  | (3,578,537)          | 763,150             |
| Interest income   | (47,485,170)         | (31,529,840)        |
| Rent income   | (47,706,674)         | (53,294,016)        |
| Provision for doubtful Debtors                                | 3,630,499            | 1,711,456           |
| Amortization RUA  | 1,135,973            | 1,513,143           |
| Depreciation  | 15,988,780           | 15,689,646          |
| <b>Operating profit before working capital changes</b>        | <b>(38,941,071)</b>  | <b>(53,997,992)</b> |
| Decrease(Increase) in Trade debtors                           | (7,818,741)          | 3,594,792           |
| Decrease (Increase) in Reinsurance Asset                      | 6,093,593            | 65,813,848          |
| Decrease(Increase) in sundry debtors                          | (28,519,258)         | (27,436,148)        |
| Increase (Decrease)in outstanding claims                      | (22,523,294)         | (11,115,943)        |
| Increase(Decrease) in unearned premium                        | 282,529,239          | 10,624,837          |
| Increase(Decrease) in other technical provision               | 106,349              | 2,043,561           |
| Increase(Decrease) in amount due to re-insurers               | 63,089,599           | (45,062,388)        |
| Increase(Decrease) in dividend payable                        | (2,835,716)          | (11,651,113)        |
| Increase(Decrease) in deferred revenue                        | 3,187,758            | (6,421,234)         |
| Increase(Decrease) in sundry creditors                        | 11,778,979           | (3,636,031)         |
| Increase(Decrease) in taxes payable                           | 4,350,151            | (612,884)           |
| Prior year's Adjustment                                       | (5,358,041)          | (2,607,332)         |
| Opening balance difference-Retaining Earning                  | (2,346)              | (6,476)             |
| Increase(Decrease) Life/Non life inter-office acc.-RE         | 2,286                | (2,346)             |
| Advance profit tax deducted from profit tax                   | (1,014,795)          | (1,295,296)         |
|   | <b>303,065,761</b>   | <b>(27,770,154)</b> |
| Profit tax paid   | <b>(11,389,214)</b>  | <b>(7,261,184)</b>  |
| <b>Net cash inflow from operating activities</b>              | <b>252,735,476</b>   | <b>(89,029,331)</b> |
| <b>INVESTING ACTIVITIES</b>                                   |                      |                     |
| Decrease(Increase) in investment in time deposit              | (182,244,554)        | 29,621,264          |
| Purchase/construction of fixed assets                         | (6,418,987)          | (7,024,226)         |
| Investment in equities  | (24,049,016)         | (14,274,939)        |
| Investment in Government bond                                 | (1,200,000)          | -                   |
| Prior year adjustment on associate                            | 1,414,063            | (3,711,910)         |
| Dividend received   | 20,134,953           | 8,930,484           |
| Interest Income   | 47,485,170           | 31,529,840          |
| Accrued Interest Receivable                                   | (17,020,697)         | 3,737,460           |
| Interest received   | 30,464,473           | 35,267,300          |
| Rent received   | 47,706,674           | 53,294,016          |
| <b>Net cash used in investing activities</b>                  | <b>(114,192,395)</b> | <b>102,101,989</b>  |
| <b>FINANCING ACTIVITIES</b>                                   |                      |                     |
| Equity dividend paid  | (968,300)            | (44,945,773)        |
| Increase in statutory deposit                                 | -                    | (7,100,000)         |
| Increase in shares Premium                                    | -                    | (105,764)           |
| Additional shares issued                                      | 594,000              | 51,830,000          |
| <b>Net cash from financing activities</b>                     | <b>(374,300)</b>     | <b>(321,537)</b>    |
| Increase (Decrease) in cash and bank balances during the year | 138,168,782          | 12,751,122          |
| Cash and bank balances at the beginning of the year           | <b>140,066,263</b>   | <b>127,315,141</b>  |
| Cash and bank balances at the end of the year                 | <b>278,235,045</b>   | <b>140,066,263</b>  |
| <b>Cash and bank balances consists of:</b>                    |                      |                     |
| Cash in hand  | 10,277,573           | 805,735             |
| Cash at bank  | 267,957,472          | 139,260,528         |
|   | <b>278,235,045</b>   | <b>140,066,263</b>  |



**AFRICA INSURANCE COMPANY (S.C.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**1. General Information**

Africa Insurance Company (S.C.) is a private owned company domiciled and operated in Ethiopia. The company was established on 8 December 1994 in accordance with proclamation No. 86/1994 and the Commercial Code of Ethiopia.

The address of the Company's office is Africa Insurance Head office Building, Africa Avenue, Bole Sub-City, and Addis Ababa - Ethiopia.

The purpose of the Company is to engage in general insurance business, sickness insurance business, annuity business, personal accident insurance business and long term insurance business, to invest in real estate business, including mortgage, bonds, shares and in any other business conducive to investment and to engage in any other activity that may directly or indirectly enhance its business purposes as specified above.

The annual financial statements of the company as at and for the year ended June 30, 2023 comprise the Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity, Statements of Cash Flows, and Explanatory notes. Income and expenses, excluding the components of other comprehensive income, are recognized in profit or loss. Other comprehensive income is recognized in the statement of other comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognized in the statement of profit or loss as required or permitted by IFRS.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after reporting date (current) and more than twelve months after reporting date (non-current).

The company is regulated by the National Bank of Ethiopia.

**2. Summary of Significant Accounting Policies**

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







**AFRICA INSURANCE COMPANY (S.C.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**2.1 Basis of Preparation**

**a) Statement of Compliance**

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements were authorized for issue by the Board of Directors on 21 October 2023.

**b) Basis of Measurements**

The financial statements are prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Financial instruments, which are subsequently measured at fair value through other comprehensive income.
- Property, plant and equipment, which were measured at deemed cost during the transition to IFRS, June 30, 2016.

**c) Functional and presentation currency**

The financial statements are presented in Ethiopian Birr, which is the company's functional currency. All financial information presented in Birr has been rounded to the nearest Birr.

**d) Critical Accounting Estimates and Judgments in Applying Accounting Policies**

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires directors to exercise judgment in the process of applying the accounting policies adopted by the Company. Although such estimates and assumptions are based on the directors' best knowledge of the information available and actual results may differ from those estimates. The judgments and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognized in the year in which the revision is made.





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• **New Standards, Amendments, Interpretations Issued but not yet Adopted**

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

The measurement of the fulfillment cash flows reflects the current value of any interest-rate guarantees and financial options included in the insurance contracts.

The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted.

**2.2 Financial Asset and Liabilities**

In accordance with IFRS 9, all financial assets and liabilities (including derivative financial instruments) have to be recognized in the financial statements and measured in accordance with their assigned categories.

**2.2.1 Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash in hand, cash at banks in current and deposit accounts and short term investment with maturity period of three months or less and readily convertible to known amounts of cash and





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subject to insignificant risk of changes in value and are used by the company in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost.

**2.2.2 Financial Asset**

Financial assets are required to be classified into two measurement categories: Those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification is based on the business model for managing the financial asset and the characteristics of the contractual cash flow of the instrument.

An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the company's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest. All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize changes in fair value of an equity investment through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Only financial assets that are classified as measured at amortized cost are tested for impairment. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Company has not elected to designate any debt instruments meeting the Amortized Cost criteria as at Fair Value through Profit or Loss (FVTPL), since they are not held for trading. Investments in equity are classified and measured at Fair Value through Other Comprehensive Income (FVTOCI). The gains and losses, except dividend income, of the equity investment designated as at FVTOCI, are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

Fair values of quoted investments in active markets are based on quoted bid prices. Fair values for unquoted investments are estimated using valuation techniques. These include the use of recent arm's length transactions,



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discounted cash flow analysis and other valuation techniques commonly used by market participants.

**a) Equity instruments at Fair Value through Other Comprehensive Income (FVTOCI)**

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. A financial asset is held for trading if:

- ❖ It has been acquired principally for the purpose of selling it in the near term; or
- ❖ On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- ❖ It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends from equity instruments are recognized in profit or loss when the company's right to receive the dividends is established in accordance with IFRS 15 revenue recognition, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognized in profit or loss and are included in the 'investment income' line item.

**b) Debt Instruments at Amortized Cost using the Effective Interest Method**

Debt instruments are measured at amortized cost if both of the following conditions are met:

The asset is held with a business model, whose objective is to collect contractual cash flows; and







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The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs, except if they are designated at FVTPL. They are subsequently measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis in investment income.

**2.3 Reinsurance Asset**

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the insurance policies and are in accordance with the related contract. Reinsurance assets consist the amount due from reinsurers for claims submitted as well as the portion of the current long term insurance that is ceded to the reinsurers on the basis of the reinsurance agreement (proportional treaty or facultative).

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss. Gains or losses on buying reinsurance are recognized in the statement of profit or loss as per the treaty agreement.

Reinsurance arrangements do not relieve the Company from its obligations to policyholder. Reinsurance asset or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transfer to another party.

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.





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**2.4 Trade Receivables**

Trade Receivable, which is in our case also called, insurance receivables are recognized when due and measured on initial recognition at fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss. Insurance receivables are derecognized when the de-recognition criteria for financial assets, has been met.

**2.5 Deferred Acquisition Costs (“DAC”)**

Acquisition costs comprise insurance commissions, brokerage and other related expenses arising in the generation and conclusion of insurance contracts. The proportion of acquisition costs that corresponds to the unearned premium are deferred as an asset and amortized in subsequent period over the life of the contract. They are amortized on the basis consistence with the related provision for unearned premium.

**2.6 De-Recognition of Financial Assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other compressive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognized in other compressive income is not subsequently reclassified to profit or loss.





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**2.7 Impairment of Financial Assets**

In relation to the impairment of financial assets, the expected credit loss model was used to account impairment. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The company measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset) the company required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit loss. The company measuring the loss allowance at an amount equal to lifetime expected credit losses for debt investments subsequently measured at amortized cost or at FVTOCI trade receivables, contract assets and lease receivables in certain circumstances.

At the end of each financial year, the directors of the company reviewed the company's existing financial assets; amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort.

**2.8 Off-Setting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.





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**2.9 Financial Liabilities**

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’ at amortized cost.

**2.10 De-Recognition**

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or expired. The condition is met when the liability is settled by paying the creditors, or when the Company is released from primary responsibility for the financial liability either by process of law or by creditor.

**2.11 Other Assets**

Other receivables and prepayments are carried at cost less accumulated impairment losses. Other receivable are receivables other than investment securities, insurance trade receivables and reinsurance assets.

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

**2.12 Other Financial Liabilities**

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangement, borrowings and other payable, are initially measured at cost, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost.

**2.13 Investment in Associates**

Associates are entities over which the Company has significant influence but not control, or joint control over the financial and operating policies, generally accompanying with a shareholding of between 20% and 50% of the voting rights. Investments in associates are carried in the company’s financial statements at cost less allowance for impairment under the equity method of accounting. Under the equity accounting method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the post-acquisition profit or loss and other comprehensive income of the investee.





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The Company's share of its associates' post-acquisition profits or losses is recognized in the profit or loss, and its share of post-acquisition movements in reserves is recognized in other comprehensive income with corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. The amount of impairment is determined as the difference between the recoverable amount of the associate and its carrying value. This amount is recognized against the share of profit or loss of associates in the income statement.

On disposal of ownership interest in an associate, which reduces holdings but where significant influence is retained, only a proportionate share of the amount previously recognized in other comprehensive income is reclassified to profit or loss where appropriate, where significant influence is lost, the investment is reclassified as equity investment and the amount previously recognized in other comprehensive income is reclassified to profit or loss.

The financial statements of the associate are presented in Ethiopian birr and have the same reporting period as the company.

## 2.14 Investment Properties

Investment properties comprise buildings and other components held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost, including the transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation less impairment.

Investment properties are disclosed separately from property and equipment used for the purpose of the business. The company separately accounts a dual purpose property as investment property if it occupies only an insignificant proportion. Otherwise, the portion occupied by the company is treated as property, plant and equipment, however, the company considers an occupation of 30% as significant.

Investment properties are derecognized either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement

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of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to the statement of profit or loss in the year of disposal or retirement.

**2.15 Property, Plant and Equipment**

All categories of property, plant and equipment are initially recognized at cost. Cost includes all expenditure directly attributable to the acquisition of the assets. Subsequent costs (including replacement costs) are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when incurred and 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. Repair and maintenance expenses are charged to the statement of profit or loss in the year in which they are incurred. All items of property and equipment are subsequently carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation of an asset begins when it is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Depreciation is calculated using the straight line basis to write down carrying values of the assets over their useful lives at the following annual rates:

|                        | <b>Useful life</b> | <b>Residual Value</b> |
|------------------------|--------------------|-----------------------|
| Building               | 50 years           | 5%                    |
| Lift                   | 15 years           | 1%                    |
| Furniture and Fixtures | 10 years           | 1 birr                |
| Office Equipment       | 10 years           | 1 birr                |
| Computer Equipment     | 7 years            | 1 birr                |
| Motor Vehicles         | 10 years           | 5%                    |
| Generator              | 10 years           | 1%                    |
| Land Leasehold         | 50 years           | -                     |

The assets' residual values, and useful lives and method of depreciation are reviewed, and adjusted if appropriate, at the end of each financial year and adjusted prospectively, if appropriate. Impairment reviews are performed



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when there are indications that the carrying amount may not be recoverable. Impairment losses are recognized in the statement of profit or loss as an expense. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal.

Capital work in progress is not depreciated. The company's capital work in progress relates to capital expenditure on property to be used for the company's activities. Upon completion, it is transferred to the relevant asset category. Depreciation methods, useful lives and residue values are reassessed at each reporting date.

Gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year the item is derecognized.

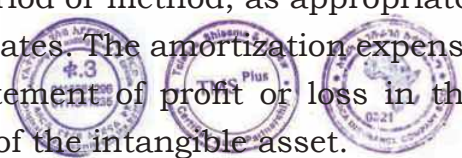
**2.16 Intangible Assets**

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring it to use, the specific software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be Tent years.

Amortization begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset 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 is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.





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Intangible assets are derecognized on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Amortization is calculated using the straight line basis to write down carrying values of the assets over their useful lives at the following annual rates:

**Useful life**

Intangible Asset- Computer Software

10 years

**2.17 Deferred Charges**

The Company made an advance payment in respect of its rented branch office and/or recovery yards for damaged vehicle (Salvage) with a lease period of more than Twelve months (12) and low in value. This advanced payment is recorded as a deferred charge in the statement of financial position. Each quarter, the Company recognizes a portion of the prepaid rent as an expense in the statement of profit or loss. All other prepaid expense items are recognized as a deferred change in the statement of financial position and amortized at the end of each reporting period as an expense to profit or loss.

**2.18 Impairment of Non-Financial Assets**

The Company assess, 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





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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.

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

## 2.19 Salvages

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

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

## 2.20 Subrogation

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled and the amount to be recovered from the liable third party is established. Management shall exercise professional judgment and determine the likelihood of exercising its subrogation right. An asset is recognized to the extent that management will exercise this subrogation rights.





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**2.21 Statutory Deposit**

This represent 15% of the paid up capital at the statement of financial position date and this has been deposited in cash and/or in the form of securities (government bond) with national bank of Ethiopia in accordance with article 20 of proclamation No. 746/2012. The deposit may not be withdrawn except with the written permission of the National Bank of Ethiopia, or be used as a pledge or security for any loan. Statutory deposits are measured at amortized cost. Interest on statutory deposits is recognized in other receivables and the corresponding amount is recognized in statement of profit or loss as investment income.

**2.22 Insurance Contracts-Classification**

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

The Company's insurance contracts are classified into two main categories, depending on the nature and duration of risk.

**a) Non- Life Insurance Contracts**

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

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



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**b) Life Insurance Contracts**

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

In addition, the Company has short-term life insurance contracts which protect the Company's policyholders from the consequences of events (such as death or disability) that would affect the ability of the insured or his/ her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the insured or the beneficiary.

**2.23 Liability Adequacy Test**

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities of both the general and long term insurance businesses net of related deferred acquisition costs. In performing the test, current best estimate of future cash out flows including claims handling and administration expenses, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests unexpired risk/incurred but not enough reported (IBNER).

The liability adequacy test for life and general insurance business is undertaken by an actuarial at the end of each financial year.

A number of valuation methods may be applied by the actuaries, including discounted cash flows. Aggregation levels and the level of prudence applied in the test are consistent with IFRS 4 (Insurance Contracts) requirements. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on actuary's prudent expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, by establishing an additional liability, unexpired risk/ IBNER for the remaining loss. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

**2.24 Insurance Contract Liability**

Insurance contract liability includes unearned premium and outstanding claims including IBNR and other technical provision (unallocated loss adjustment estimate) of general insurance businesses and insurance contract liability of life business (policyholder benefit payable). Insurance contract liabilities are





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presented gross of Reinsurance asset on the statement of financial position.

Any adjustment is recorded as a change in insurance contract liabilities in the statement of profit or loss. Life business insurance contract liability (policyholders benefit payable) are determined and tested for adequacy by an external actuary at the end of each reporting date.

**2.25 Unearned Premium**

Unearned premiums are those proportions of premiums written in the year that relate to periods of risks after the reporting date. It is computed separately for each insurance contract using a time proportionate basis; unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date. The company uses 1/24th method to calculate unearned premium reserve for general insurance.

**2.26 Outstanding Claims**

The outstanding claims provision is initially established case by case method as claims are reported. The estimates are regularly reviewed and updated as additional information on the estimated outstanding claims becomes known and is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. Estimates for salvage and subrogation recoveries are included in the estimated outstanding claims. The liability is not discounted for the time value of money. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

The IBNR claims are determined by an actuary at the end of each financial year for each classes of business the general and long term insurance businesses.

**2.27 Unallocated Loss Adjustment Estimate (Other Tech. Provision)**

The unallocated loss adjustment estimate is determined by an actuary at the end of each financial year. They include direct and indirect claims 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.





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**2.28 Provisions and Contingent Liabilities**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and 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. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

Contingent liabilities are disclosed if there is a possible future obligation as a result of past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

**2.29 Trade Payables**

Trade payable in our case also called insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is discharged, cancelled or expired.

**2.30 Employee Benefits (Entitlements)**

Employee entitlements to wages, salaries, annual leave and severance pay are recognized when they accrue to employees. A provision is made for the liability for annual leave and severance pay as a result of services rendered by employees up to the statement of financial position date.

**a) Short-Term Benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**b) Post-Employment Benefit**

The company operates a defined contribution pension scheme for some of its employees, the assets of which are held in trustee administered funds





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as pension scheme in accordance with the provision of Ethiopian pension of private organizations employees' proclamation and 1268/2022. The retirement plan is funded by payments from both employees and the company (at 7% and 11%, respectively).

The company also contributes to a provident fund scheme for all of its employees at 3% and 4% from employee and the company, respectively.

The company's contributions to the defined contribution pension scheme are charged to statement of profit or loss in the year to which they relate.

### **2.31 Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

#### **a) Company as a Lessee**

The company leases many office spaces. These was previously classified as operating or finance leases based on its assessment of whether the lease transferred significantly the entire risks and rewards incidental to ownership of the underlying asset to the company.

The company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives,
- c) any initial direct costs incurred by the lessee,
- d) any cost to dismantle and removing the underlying Asset.





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After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over period of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- a) fixed payments, less any lease incentives receivable;
- b) amounts expected to be payable by the lessee under residual value guarantees;
- c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- d) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments are not included in the initial measurement of the lease liability and are expensed.

The lease payments are discounted using the average lending rate for the financial year as stated in the NBE report or the company's incremental borrowing rate. The incremental borrowing rate is determined as the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease term determined by the company comprises:

- a) non-cancellable period of lease contracts,
- b) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- c) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the company measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability,
- b) reducing the carrying amount to reflect lease payments made, and
- c) re-measuring the carrying amount to reflect any reassessment or lease modifications



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During the initial application of the standard:

- a) only active contracts (on July 01, 2019) with a remaining contract period of more than twelve month are discounted at a rate of 13.5%;
- b) The right use assets are recognized at an amount equal to the lease liability.

**b) Company as a Lessor**

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

**2.32 Other Payables and Accruals**

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

**2.33 Income Tax**

Income tax comprises current income and deferred tax. Income tax expenses is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity in which case it is recognized in equity.

**a) Current Tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the end of the reporting date. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in the statement of profit or loss.







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**b) Deferred Tax**

Deferred tax liability is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred taxation is provided fully on timing difference, which is expected to reverse at the rate of tax likely to be in force at the time of reversal. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductive temporary difference can be utilized. Deferred tax asset are reduced to the extent that it is no larger probable that the related tax benefit will be resized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**2.34 Share Capital**

The issued ordinary shares of the company are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognized in equity.





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**2.35 Share Premium**

This represents the excess amount paid by the shareholders or the nominal value of the share.

**2.36 Retained Earnings**

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

**2.37 Legal Reserves**

The Company maintains legal reserve in accordance with the provisions of the NBE Directive No. SBB/4/95, which requires the company to transfer 10% of its annual net profit to its legal reserve account.

**2.38 Dividends**

Dividends on ordinary shares are recognized in the period in which the dividends are approved by the company shareholders. Dividend on the company's ordinary shares are recognized in equity in the period in which they are paid or, if earlier, approved by the company's shareholders. Interim dividends (if any) are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

**2.39 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services, excluding discounts, rebates, and taxes. Sale of services is recognized upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

**a) Gross Premium Income**

Gross recurring premiums on life are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective, i.e. the premium is collected.

Gross general insurance business, Written Premium comprise the total premiums received (collected) in the year for the whole period of cover provided by



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contracts entered in to during the accounting period. They recognized on the date on which the policy commences, i.e. premium collected.

Gross premium comprises the premium on insurance contract entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. This is recognized gross of commission expense and net of cancellations.

Gross earned premium is recognized on assumption of risks and includes premium collected less cancellation less/plus change in unearned premium. The earned portion of premium received is recognized as revenue.

**b) Reinsurance Premium Ceded**

The Company cedes insurance risks in the normal course of business for the purpose of limiting its potential net loss on policies written. Premium ceded comprise written premiums ceded to reinsurers adjusted for the reinsurers share of the movement in the provision for the unearned premium. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Premium ceded, claims reimbursed and commission recovered are presented in profit or loss and the statement of financial position separately from the gross amounts.

**c) Fees and Commission Income**

Reinsurance commission income represents commission received on transaction ceded to reinsurers, during the year. It is recognized over the cover provided by contracts entered into the period and are recognized on the date on which the policy incepts.

Accordingly, a portion of the commission income is earned over the period in which the related reinsurance premium is earned by the reinsurer. This is also calculated using the same method as for reinsurance ceded premium.

**d) Investment Income**

Interest income is recognized in the statement of profit or loss as it accrues and is calculated using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognized when the right to receive the payment is established.





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Investment income comprises interest income on short-term deposits, rental income and income earned on trading of securities including all realized and unrealized fair value changes. Investment income is accounted on accrual basis.

❖ **Dividend Income**

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

❖ **Rental Income**

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease period.

**2.40 Gross Benefits and Claims**

Gross benefits and claims incurred for life insurance contracts comprise benefits paid in the year and changes in the provision for insurance contract liabilities. Benefits paid represent all payments made during the year, whether arising from events during that or earlier years. Insurance contract liabilities represent the estimated ultimate cost of settling all benefits accruing to policy holders.

General insurance incurred claims Comprise claims and claim handling expenses paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR"). This provision also includes an allowance for claims management and handing expenses, i.e. unallocated loss adjustment estimate (other technical Provision).

The provision for outstanding claims is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected





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in profit or loss in the financial period in which adjustments are made, and disclosed separately if material.

Reinsurance claims are recognized when the related gross insurance claims is recognized according to the terms of the treaty agreement.

**2.41 Underwriting Expenses**

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses and other direct costs.

Underwriting expenses for insurance contracts are recognized as expense when incurred, with the exception of acquisition costs, which are recognized on a time apportionment basis in respect of risk.

**2.42 Administration Expenses**

Administrative expenses are expenses other than claims and underwriting expenses. They include depreciation expenses and other expenses. They are accounts for on accrual basis.

Expenses are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognized in the statement of profit or loss on the basis of systematic and rational allocation procedures.

An expense is recognized immediately in the statement of profit or loss when the expenditure produces no future economic benefits or when, and to the extent that; future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

**2.43 Earnings PerShare**

The Company presents basic 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 to the weighted average number of shares outstanding during the period.





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**2.44 Fair Value Measurement**

The Company measures financial instruments classified as fair value through profit or loss or fair value thorough OCI at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions
- Financial instruments (including those carried at amortized cost)

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 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 where sufficient data are available to measure fair value by maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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





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

The company's management determines the policies and procedures for both recurring fair value measurement, such as financial instruments subsequently measured at fair value through profit or loss / through other comprehensive income.

**2.45 Events After Reporting Date**

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

**2.46 Foreign Currency Transactions**

The Company's financial statements are presented in Birr. That is the currency of the primary economic environment in which Africa insurance Company operates.

**□ Transactions and Balances.**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.



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**3. Significant Accounting Judgments, Estimates and Assumptions**

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

**a) Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

**□ Operating Lease Commitments-Company as a Lessor**

The company has entered into commercial property leases on its investment property portfolio. The company, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangement that it retains all the significant risks and rewards of ownership of the properties and so accounts them as operating leases.

**□ Lease Commitments-Company as a Lessee**

In establishing the lease term for each lease contracts, the company assumed that all of the existing leases will not be extended.

In addition, IFRS 16 requires lease payments to be discounted using the interest rate implicit in the lease. In case the interest rate implicit in the lease cannot be readily determined, the incremental borrowing rate should be used. That is the rate of interest that a lessee would have to pay to borrow over a similar value to the right-of-use asset in a similar economic environment.

Accordingly, the company elected to use the average lending rate for the financial year as stated in the NBE quarterly report.

**□ Insurance Contract Liability**

For general insurance contracts, estimates have to be made on case by case 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.







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The reserve made for claims fluctuate based on the nature and severity of the claims reported. Claims incurred but not reported are determined by an external body (actuarial). The company deemed the reserve as adequate.

The insurance contract liability of the life business was determined by an actuarial. Various judgment and assumptions were considered in the determination of the liability. The company believes that the estimated reserve was adequate and this may vary from the actual outcome.

**b) Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of coursing material adjustment to the carrying amount of assets and liabilities within the next financial year, are describes below. The company based assumption and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development may change due to market changes or circumstances arising beyond the control of the Company, such changes are reflected in the assumptions when they occur. Estimates and judgment are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**□ Fair value of Financial Assets**

Where the fair values of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management judgment is required to establish fair values.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current available information and applicable rates. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.Changes in assumptions about these factors could affect the reported fair value of the financial instruments measured at fair value



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through other comprehensive income, which accounted using level three fair value hierarchy.

**□ Impairment on Receivable**

In accordance with the accounting policy, the company tests annually whether premium receivables have suffered any impairment. The recoverable amounts of the premium receivables have been determined based on expected loss model. These calculations required an assessment of each receivable at the end of reporting period.

**□ Deferred Tax Assets and Liabilities**

Uncertainties exist with respect to the interpretation of complex tax regulations, change 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 Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority.

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

**□ Impairment of Non-Financial Assets**

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





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**□ Property Plant and Equipment and Intangible Assets**

Critical estimates are made by the directors in determining depreciation and amortization rates for property, plant and equipment and intangible assets. The rates used are set out in the accounting policy above.

**4.1 INTRODUCTION**

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

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

**4.1.1 Risk Management Structure**

The Board of Directors (The Board) is responsible for the overall risk encountered by the Company. The Board is responsible to develop comprehensive risk management program and policies of the Company. The Board has an oversight role on the proper implementation of the Company's risk management program or policies. The Board monitors proper implementation policies through various reports.

The Management has the overall responsibility for the proper execution and interpretation of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and deliberate on reports to the Board regarding risk management issues and give timely directions.

The Risk Management and compliance department is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the department 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





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risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board’s Risk and Compliance Committee and the relevant actions are taken to address exceptions and any areas of weakness. The department works closely with the Management to ensure that procedures are compliant with the overall framework. The risk management has also reporting relationship with internal audit function. Internal audit function among others ensures the effectiveness of the risk management function periodically. Internal Audit Function discusses the results of its assessments with management, and reports its findings and recommendations to the Board Audit Committee.

The Company’s Finance and Investment 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 as per the Company’s approved investment and liquidity policy.

**4.1.2 Risk Measurement and Reporting Systems**

The Company’s risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected segments. In addition, the Company measures and monitors 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 mitigates, identified and approved for the Company, are documented for existing and new processes and systems. Risk management reports are presented by the risk management department based on the National bank of Ethiopia risk parameters and company’s identified risks. The reports are discussed in the quarterly report of the Risk management and Compliance committee meetings.





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**4.2 INSURANCE RISK**

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

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting policy and procedures as well as the use of reinsurance Arrangements. The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is surplus treaty reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits are determined based on the company's reinsurance policy and vary by product line 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: whole life, term, endowment



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

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

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to Ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

**Key assumptions**

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





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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.



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**Summary and valuation of policies as @30 June 2023**

| Type of Insurance           | No. of Policies | Sum Assured          | Annual Office Premium | Gross UPR        | Reinsurance Share of UPR | Net UPR          | Gross IBNR       | Reinsurance Share of IBNR | Net IBNR         | Gross Liability      | Reinsurance Share of UPR | Net Liability     |
|-----------------------------|-----------------|----------------------|-----------------------|------------------|--------------------------|------------------|------------------|---------------------------|------------------|----------------------|--------------------------|-------------------|
| Ordinary Endowment          | 5,378           | 187,915,000          | 15,082,359            |                  |                          |                  |                  |                           |                  | 71,190,332           | -                        | 71,190,332        |
| Individual Term             | 2               | 900,000              | 6,322                 |                  |                          |                  |                  |                           |                  | 4,698                | -                        | 4,698             |
| Individual Paid Up Policies | 377             | 12,910,000           | 4,625,292             |                  |                          |                  |                  |                           |                  | 4,974,708            | -                        | 4,974,708         |
| Individual Riders           |                 |                      | 728,267               |                  |                          |                  |                  |                           |                  | 728,267              | -                        | 728,267           |
| Group Term                  | 9               | 958,816,590          | 5,294,411             | 1,335,846        | 552,148                  | 783,698          | 595,163          | 222,978                   | 372,184          | 1,931,009            | 775,126                  | 1,155,882         |
| Group Medical               | 7               | 33,549,000           | 9,454,480             | 2,798,638        | -                        | 2,798,638        | 1,209,205        | -                         | 1,209,205        | 4,007,842            | -                        | 4,007,842         |
| Group Riders                | 8               | 954,856,590          | 2,259,947             | 675,236          | -                        | 675,236          | 284,064          | -                         | 284,064          | 959,301              | -                        | 959,301           |
| Contingency Rserve          |                 |                      |                       |                  |                          |                  |                  |                           |                  |                      | -                        | -                 |
| <b>Grand Total</b>          | <b>5,781</b>    | <b>2,148,947,180</b> | <b>37,451,078</b>     | <b>4,809,719</b> | <b>552,148</b>           | <b>4,257,571</b> | <b>2,088,433</b> | <b>222,978</b>            | <b>1,865,454</b> | <b>83,796,156.00</b> | <b>775,126</b>           | <b>83,021,030</b> |

**Summary and valuation of policies as @30 June 2022**

| Type of Insurance           | No. of Policies | Sum Assured          | Annual Office Premium | Gross UPR        | Reinsurance Share of UPR | Net UPR        | Gross IBNR     | Reinsurance Share of IBNR | Net IBNR       | Gross Liability      | Reinsurance Share of UPR | Net Liability     |
|-----------------------------|-----------------|----------------------|-----------------------|------------------|--------------------------|----------------|----------------|---------------------------|----------------|----------------------|--------------------------|-------------------|
| Ordinary Endowment          | 5,253           | 169,280,000          | 15,457,945            |                  |                          |                |                |                           |                | 61,906,612.00        |                          | 61,906,612        |
| Individual Term             | 2               | 900,000              | 6,322                 |                  |                          |                |                |                           |                | 5,330.00             |                          | 5,330             |
| Individual Paid Up Policies | 285             | 10,195,000           | 3,171,281             |                  |                          |                |                |                           |                | 3,445,500.00         |                          | 3,445,500         |
| Individual Riders           |                 |                      | 746,337               |                  |                          |                |                |                           |                | 746,337.00           |                          | 746,337           |
| Group Term                  | 7               | 479,139,177          | 2,873,253             | 336,615          | (152,026)                | 184,589        | 121,060        | (45,268)                  | 75,792         | 457,675.00           | (197,294)                | 260,381           |
| Group Medical               | 5               | 24,700,900           | 4,482,229             | 522,991          | -                        | 522,991        | 185,582        | -                         | 185,582        | 708,573.00           |                          | 708,573           |
| Group Riders                |                 | 456,929,177          | 1,174,152             | 178,102          | -                        | 178,102        | 60,981         | -                         | 60,981         | 239,083.00           |                          | 239,083           |
| Contingency Rserve          |                 |                      |                       |                  |                          |                |                |                           |                |                      |                          | -                 |
| <b>Grand Total</b>          | <b>5,552</b>    | <b>1,141,144,254</b> | <b>27,911,519</b>     | <b>1,037,707</b> | <b>(152,026)</b>         | <b>885,681</b> | <b>367,624</b> | <b>(45,268)</b>           | <b>322,356</b> | <b>67,509,109.00</b> | <b>(197,294)</b>         | <b>67,311,816</b> |

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







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☛ **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.

| Particulars               | Increase | Decrease |
|---------------------------|----------|----------|
| Mortality/Longevity       | 10%      | 10%      |
| Investment return         | 1%       | 1%       |
| Expenses                  | -        | -        |
| Lapse and surrenders rate | -        | -        |

| Sensitivity   | Best Estimate | Increase    | Decrease  |
|---------------|---------------|-------------|-----------|
| Mortality     | 83,021,030    | (31,392)    | 31,394    |
| Discount rate | 83,021,030    | (1,548,429) | 1,572,476 |





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

### Non- Life Insurance Contracts

The Company principally issues the following types of general insurance contracts: Motor, Marine, Fire, Personal Accident and Health, Pecuniary, PVT, Crop, Livestock and Liability insurance coverage to policyholders and are not guaranteed as renewable. Most of Risks under non-life insurance policies usually cover twelve months duration.

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

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

| 30-Jun-23                              | Claims reported    |                    |                    | Incurred but not reported |                   |                   |
|--|--------------------|--------------------|--------------------|---------------------------|-------------------|-------------------|
| Particulars                            | Gross              | Reinsurance        | Net                | Gross                     | Reinsurance       | Net               |
| Accident                               | 415,198            | 20,759.92          | 394,438            | 470,745                   | 23,538            | 447,207           |
| W/c                                    | 2,725,392          | 136,269.60         | 2,589,122          | 1,613,144                 | 80,657            | 1,532,487         |
| Motor                                  | 116,600,390        | 5,860,722.69       | 110,739,668        | 73,487,412                | 4,250,899         | 69,236,513        |
| Marine                                 | 56,500             | 2,825.00           | 53,675             | 296,112                   | 7,259             | 288,853           |
| Agriculture                            |                    |                    | -                  | 4,144,598                 | 3,822,793         | 321,805           |
| Aviation                               |                    |                    | -                  | -                         | -                 | -                 |
| Fire                                   | 10,014,211         | 500,710.55         | 9,513,500          | 2,203,080                 | 2,003,950         | 199,130           |
| political Violence & Terrorism - Gross | 592,041            | 535,797.11         | 56,244             | 5,349,246                 | 4,856,161         | 493,085           |
| Engineering                            | 175,500            | 15,900.00          | 159,600            | 1,346,655                 | 426,219           | 920,436           |
| Liability                              | 3,134,600          | 735,330.00         | 2,399,270          | 6,251,939                 | 1,771,281         | 4,480,658         |
| Pecuniary                              | 179,977,014        | 169,707,930        | 10,269,084         | 1,338,264                 | 1,053,047         | 285,217           |
| <b>Total</b>                           | <b>313,690,847</b> | <b>177,516,245</b> | <b>136,174,602</b> | <b>96,501,195</b>         | <b>18,295,804</b> | <b>78,205,391</b> |



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| 30-Jun-22                  | Claims reported    |                    |                    | Incurred but not reported |                   |                   |
|----------------------------|--------------------|--------------------|--------------------|---------------------------|-------------------|-------------------|
| Particulars                | Gross              | Reinsurance        | Net                | Gross                     | Reinsurance       | Net               |
| Accident                   | 237,354            | 11,868             | 225,486            | 571,201                   | 44,517            | 526,685           |
| W/c                        | 2,326,186          | 125,110            | 2,201,075          | 2,093,434                 | 47,614            | 2,045,820         |
| Motor                      | 101,473,972        | 5,198,191          | 96,275,781         | 49,032,426                | 2,726,125         | 46,306,301        |
| Marine                     | 1,089,000          | 896,800            | 192,200            | 330,064                   | 91,680            | 238,384           |
| Agriculture                | -                  | -                  | -                  | 4,906,542                 | 4,909,280         | (2,738)           |
| Fire                       | 10,109,211         | 561,475            | 9,547,736          | 2,197,959                 | 1,489,755         | 708,204           |
| political Violence& Terror | 883,041            | 799,486            | 83,555             | 2,793,882                 | 3,357,660         | (563,778)         |
| Engineering                | 110,000            | 6,450              | 103,550            | 2,044,409                 | 1,427,108         | 617,301           |
| Liability                  | 4,584,327          | 577,532            | 4,006,795          | 2,899,871                 | 216,355           | 2,683,516         |
| Pecuniary                  | 253,344,451        | 242,233,005        | 11,111,446         | 4,207,083                 | 2,335,313         | 1,871,770         |
| <b>Total</b>               | <b>374,157,541</b> | <b>250,409,917</b> | <b>123,747,624</b> | <b>71,076,871</b>         | <b>16,645,406</b> | <b>54,431,465</b> |

### Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgments are 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 net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The table below looks at how changes in the claims cost affects the current liability. A 10% increase will lead to liability increase of ETB 9.65 million.



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| Particulars              | Increase in liabilities | Change in liability 30 June, 2022 |
|--------------------------|-------------------------|-----------------------------------|
| Average claim cost       | +10%                    | 9,650,120                         |
| Average number of claims | +10%                    | (9,650,120)                       |

| Particulars              | Increase in liabilities | Change in liability 30 June, 2022 |
|--------------------------|-------------------------|-----------------------------------|
| Average claim cost       | +10%                    | (7,460,525)                       |
| Average number of claims | +10%                    | (7,460,525)                       |

The gross IBNR is estimated at ETB 96.5 million and the outstanding claims are estimated at ETB 313.7 million and ULAE is 15,658,433 Accordingly the total liability is estimated at ETB 425.8 million.

| Particulars                                | 30 June, 2023      | 30 June, 2022      |
|--|--------------------|--------------------|
| IBNR                                       | 96,501,195         | 74,605,254         |
| Outstanding Claims                         | 313,690,847        | 374,157,541        |
| Unallocated Loss Adjustment Expense (ULAE) | 15,658,433         | 15,509,520         |
| <b>Total Actuarial Liability</b>           | <b>425,850,475</b> | <b>464,272,315</b> |

**Claims development Triangle**

The following table show the estimation 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:







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|                                   | 2018               | 2,019              | 2020               | 2021               | 2022               | 2023               |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Accident year</b>              |                    |                    |                    |                    |                    |                    |
| At the end of claim year          | 253,489,897        | 269,572,431        | 319,832,406        | 235,974,974        | 288,891,569        | 328,824,031        |
| One year later                    | 214,549,484        | 91,573,102         | 138,881,515        | 116,884,637        | 111,678,971        | 0                  |
| Two year later                    | 13,815,005         | 7,189,201          | 45,945,993         | 15,521,872         |                    |                    |
| Three year later                  | 2,498,895          | 8,823,761          | 4,671,189          |                    |                    |                    |
| Four year later                   | 3,769,356          | 3,834,875          |                    |                    |                    |                    |
| Five year later                   | 2,256,235          |                    |                    |                    |                    |                    |
| <b>Cumulative Incurred Claims</b> | <b>490,378,872</b> | <b>380,993,370</b> | <b>509,331,103</b> | <b>368,381,483</b> | <b>400,570,540</b> | <b>328,824,031</b> |
| Outstanding Claims Reported       | 179,251,626        | 44,672             | 10,883,735         | 5,103,826          | 15,938,139         | 81,313,865         |
| ULAE                              | -                  | -                  | -                  | 287,062            | 5,832,224          | 9,539,147          |
| IBNR                              | -                  | -                  | -                  | 1,605,251          | 9,834,165          | 85,061,779         |
| <b>Ultimate Claims Projected</b>  | <b>669,630,498</b> | <b>381,038,042</b> | <b>520,214,838</b> | <b>375,377,622</b> | <b>432,175,068</b> | <b>504,738,822</b> |

## 4.2 Financial Risk

### Financial Assets by category

The company's financial assets are classified into the following measurement categories measured at fair value through other comprehensive income and measured at amortized cost and the financial liabilities are classified into financial liabilities and other liabilities. Financial Assets are classified in the statement of financial position in accordance with their legal form and substance.

The company's classification of its financial assets is summarized in the table below:

| 30-Jun-23                            |       |                                    |                            |                      |
|--------------------------------------|-------|------------------------------------|----------------------------|----------------------|
| Particulars                          | Notes | Measured at fair value through OCI | Measured at amortized cost | Total                |
| <b>Financial asset</b>               |       |                                    |                            |                      |
| Investment in:                       |       |                                    |                            |                      |
| Government Bond                      | 6.2   |                                    | 16,200,000                 | 16,200,000           |
| Other Company's Share                | 6.2   | 227,413,797                        |                            | 227,413,797          |
| Other assets                         | 6.6   |                                    | 52,009,173                 | 52,009,173           |
| reinsurance assets                   | 6.4   |                                    | 334,655,525                | 334,655,525          |
| Trade receivables                    | 6.3   |                                    | 9,385,719                  | 9,385,719            |
| Deposits with financial institutions | 6.2   |                                    | 402,195,816                | 402,195,816          |
| cash and cash equivalent             | 6.1   |                                    | 278,235,045                | 278,235,045          |
| <b>Total financial assets</b>        |       | <b>227,413,797</b>                 | <b>1,092,681,278</b>       | <b>1,320,095,075</b> |



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| 30-Jun-22                            |       |                                    |                            |                    |
|--------------------------------------|-------|------------------------------------|----------------------------|--------------------|
| Particulars                          | Notes | Measured at fair value through OCI | Measured at amortized cost | Total              |
| <b>Financial asset</b>               |       |                                    |                            |                    |
| Investment in:                       |       |                                    |                            |                    |
| Government Bond                      | 6.2   |                                    | 15,000,000                 | 15,000,000         |
| Other Company's Share                | 6.2   | 202,475,367                        |                            | 202,475,367        |
| Other assets                         | 6.6   |                                    | 41,243,083                 | 41,243,083         |
| reinsurance assets                   | 6.4   |                                    | 339,860,962                | 339,860,962        |
| Trade receivables                    | 6.3   |                                    | 1,566,977                  | 1,566,977          |
| Deposits with financial institutions | 6.2   |                                    | 202,930,565                | 202,930,565        |
| cash and cash equivalent             | 6.1   |                                    | 140,066,263                | 140,066,263        |
| <b>Total financial assets</b>        |       | <b>202,475,367</b>                 | <b>740,667,850</b>         | <b>943,143,217</b> |

| 30-Jun-23                                   |         |  |  |                      |
|---|---------|--|--|----------------------|
| Particulars                                 | Notes   | Financial Liabilities measured at Fair Value | Financial Liabilities measured at amortized cost | Total                |
| <b>Financial Liabilities</b>                |         |  |  |                      |
| Credit Arising from reinsurance arrangement | 6.16    | -  | 101,022,701                                      | 101,022,701          |
| Trade Payables                              | 6.17    | -  | 41,709,783                                       | 41,709,783           |
| Insurance contract liabilities              | 6.15    | -  | 1,090,254,912                                    | 1,090,254,912        |
| Other Liabilities                           | 6.18(a) | -  | 34,314,167                                       | 34,314,167           |
| <b>Total financial Liabilities</b>          |         | <b>-</b>                                     | <b>1,267,301,563</b>                             | <b>1,267,301,563</b> |

| 30-Jun-22                                   |         |  |  |                    |
|---|---------|--|--|--------------------|
| Particulars                                 | Notes   | Financial Liabilities measured at Fair Value | Financial Liabilities measured at amortized cost | Total              |
| <b>Financial Liabilities</b>                |         | -  |  |                    |
| Credit Arising from reinsurance arrangement | 6.16    | -  | 37,087,309                                       | 37,087,309         |
| Trade Payables                              | 6.17    | -  | 30,783,289                                       | 30,783,289         |
| Insurance contract liabilities              | 6.15    | -  | 830,100,254                                      | 830,100,254        |
| Other Liabilities                           | 6.18(a) | -  | 29,096,859                                       | 29,096,859         |
| <b>Total financial Liabilities</b>          |         | <b>-</b>                                     | <b>927,067,711</b>                               | <b>927,067,711</b> |





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**4.3 Credit Risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the company's investment portfolio, long term staff loans and the reliance on reinsurers to make payment when certain loss conditions are met. For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposure.

The company's risk management policy sets out the assessment and determination of what constitutes credit risk for the company compliance with the policy is monitored, exposures Breaches are reported to the company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment. Net exposure limits are set for each counterparty or company of counterparties and industry segment (i.e. limits are set for investments and cash deposits).

The company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The company's reinsurance treaty contracts involve netting arrangement.

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

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

- ✧ Receivable arising out of direct insurance arrangements;
- ✧ Receivable arising out of reinsurance arrangements; and
- ✧ Receivable arising out of short term investment



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

| Financial asset                      |        | 30 June 2023         | 30 June 2022       |
|--------------------------------------|--------|----------------------|--------------------|
| Investment in:                       |        |                      |                    |
| Government Bond                      | 6.2    | 16,200,000           | 15,000,000         |
| Other Company's Share                | 6.2    | 227,413,797          | 202,475,367        |
| Other assets                         | 6.6(a) | 52,009,173           | 41,243,083         |
| reinsurance assets                   | 6.4    | 334,655,525          | 339,860,962        |
| Trade Receivables                    | 6.3    | 9,385,719            | 1,566,977          |
| Deposits with financial institutions | 6.2    | 402,195,816          | 202,930,565        |
| Cash and cash equivalent             | 6.1    | 278,235,045          | 140,066,263        |
| <b>Total financial assets</b>        |        | <b>1,320,095,075</b> | <b>943,143,217</b> |

**4.3.1 Management of credit risk**

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

The risk associated with direct insurance arrangements is insignificant due to National Bank regulation which is “No premium No Cover” insurance policies are sold on cash basis to all policyholders except governmental organizations which is not relevant to our case; As a result the risk of default is non existence Reinsurance arrangements mitigate insurance risk but expose the Company to credit risk.

Reinsurance is placed with companies based on an evaluation of the financial strength of the reinsurers, rating, terms of coverage and price. It is company policy to only deal with reinsurers with credit ratings of at least BB from known credit rating agency other than Ethiopian

Reinsurance share Company which is not yet rated for mandatory policy and treaty cession as per local regulatory requirements.



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The credit risk in the Reinsurance area arises:

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

The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset counterparties is both debtors and creditors to the company. Provisions or impairment receivables and subsequent write-offs are presented to the top management and the board as appropriate as per the write off policy of the company. Internal audit makes regular reviews to assess.

**4.3.2 Concentration of credit risk**

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

**(a) Investing/ Lending activities**

Credit risks associated with investments, risk happens when a firm invests' on debentures or loans to individuals having poor history in repayments or putting money into an asset with the expectation of capital appreciation, dividends and /or interest earnings. Such area is a major source of credit risk.

In our scenario neither debenture nor lending activities exists except policy loan where the long term business section of the company neither advances loan to life policy holders nor is the risk of default totally nonexistence as the collateral is the accumulated cash value. Other loan with small portfolio is given to staff based on property security and personal guarantee with low default risk. The current company's equity investment is in banks, in local reinsurance company and transport company with low risk.

**(b) Credit concentration of a single counter party**

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





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**4.3.3 Credit quality analysis**

**a) Cash and cash equivalents**

The credit quality of cash and bank balances and short term investments that were neither past due nor impaired as at 30 June 2023 and 30 June 2022 and are held in Ethiopia banks and have been classified as non-rated as there are no credit rating agencies in Ethiopia. The company has no cash and cash equivalents that are held in foreign bank.

**b) Investment in Company's Share**

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

**c) Reinsurance assets**

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counter parties' 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.





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**d) Credit quality of other financial assets**

| 30-Jun-23                       |       |                           |                           |                       |              |
|---------------------------------|-------|---------------------------|---------------------------|-----------------------|--------------|
| Particulars                     | Notes | Neither past nor impaired | Past due but not impaired | Individually impaired | Total        |
| <b>Insurance receivables:</b>   |       |                           |                           |                       |              |
| Due from contract holders       | 6.3   | -                         | -                         | 58,799,072            | 58,799,072   |
| Less: Impairment allowance      | 6.3   | -                         | -                         | (49,413,353)          | (49,413,353) |
| <b>Net Insurance receivable</b> |       | -                         | -                         | 9,385,719             | 9,385,719    |

|                                     |        |                   |   |                   |                    |
|-------------------------------------|--------|-------------------|---|-------------------|--------------------|
| <b>Other assets:</b>                |        |                   |   |                   |                    |
| Rent Receivable                     | 6.6(a) | 374,991           | - | -                 | 374,991            |
| Staff Debtors                       | 6.6(a) | 15,810,096        | - | -                 | 15,810,096         |
| Third Party                         | 6.6(a) | 35,824,086        | - | -                 | 35,824,086         |
| Prepayments                         | 6.6(b) | 12,599,527        | - | -                 | 12,599,527         |
| Advance withholding tax             | 6.6(b) | 16,681,098        | - | -                 | 16,681,098         |
| Sundry Receivables                  | 6.6(b) | -                 | - | 38,502,242        | 38,502,242         |
| Depositors with Debit Balance       | 6.6(b) | 5,055,128         | - | -                 | 5,055,128          |
| Tax Receivable                      | 6.6(b) | 61,333            | - | -                 | 61,333             |
| Directors-Receivable                | 6.6(b) | 17,267            | - | -                 | 17,267             |
| Third party motor insurance fund    | 6.6(b) | 572,948           | - | -                 | 572,948            |
| Dividend payables                   | 6.6(b) | 1,193,760         | - | -                 | 1,193,760          |
| Salvage amount at recovery yard     |        | 3,736,080         | - | -                 | 3,736,080          |
| <b>Gross amount</b>                 |        | <b>91,926,314</b> | - | <b>38,502,242</b> | <b>130,428,556</b> |
| Less: Specific impairment allowance | 6.6(b) | -                 | - | (7,472,779)       | (7,472,779)        |
| <b>Net Others assets</b>            |        | <b>91,926,314</b> | - | <b>31,029,463</b> | <b>122,955,778</b> |

| <b>30-Jun-22</b>                    |        |                           |                           |                       |                    |
|-------------------------------------|--------|---------------------------|---------------------------|-----------------------|--------------------|
| Particulars                         | Notes  | Neither past nor impaired | Past due but not impaired | Individually impaired | Total              |
| <b>Insurance receivables:</b>       |        |                           |                           |                       |                    |
| Due from contract holders           | 6.3    | -                         | -                         | 50,980,331            | 50,980,331         |
| Less: Impairment allowance          | 6.3    | -                         | -                         | (49,413,353)          | (49,413,353)       |
| <b>Net Insurance receivable</b>     |        | -                         | -                         | <b>1,566,978</b>      | <b>1,566,978</b>   |
| <b>Other assets:</b>                |        |                           |                           |                       |                    |
| Rent Receivable                     | 6.6(a) | 374,991                   | -                         | -                     | 374,991            |
| Staff Debtors                       | 6.6(a) | 16,799,750                | -                         | -                     | 16,799,750         |
| Third Party                         | 6.6(a) | 24,068,341                | -                         | -                     | 24,068,341         |
| Prepayments                         | 6.6(b) | 11,887,714                | -                         | -                     | 11,887,714         |
| Advance withholding tax             | 6.6(b) | 12,590,705                | -                         | -                     | 12,590,705         |
| Sundry Receivables                  | 6.6(b) | -                         | -                         | 44,415,842            | 44,415,842         |
| Depositors with Debit Balance       | 6.6(b) | 3,731,189                 | -                         | -                     | 3,731,189          |
| Tax Receivable                      | 6.6(b) | 61,333                    | -                         | -                     | 61,333             |
| Directors-Receivable                | 6.6(b) | 15,267                    | -                         | -                     | 15,267             |
| Third party motor insurance fund    | 6.6(b) | 3,366,729                 | -                         | -                     | 3,366,729          |
| Dividend payables                   | 6.6(b) | -                         | -                         | -                     | -                  |
| Salvage amount at recovery yard     |        | 450,000                   | -                         | -                     | 450,000            |
| <b>Gross amount</b>                 |        | <b>73,346,020</b>         | -                         | <b>44,415,842</b>     | <b>117,761,862</b> |
| Less: Specific impairment allowance | 6.6(b) | -                         | -                         | (3,842,280)           | (3,842,280)        |
| <b>Net Others assets</b>            |        | <b>73,346,020</b>         | -                         | <b>40,573,562</b>     | <b>113,919,582</b> |





## AFRICA INSURANCE COMPANY (S.C.) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### Insurance receivable- neither past due nor impaired

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

### Other assets

Other receivable balance constitutes; rent receivables, other account receivables, sundry debtors and staff debtors. The company has an internal system of assessing the credit quality of other receivables through established policies and approval system. The company constantly monitors its exposure to these receivables via periodic performance review. The company future manages its exposure to credit risk through deduction of transaction at source. The exposures to credit risk associated with other receivables is low.

### 4.3.4 Allowance for impairment

The company establishes an allowance for uncollectable losses that represents its estimate of incurred losses in its portfolio. The main components of this allowance are a specific loss components that relates to individually significant exposures, and a collective loss allowance established for companies of homogeneous assets in respect of losses that have been incurred but have been identified on receivables subjects to individual assessment for impairment.

|                                       | Notes  | 30-June-2022        | 30-June-2021      |
|---------------------------------------|--------|---------------------|-------------------|
| Due from contract holders             | 6.3    | 49,413,353          | 49,413,353        |
| Other loans and receivables           | 6.6(b) | (123,586,193)       | 3,842,280         |
| <b>Total allowance for impairment</b> |        | <b>(74,172,840)</b> | <b>53,255,633</b> |

### 4.4 Liquidity Risk

Liquidity refers to the company's insufficient cash resources to meet financial obligations as they become due and it is a measure of the ability of a debtor to pay his debts when they fall due (without affecting either the daily operations or the financial condition of the company). It is also the risk that a financial institution will incur losses because it finds difficult to secure the necessary funds or forced to obtain funds at far higher interest rates than under normal





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conditions due to mismatch between the maturities of assets and liabilities or unexpected outflow of funds. In addition, liquidity risk is expressed as a financial institution that incurs losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable price than under normal condition due to a market crash and the like. It is usually expressed as the ratio or a percentage of current liabilities to liquid assets.

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

**4.4.1 Management of liquidity risk**

Cash flow forecasting is performed by the finance and investment department. The department forecasts rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. The company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the company devises a strategy 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.

**4.4.2 Measurement of liquidity risk**

The company has a process for measuring and monitoring its existing liquidity position as well as its net funding requirements. This involves forecasting cash inflows and outflows over various time horizons to identify potential cash imbalances. Liquidity risk is primarily measured as the ratio of current liability to liquid assets.

**4.4.3 Maturity analysis of financial liability**

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.





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30-Jun-23

| Particulars                                 | Notes | 0-1 year             | 1-3 year | 3-5 year | Over 5 years |
|---|-------|----------------------|----------|----------|--------------|
| <b>Financial Liabilities</b>                |       |                      |          |          |              |
| Insurance contract liabilities              | 6.15  | 1,090,254,912        |          |          |              |
| Credit Arising from reinsurance Arrangement | 6.16  | 101,022,701          |          |          |              |
| Trade Payables                              | 6.17  | 41,709,783           |          |          |              |
| Other Liabilities                           | 6.18  | 34,314,167           |          |          |              |
| <b>Total financial Liabilities</b>          |       | <b>1,267,301,563</b> | -        | -        | -            |

30-Jun-22

| Particulars                                 | Notes | 0-1 year           | 1-3 year | 3-5 year | Over 5 years |
|---|-------|--------------------|----------|----------|--------------|
| <b>Financial Liabilities</b>                |       |                    |          |          |              |
| Insurance contract liabilities              | 6.15  | 830,100,254        |          |          |              |
| Credit Arising from reinsurance Arrangement | 6.16  | 37,087,309         |          |          |              |
| Trade Payables                              | 6.17  | 30,783,289         |          |          |              |
| Other Liabilities                           | 6.18  | 29,096,859         |          |          |              |
| <b>Total financial Liabilities</b>          |       | <b>927,067,711</b> | -        | -        | -            |

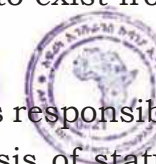
## 4.5 Market Risk

Market risk is the risk of adverse financial impact due to change in the value or future cash flows of financial assets from fluctuations in, interest rates and equity prices. Changes in price may occur to a specific investment or in general to the portfolio of investment. Market risk encompasses the risk of financial loss resulting from movements in market prices which of the standard deviation of the change in value of a financial asset with a specific time Horizon. The Company does ordinarily engage in trading activities as there are no active markets in Ethiopia.

### 4.5.1 Management of market risk

To effectively control and manage market risk the need for establishing capital market is un questionable. The establishment and operation of a regulated equity market could enhance initiative to establish new and expand/diversify existing business by providing venture capital and the flexibility to exist from or simply change investment portfolio.

Market risk is monitored by the risk management department. It is responsible to prepare a quarterly investment report that will provide analysis of status of the current investment portfolio and transactions made over the reporting period. Besides, investment committee has been established and is responsible





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for assessing investment option and recommending the viable option to senior management.

**4.5.2 Measurement of Market Risk**

The principle adopted in the management of investments is to closely match assets to the nature and term of insurance liabilities where possible. Total capital held in each entity reflects the results of internal models of economic capital, and takes in to account business growth plans, as well as the likelihood of not being able to demonstrate an appropriate level of solvency.

Market risk is measured on the basis of investment capital or need of the company. Investment is made on evaluating the investee companies and the type of investment. Investment risk is Measured on the basis of security of the investee, liquidity consideration, and interest rate offer, and investment period, rate of return and feasibly study documents.

**4.5.3 Monitoring of market risk**

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

**4.6 Interest rate risk**

Is the risk that the value of a financial asset will be affected by changes in market interest rates. The company's exposure to the risk of change in market interest rates relates primarily to its financial obligations and financial assets with fixed interest rates. The company monitors this exposure through periodic reviews of the assets and liability position. Estimate of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio are modeled and reviewed. The overall objective these strategies are to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable than the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products. The company is also exposed to the risk of changes



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in future cash flows from fixed income securities arising from the changes in interest rates.

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

**June 30,2023**

| Particulars                                 | Notes     | Fixed interest bearing | Non interest bearing | Total                |
|---|-----------|------------------------|----------------------|----------------------|
| Cash and bank balance                       | 6.1,6.2   | 402,195,816            | 278,235,045          | 680,430,861          |
| <b>Investment in</b>                        |           |                        |                      | -                    |
| Other company's share                       | 6.2       |                        | 227,413,797          | 227,413,797          |
| Government Bond                             | 6.2       | 16,200,000             |                      | 16,200,000           |
| Insurance receivables                       | 6.3       |                        | 9,385,719            | 9,385,719            |
| Reinsurance assets                          | 6.4       |                        | 334,655,525          | 334,655,525          |
| Other assets                                | 6.6(a)    |                        | 52,009,173           | 52,009,173           |
| <b>Total Assets</b>                         |           | <b>418,395,816</b>     | <b>901,699,259</b>   | <b>1,320,095,075</b> |
| Insurance contract liabilities              | 6.2       | 1,090,254,912          |                      | 1,090,254,912        |
| Credit Arising from reinsurance Arrangement | 6.16,6.17 | 101,022,701            |                      | 101,022,701          |
| Trade Payables                              | 6.2       | 41,709,783             |                      | 41,709,783           |
| Other payables                              | 6.18(a)   | 34,314,167             |                      | 34,314,167           |
| <b>Total Liabilities</b>                    |           | <b>1,267,301,563</b>   | <b>-</b>             | <b>1,267,301,563</b> |

**June 30,2022**

| Particulars                                 | Notes     | Fixed interest bearing | Non interest bearing | Total              |
|---|-----------|------------------------|----------------------|--------------------|
| Cash and bank balance                       | 6.1,6.2   | 202,930,565            | 140,066,263          | 342,996,828        |
| <b>Investment in</b>                        |           |                        |                      | -                  |
| Other company's share                       | 6         |                        | 202,475,367          | 202,475,367        |
| Government Bond                             | 6         | 15,000,000             |                      | 15,000,000         |
| Insurance receivables                       | 6         |                        | 1,566,977            | 1,566,977          |
| Reinsurance assets                          | 6         |                        | 339,860,962          | 339,860,962        |
| Other assets                                | 6.6(a)    |                        | 41,243,083           | 41,243,083         |
| <b>Tota Assets</b>                          |           | <b>217,930,565</b>     | <b>725,212,652</b>   | <b>943,143,217</b> |
| Insurance contract liabilities              | 6         | 830,100,254            |                      | 830,100,254        |
| Credit Arising from reinsurance Arrangement | 6.16,6.17 | 37,087,309             |                      | 37,087,309         |
| Trade Payables                              | 6         | 30,783,289             |                      | 30,783,289         |
| Other payables                              | 6.18(a)   | 29,096,859             |                      | 29,096,859         |
| <b>Total Liabilities</b>                    |           | <b>927,067,711</b>     | <b>-</b>             | <b>927,067,711</b> |





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**4.7 Foreign Exchange Risk**

Foreign exchange risk is the risk of loss arising from adverse exchange rate movements in foreign exchange exposures. The company primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency.

**4.8 Price Risk**

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

**4.9 Capital Management**

Capital management risk is failure to maintain adequate regulatory capital to meet NBE's capital requirements or the company's internal capital target aiming to safeguard its ability to continue as a going concern and maintain strong capital base to maintain investors, creditors, and enhance market confidence and sustain future developments of business.

**4.9.1 Margin of Solvency Ratio**

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

The directive stipulates the minimum solvency margin, which an insurer must maintain at all times. For instance, an insurer carrying on general business shall keep admitted capital amounting 25% of its technical provision (or 20% of written premium in the last preceding financial year or the minimum paid up capital required). Whereas, an insurer carrying on long Term business shall keep admitted capital amounting to the higher of 10% of technical provisions or the minimum paid up capital.



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

**Margin of Solvency Ratio**

|   |          | 30 June 2023         | 30 June 2022         |
|---|----------|----------------------|----------------------|
| <b>General business Admissible assets</b> | <b>A</b> |                      |                      |
| Property, Plant and equipment             |          | 102,922,163          | 105,335,136          |
| Investment properties                     |          | 121,587,482          | 127,318,843          |
| Intangible assets                         |          | -                    | -                    |
| <b>Investment in:</b>                     |          |                      |                      |
| Other company's share                     |          | 199,705,042          | 177,160,357          |
| Government Bond                           |          | 16,200,000           | 15,000,000           |
| Investment in associate                   |          | 29,614,205           | 24,621,607           |
| Statutory Deposits                        |          | 39,108,150           | 38,139,850           |
| Reinsurance receivables                   |          | 5,889,257            | 3,821,553            |
| Insurance receivables                     |          | 9,384,610            | 1,565,869            |
| Reinsurance assets                        |          | 328,766,268          | 336,039,408          |
| Deferred Acquisition cost                 |          | 30,047,117           | 13,000,794           |
| Salvage property held for sale            |          | 3,736,080            | 450,000              |
| Other assets                              |          | 104,416,676          | 99,664,601           |
| Deposits with financial institutions      |          | 319,128,615          | 140,207,441          |
| Cash and cash equivalents                 |          | 277,078,930          | 139,827,571          |
| <b>Total Assets</b>                       |          | <b>1,587,584,595</b> | <b>1,222,153,031</b> |

|   |            |                      |                    |
|---|------------|----------------------|--------------------|
| <b>Admissible Liabilities</b>                                 | <b>B</b>   |                      |                    |
| Insurance contract liabilities                                |            | 1,096,177,879        | 790,185,926        |
| Deferred commission   |            | 20,831,332           | 10,856,082         |
| Insurance payables  |            | 41,708,178           | 30,781,684         |
| Other liabilities   |            | 47,561,209           | 35,206,083         |
| Current income tax liabilities                                |            | 6,184,879            | 7,694,703          |
| Lease Liabilities   |            | 8,502,382            | 5,759,343          |
| Defined benefits obligations                                  |            | 9,637,553            | 28,144,993         |
| Deferred income tax   |            | 20,124,339           | 17,179,837         |
| <b>Total Liabilities</b>                                      |            | <b>1,250,727,751</b> | <b>925,808,651</b> |
| <b>Excess (admitted capital) (A)-(B)</b>                      | <b>C</b>   | <b>336,856,845</b>   | <b>296,344,379</b> |
| <b>Net premium (preceding year)</b>                           | <b>D</b>   | 447,728,612          | 426,365,286        |
| <b>Technical provision (current year)</b>                     | <b>E</b>   | 1,003,947,241        | 759,840,353        |
| <b>Solvency margin</b>  |            |                      |                    |
| Limit of net premium i.e. 20% of net premium                  | <b>F</b>   | 89,545,722           | 85,273,057         |
| Limit of technical provision i.e. 25% of technical provisions | <b>G</b>   | 250,986,810          | 189,960,088        |
| Minimum paidup capital  |            | 60,000,000           | 60,000,000         |
| Required minimum of paid up capital                           | <b>H</b>   | 250,986,810          | 189,960,088        |
| <b>Solvency ratio</b>   | <b>C/G</b> | <b>134%</b>          | <b>156%</b>        |



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**Life business**

|  | A | 30 June 2023       | 30 June 2022       |
|--|---|--------------------|--------------------|
| <b>Life business Admissible assets</b> |   |                    |                    |
| Property, Plant and equipment          |   | 73,170             | 104,103            |
| Investment properties                  |   | 37,490,758         | 39,540,211         |
| Intangible assets                      |   | -                  | -                  |
| Other company's share                  |   | 27,708,755         | 25,315,011         |
| Government Bond                        |   | -                  | -                  |
| Statutory Deposits                     |   | 2,250,000          | 2,250,000          |
| Reinsurance receivables                |   | -                  | -                  |
| Insurance receivables                  |   | 1,109              | 1,109              |
| Reinsurance assets                     |   | -                  | -                  |
| Salvage property held for sale         |   | -                  | -                  |
| Other assets                           |   | 2,103,201          | 1,917,267          |
| Deposits with financial institutions   |   | 83,067,201         | 62,723,123         |
| Cash and cash equivalents              |   | 1,156,115          | 238,692            |
| <b>Total</b>                           |   | <b>153,850,308</b> | <b>132,089,515</b> |

|   |            |                    |                   |
|---|------------|--------------------|-------------------|
| <b>Admissible Liabilities</b>                                 | <b>B</b>   |                    |                   |
| Insurance contract liabilities                                |            | 86,307,671         | 70,259,902        |
| Deferred reinsurance commission                               |            | -                  | -                 |
| Insurance payables  |            | 8,793,668          | 6,743,341         |
| Other liabilities   |            | 2,172,473          | 3,439,400         |
| Current income tax liabilities                                |            | 2,624,822          | 1,611,520         |
| Life fund reserve   |            |                    |                   |
| Lease Liabilities   |            | -                  | -                 |
| Defined benefit obligations                                   |            | 1,695,038          | 1,664,076         |
| Deferred income tax   |            | 1,970,724          | 1,209,127         |
| <b>Total</b>  |            | <b>103,564,396</b> | <b>84,927,366</b> |
| <b>Excess (admitted capital) (A)-(B)</b>                      | <b>C</b>   | <b>50,285,912</b>  | <b>47,162,149</b> |
| <b>Technical provision (current year)</b>                     | <b>D</b>   | <b>86,307,671</b>  | <b>69,249,574</b> |
| <b>Solvency margin</b>  |            |                    |                   |
| Limit of technical provision i.e. 10% of technical provisions | <b>E</b>   | 8,630,767          | 6,924,957         |
| Minimum paidup capital  | <b>F</b>   | 15,000,000         | 15,000,000        |
| Required minimum of paid up capital                           | <b>G</b>   | 15,000,000         | 15,000,000        |
| Margin of solvency  |            |                    |                   |
| <b>Solvency ratio</b>   | <b>C/G</b> | <b>335%</b>        | <b>314%</b>       |





**AFRICA INSURANCE COMPANY (S.C.)**  
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**5. Segment information**

Revenue in these segments is derived primarily from insurance premium and investment income, while expenses are derived from payment of claims and benefits to claimants.

**Business segments**

The Company operates the following main business segments:

Non- life (general) business- Includes general insurance transactions with individual and corporate customers. This segment covers the protection of customers' assets (particularly their properties, both for personal and commercial business) and indemnification of other parties that have suffered damage as a result of customers' accidents. All contracts in this segment are short term in nature.

Life business- Includes life insurance policies with individual and corporate customers. This segment covers the protection of the Company's customers against the risk of premature death, disability, critical illness and other accidents.

The segment information for the year ended 30 June 2023 is presented as follows:





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Currency:- Ethiopian Birr

**A. Statement of Financial Position**

|   |        | 2023          |             |               |
|---|--------|---------------|-------------|---------------|
|   | Notes  | Non Life      | Life        | Total         |
| ASSETS                                      |        |               |             |               |
| Cash and bank balances                      | 6.1    | 277,078,930   | 1,156,115   | 278,235,045   |
| Financial Instruments                       | 6.2    | 535,033,657   | 110,775,955 | 645,809,613   |
| Trade receivable                            | 6.3    | 9,384,610     | 1,109       | 9,385,719     |
| Reinsurance Assets                          | 6.4    | 334,655,525   | -           | 334,655,525   |
| Deferred Acquisition cost                   | 6.5    | 30,047,117    | -           | 30,047,117    |
| Other current Assets                        | 6.6    | 120,852,576   | 2,103,201   | 122,955,777   |
| Property, plant and equipment               | 6.8    | 100,754,730   | 116,224     | 100,870,954   |
| Right of use Assets                         | 6.12 a | 7,281,397     |             | 7,281,397     |
| Intangible Asset                            | 6.9    | 12,372,153    | -           | 12,372,153    |
| Investment Property                         | 6.10   | 121,587,482   | 37,490,758  | 159,078,240   |
| Investment In Associate                     | 6.7    | 29,614,205    | -           | 29,614,205    |
| Statutory deposit                           | 6.13   | 39,108,150    | 2,250,000   | 41,358,150    |
| Leasehold land                              | 6.11   | 1,320,311     | 99,640      | 1,419,948     |
| TOTAL ASSET                                 |        | 1,619,090,841 | 153,993,002 | 1,773,083,843 |
| LIABILITIES                                 |        |               |             |               |
| Insurance contract Liabilities              | 6.15   | 1,003,947,241 | 86,307,671  | 1,090,254,912 |
| Credits arise from reinsurance arrangements | 6.16   | 92,230,638    | 8,792,063   | 101,022,701   |
| Deferred Commission Income                  | 6.20   | 20,831,332    | -           | 20,831,332    |
| Trade Payables                              | 6.17   | 41,708,178    | 1,605       | 41,709,783    |
| Lease liability                             | 6.12   | 8,502,382     |             | 8,502,382     |
| Other Liabilities                           | 6.18 b | 57,198,762    | 3,867,511   | 61,066,273    |
| Current Income Tax                          | 6.21   | 6,184,879     | 2,624,822   | 8,809,701     |
| Deferred Tax Liability                      | 6.14 b | 20,124,339    | 1,970,724   | 22,095,063    |
| Total liabilities                           |        | 1,250,727,754 | 103,564,396 | 1,354,292,148 |
| EQUITY AND RESERVES                         |        |               |             |               |
| Paid up capital                             | 6.22   | 261,315,000   | 15,000,000  | 276,315,000   |
| Share premium                               | 6.23   | 14,251,676    | -           | 14,251,676    |
| Retained earnings                           | 6.25   | 16,027,111    | 20,201,129  | 36,228,240    |
| Legal reserve                               | 6.24   | 44,563,827    | 14,835,621  | 59,399,450    |
| Revaluation Reserves                        | 6.26   | 30,037,890    | 2,559,439   | 32,597,329    |
| Inter office                                |        | 2,167,583     | (2,167,583) | -             |
| Total Capital and Reserves                  |        | 368,363,087   | 50,428,606  | 418,791,694   |
| TOTAL EQUITY AND LIABILITIES                |        | 1,619,090,841 | 153,993,002 | 1,773,083,843 |



# AFRICA INSURANCE COMPANY (S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2023

Currency:- Ethiopian Birr

#### A. Statement of Financial Position

|   |        | 2022          |             |               |
|---|--------|---------------|-------------|---------------|
|   | Notes  | Non Life      | Life        | Total         |
| ASSETS                                      |        |               |             |               |
| Cash and bank balances                      | 6.1    | 139,827,571   | 238,692     | 140,066,263   |
| Financial Instruments                       | 6.2    | 332,367,799   | 88,038,134  | 420,405,932   |
| Trade receivable                            | 6.3    | 1,565,869     | 1,109       | 1,566,978     |
| Reinsurance Assets                          | 6.4    | 339,860,962   | -           | 339,860,962   |
| Deferred Acquisition cost                   | 6.5    | 13,000,794    | -           | 13,000,794    |
| Other current Assets                        | 6.6    | 112,002,315   | 1,917,267   | 113,919,581   |
| Property, plant and equipment               | 6.8    | 103,533,238   | 155,119     | 103,688,357   |
| Right of use Assets                         | 6.12 a | 5,577,423     |             | 5,577,423     |
| Intangible Asset                            | 6.9    | 14,139,604    | -           | 14,139,604    |
| Investment Property                         | 6.10   | 127,318,843   | 39,540,211  | 166,859,055   |
| Investment In Associate                     | 6.7    | 24,621,607    | -           | 24,621,607    |
| Statutory deposit                           | 6.13   | 38,139,850    | 2,250,000   | 40,389,850    |
| Leasehold land                              | 6.11   | 1,359,936     | 104,085     | 1,464,021     |
| TOTAL ASSET                                 |        | 1,253,315,810 | 132,244,616 | 1,385,560,426 |
| LIABILITIES                                 |        |               |             |               |
| Insurance contract Liabilities              | 6.15   | 759,840,353   | 70,259,902  | 830,100,254   |
| Credits arise from reinsurance arrangements | 6.16   | 30,345,573    | 6,741,736   | 37,087,309    |
| Deferred Commission Income                  | 6.20   | 10,856,082    | -           | 10,856,082    |
| Other Trade Payables                        | 6.17   | 30,781,684    | 1,605       | 30,783,289    |
| Lease liability                             | 6.12   | 5,759,343     |             | 5,759,343     |
| Other Liabilities                           | 6.18 b | 63,351,076    | 3,439,400   | 66,790,476    |
| Current Income Tax                          | 6.21   | 7,694,703     | 3,275,596   | 10,970,299    |
| Deferred Tax Liability                      | 6.14 b | 17,179,837    | 1,209,127   | 18,388,964    |
| Total liabilities                           |        | 925,808,652   | 84,927,366  | 1,010,736,017 |
| EQUITY AND RESERVES                         |        |               |             |               |
| Paid up capital                             | 6.22   | 260,721,000   | 15,000,000  | 275,721,000   |
| Share premium                               | 6.23   | 14,251,676    | -           | 14,251,676    |
| Retained earnings                           | 6.25   | (12,583,278)  | 13,205,401  | 622,123       |
| Legal reserve                               | 6.24   | 40,959,933    | 14,022,316  | 54,982,249    |
| Revaluation Reserves                        | 6.26   | 27,298,716    | 1,948,644   | 29,247,360    |
| Inter office                                |        | (3,140,889)   | 3,140,889   | -             |
| Total Capital and Reserves                  |        | 327,507,158   | 47,317,250  | 374,824,408   |
| TOTAL EQUITY AND LIABILITIES                |        | 1,253,315,810 | 132,244,616 | 1,385,560,426 |



# AFRICA INSURANCE COMPANY (S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2023

#### B. Statement of Profit or Loss and Other Comprehensive Income

Currency:- Ethiopian Birr

|  | Notes       | 2023                |                   |                     |
|--|-------------|---------------------|-------------------|---------------------|
|  |             | Non life            | Life              | Total               |
| Gross Premium Revenue  | 6.27        | 1,034,737,742       | 27,693,287        | 1,062,431,030       |
| Gross Change in Unearned premium                             | 6.27        | 292,466,469         | 3,371,890         | 295,838,359         |
| Gross Net Earned Premium Revenue                             | 6.27        | <b>742,271,274</b>  | <b>24,321,397</b> | <b>766,592,671</b>  |
| Premium ceded  | 6.27        | 229,564,068         | 3,331,909         | 232,895,977         |
| Change in unearned premium - Reinsurers Share                | 6.27        | 70,853,053          | -                 | 70,853,053          |
|  |             | <b>158,711,014</b>  | <b>3,331,909</b>  | <b>162,042,923</b>  |
| <b>Net earned Premium</b>                                    | <b>6.27</b> | <b>583,560,260</b>  | <b>20,989,489</b> | <b>604,549,748</b>  |
| Investment and Other Income                                  | 6.28        | 86,536,001          | 25,480,642        | 112,016,643         |
| Commission Earned  | 6.30        | 28,531,484          | 773,540           | 29,305,023          |
| <b>Total Income</b>  |             | <b>698,627,744</b>  | <b>47,243,670</b> | <b>745,871,414</b>  |
| <b>CLAIMS</b>  |             |                     |                   |                     |
| Gross Claims and Benefits Paid                               | 6.32        | 468,259,091         | 17,927,290        | 486,186,381         |
| Gross Change in contract Liability                           | 6.32        | (38,422,150)        | 12,903,782        | (25,518,369)        |
|  |             | <b>429,836,941</b>  | <b>30,831,072</b> | <b>460,668,012</b>  |
| Claims Ceded to Reinsurers                                   | 6.32        | 50,568,802          | 508,043           | 51,076,845          |
| Change in contract Liability ceded to Reinsurers             | 6.32        | (68,189,414)        | 227,902           | (67,961,512)        |
|  |             | <b>(17,620,612)</b> | <b>735,944</b>    | <b>(16,884,668)</b> |
| <b>Net Claims incurred</b>                                   | <b>6.32</b> | <b>447,457,553</b>  | <b>30,095,127</b> | <b>477,552,679</b>  |
| <b>OPERATING EXPENSES</b>                                    |             |                     |                   |                     |
| Operating and Other Expenses                                 | 6.35        | 167,856,704         | 4,884,136         | 172,740,840         |
| Sales Commission Incurred                                    | 6.33        | 35,384,655          | 823,328           | 36,207,983          |
| <b>Total Expense and commissions</b>                         |             | <b>203,241,359</b>  | <b>5,707,464</b>  | <b>208,948,822</b>  |
| <b>Total Operating Expenses</b>                              |             | <b>650,698,911</b>  | <b>35,802,590</b> | <b>686,501,502</b>  |
| <b>Result of Operating Activity</b>                          |             | <b>47,928,832</b>   | <b>11,441,080</b> | <b>59,369,913</b>   |
| Finance Costs  | 6.34        | 3,687,478           | -                 | 3,687,478           |
| Impairment Loss  |             | 3,630,499           | -                 | 3,630,499           |
| Share of Result of Associates- Profit(Loss)                  | 6.7b (6.31) | 3,578,537           | -                 | 3,578,537           |
| <b>Profit Before Tax</b>                                     |             | <b>44,189,393</b>   | <b>11,441,080</b> | <b>55,630,473</b>   |
| <b>Profit from life insurance as per actuarial valuation</b> |             | <b>-</b>            | <b>-</b>          | <b>-</b>            |
| Income Tax Expense   | 6.21        | 8,150,449           | 3,309,720         | 11,460,170          |
| <b>Profit For the Year</b>                                   |             | <b>36,038,943</b>   | <b>8,131,360</b>  | <b>44,170,303</b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>                            |             |                     |                   |                     |
| <b>Profit for the year</b>                                   |             | <b>36,038,943</b>   | <b>8,131,360</b>  | <b>44,170,303</b>   |
| <b>Other comprehensive Income</b>                            |             |                     |                   |                     |
| <b>Items That will not be classified to Profit or loss</b>   |             |                     |                   |                     |
| Net fair Value Gain(loss) on Financial Assets                | 6.29        | 5,009,447           | 872,564           | 5,882,011           |
| Remesaurment Gain (loss ) on Employees Benefit               | 6.29        | (245,773)           | -                 | (245,773)           |
| Deferred Tax on Other Comprehensive Income                   |             | (1,429,102)         | (261,769)         | (1,690,871)         |
| <b>Total Other Comprehensive Income, Net of Tax</b>          |             | <b>3,334,572</b>    | <b>610,795</b>    | <b>3,945,367</b>    |
| <b>Total Comprehensive Income for the year</b>               |             | <b>39,373,515</b>   | <b>8,742,155</b>  | <b>48,115,671</b>   |





# AFRICA INSURANCE COMPANY (S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2023

#### B. Statement of Profit or Loss and Other Comprehensive Income

Currency:- Ethiopian Birr

|  | Notes       | 2022               |                    |                    |
|--|-------------|--------------------|--------------------|--------------------|
|  |             | Non life           | Life               | Total              |
| Gross Premium Revenue                                      | 6.27        | 557,971,796        | 20,064,565         | 578,036,360        |
| Gross Change in Unearned premium                           | 6.27        | 10,624,837         | (193,341)          | 10,431,496         |
| Gross Net Earned Premium Revenue                           | 6.27        | <b>547,346,959</b> | <b>20,257,906</b>  | <b>567,604,865</b> |
| Premium ceded  | 6.27        | 110,243,184        | 1,589,220          | 111,832,404        |
| Change in unearned premium - Reinsurers Share              | 6.27        | (28,809,553)       | -                  | (28,809,553)       |
|  |             | <b>139,052,737</b> | <b>1,589,220</b>   | <b>140,641,957</b> |
| <b>Net earned Premium</b>                                  | 6.27        | <b>408,294,222</b> | <b>18,668,686</b>  | <b>426,962,908</b> |
| Investment and Other Income                                | 6.28        | 72,464,043         | 22,727,373         | 95,191,416         |
| <u>Commission Earned</u>                                   | 6.30        | 21,749,502         | 391,346            | 22,140,848         |
| <b>Total Income</b>  |             | <b>502,507,767</b> | <b>41,787,406</b>  | <b>544,295,172</b> |
| <b>CLAIMS</b>  |             |                    |                    |                    |
| Gross Claims and Benefits Paid                             | 6.32        | 479,351,150        | 10,089,794         | 489,440,944        |
| Gross Change in contract Liability                         | 6.32        | (13,703,431)       | 5,756,427          | (7,947,003)        |
|  |             | <b>465,647,719</b> | <b>15,846,221</b>  | <b>481,493,940</b> |
| Claims Ceded to Reinsurers                                 | 6.32        | 141,816,856        | 294,363            | 142,111,219        |
| Change in contract Liability ceded to Reinsurers           | 6.32        | (18,948,867)       | -                  | (18,948,867)       |
|  |             | <b>122,867,989</b> | <b>294,363</b>     | <b>123,162,352</b> |
| <b>Net Claims incurred</b>                                 | 6.32        | <b>342,779,730</b> | <b>15,551,858</b>  | <b>358,331,588</b> |
| <b>OPERATING EXPENSES</b>                                  |             |                    |                    |                    |
| <b>Operating and Other Expenses</b>                        | 6.35        | 134,791,311        | 4,422,596          | 139,213,907        |
| <b>Sales Commission Incurred</b>                           | 6.33        | 21,197,856         | 127,015            | 21,324,871         |
| <b>Total Expense and commissions</b>                       |             | <b>155,989,167</b> | <b>4,549,611</b>   | <b>160,538,778</b> |
| <b>Total Operating Expenses</b>                            |             | <b>498,768,897</b> | <b>20,101,470</b>  | <b>518,870,367</b> |
| Result of Operating Activity                               |             | <b>3,738,870</b>   | <b>21,685,936</b>  | <b>25,424,806</b>  |
| Finance Costs  | 6.34.1      | 2,108,097          | -                  | 2,108,097          |
| Impairment loss  | 6.34.2      | 1,711,456          | -                  | 1,711,456          |
| Share of Result of Associates Profit(Loss)                 | 6.7b (6.31) | (763,150)          | -                  | (763,150)          |
| <b>Profit Before Tax</b>                                   |             | <b>(843,832)</b>   | <b>21,685,936</b>  | <b>20,842,104</b>  |
| Income Tax Expense   | 6.21        | 8,786,402          | 4,136,490          | 12,922,892         |
| <b>Profit For the Year</b>                                 |             | <b>(9,630,235)</b> | <b>17,549,446</b>  | <b>7,919,211</b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>                          |             |                    |                    |                    |
| <b>Profit for the year</b>                                 |             | <b>(9,630,235)</b> | <b>17,549,446</b>  | <b>7,919,211</b>   |
| <b>Other comprehensive Income</b>                          |             |                    |                    |                    |
| <b>Items That will not be classified to Profit or loss</b> |             |                    |                    |                    |
| Net fair Value Gain(loss) on Financial Assets              | 6.29        | 3,164,255          | (3,237,624)        | (73,369)           |
| Remesaurement Gain (loss ) on Employees Benefit            | 6.29        | 1,105,786          | -                  | 1,105,786          |
| Deferred Tax on Other Comprehensive Income                 |             | (1,281,012)        | 971,287            | (309,725)          |
| <b>Total Other Comprehensive Income, Net of Tax</b>        |             | <b>2,989,029</b>   | <b>(2,266,336)</b> | <b>722,692</b>     |
| <b>Total Comprehensive Income for the year</b>             |             | <b>(6,641,206)</b> | <b>15,283,110</b>  | <b>8,641,903</b>   |





# AFRICA INSURANCE COMPANY (S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2023

#### 6 .DISCLOSURES

##### 6.1 Cash and cash equivalents

|                 | 30-Jun-23          | Currency:- Ethiopian<br>30-Jun-22 |
|-----------------|--------------------|-----------------------------------|
| Cash on hand    | 10,277,573         | 805,735                           |
| Cash at Bank    | 267,957,472        | 139,260,528                       |
|                 | <b>278,235,045</b> | <b>140,066,263</b>                |
|                 | <b>30-Jun-23</b>   | <b>30-Jun-22</b>                  |
| General         | 277,078,930        | 139,827,571                       |
| Life            | 1,156,115          | 238,692                           |
|                 | <b>278,235,045</b> | <b>140,066,263</b>                |
|                 | <b>30-Jun-23</b>   | <b>30-Jun-22</b>                  |
| Cash at Bank    |                    |                                   |
| Current Account | 214,270,574        | 71,894,775                        |
| Saving Account  | 53,686,899         | 67,365,753                        |
|                 | <b>267,957,472</b> | <b>139,260,528</b>                |

All saving deposits are subject to an average interest rate of 7%.

|             | 30-Jun-23          | 30-Jun-22          |
|-------------|--------------------|--------------------|
| Current     | 278,235,045        | 140,066,263        |
| Non-Current | -                  | -                  |
|             | <b>278,235,045</b> | <b>140,066,263</b> |

a) Cash and cash equivalents for the purpose of cash flow statement includes the following:

|  | 30-Jun-23          | 30-Jun-22          |
|--|--------------------|--------------------|
| Cash on hand                               | 10,277,573         | 805,735            |
| Cash at Bank (Current and Saving Accounts) | 267,957,472        | 139,260,528        |
|  | <b>278,235,045</b> | <b>140,066,263</b> |

#### 6.2 Financial Asset

##### a) Composition of Financial Instrument

The company's financial instruments at the end of the period are detailed below

|   | 30-Jun-23          | 30-Jun-22          |
|---|--------------------|--------------------|
| Measured at amortized Cost-Time Deposit (Note 6.2 b)                    | 418,395,816        | 217,930,565        |
| Measured at Fair Value through Profit Loss                              | -                  | -                  |
| Measured at Fair Value through Other Comprehensive income- (Note 6.2 c) | 227,413,797        | 202,475,367        |
|   | <b>645,809,613</b> | <b>420,405,932</b> |
| Current   | 402,195,816        | 202,930,565        |
| Non-current   | 243,613,797        | 217,475,367        |
| <b>Total</b>  | <b>645,809,613</b> | <b>420,405,932</b> |
|   | <b>30-Jun-23</b>   | <b>30-Jun-22</b>   |
| General   | 535,033,657        | 332,367,799        |
| Life  | 110,775,955        | 88,038,134         |
|   | <b>645,809,613</b> | <b>420,405,932</b> |





**AFRICA INSURANCE COMPANY (S.C.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**b) Financial Assets measured at amortized cost**

|   | 30-Jun-23          | Currency:- Ethiopian  <br>30-Jun-22 |
|---|--------------------|-------------------------------------|
| Fixed time deposit                        | 374,226,380        | 191,981,826                         |
| Government bond                           | 16,200,000         | 15,000,000                          |
| Interest receivable on fixed time deposit | 27,969,436         | 10,948,739                          |
|   | <b>418,395,816</b> | <b>217,930,565</b>                  |

The fixed time deposits are deposits with local banks with maturity date of 12 months and are subject to an average interest rate of 16%. The bonds are carry interest rates of 6% .The company holds these investments with the objective of receiving contractual cash flow over the instruments life.

**c) Financial Assets Measured at fair value through Other Comprehensive Income**

| Assets measured at FVTOCI        | Fair Value using<br>significant<br>Level -3<br>30-Jun-23 | Fair Value using<br>significant<br>Level -3<br>30-Jun-22 |
|----------------------------------|--|--|
| Investment in shares- Wegagen    | 118,721,422  | 107,536,927  |
| Investment in shares- Ethio Re   | 106,192,375  | 94,938,441   |
| Capital Yefinance Lihiket Maekel | 2,500,000  |  |
| <b>Total</b>                     | <b>227,413,797</b>                                       | <b>202,475,367</b>                                       |

|  | 30-Jun-23          | 30-Jun-22          |
|--|--------------------|--------------------|
| Beginning Balance                                  | 202,475,367        | 183,798,734        |
| Additions  | 19,056,419         | 18,750,000         |
| Fair Value gain through other comprehensive income | 5,882,011          | (73,367)           |
|  | <b>227,413,797</b> | <b>202,475,367</b> |

These investments are unquoted equity instruments subsequently measured at fair value through other comprehensive income. The estimated fair value of the equity investment in Wegagen bank share company, Ethiopian reinsurance share company and Capital Yefinance Lihiket maekel share company is birr 118,721,422 , 106,192,375 and birr 2,500,000 respectively (2022:birr 107,536,927 and 94,938,441). This fair value has been determined by applying an appropriate valuation technique, the dividend growth method. This valuation has not been performed by an independent valuer. In applying this method management has assumed an average annual dividend income of birr 8.9 million from Wegagen Bank and birr 7.3 million from Ethio-Re for the upcoming financial years by reference to past trend and a minimum rate of return of 8% .The investment in Capital Lihiket Maekel is new and stated at cost or initial fair value.





**AFRICA INSURANCE COMPANY (S.C.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**Sensitivity Analysis**

**30-Jun-23**

**Wegagen Bank**

|   | Scenario -1<br>Base | Scenario -2<br>Increased by<br>1% | Scenario -3<br>Increased by<br>2% | Scenario -4<br>Decreased By<br>1% | Scenario -5<br>Decreased By<br>2% |
|---|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Expected Minimum</b>                       | <b>8%</b>           | <b>9%</b>                         | <b>10%</b>                        | <b>7%</b>                         | <b>6%</b>                         |
| <b>Rate of Return</b>                         |                     |                                   |                                   |                                   |                                   |
| Investment Balance 01 July 2022               | 107,536,833         | 103,507,714                       | 96,027,024                        | 123,456,220                       | 137,170,818                       |
| Net Increase or Decrease investment Valuation | 4,729,215           | (13,191,184)                      | (23,744,166)                      | 16,960,193                        | 39,573,726                        |
| Additional Actual Investment During the year  | 6,455,000           | 6,455,000                         | 6,455,000                         | 6,455,000                         | 6,455,000                         |
| <b>Investment balance</b>                     | <b>118,721,048</b>  | <b>96,771,530</b>                 | <b>78,737,858</b>                 | <b>146,871,414</b>                | <b>183,199,545</b>                |

**Sensitivity Analysis**

**30-Jun-23**

**Ethio Re**

|  | Scenario -1<br>Base | Scenario -2<br>Increased by<br>1% | Scenario -3<br>Increased by<br>2% | Scenario -4<br>Decreased By<br>1% | Scenario -5<br>Decreased By<br>2% |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Expected Minimum</b>                      | <b>8%</b>           | <b>9%</b>                         | <b>10%</b>                        | <b>7%</b>                         | <b>6%</b>                         |
| <b>Rate of Return</b>                        |                     |                                   |                                   |                                   |                                   |
| Investment Balance 01 July 2022              | 94987475            | 94987475                          | 94987475                          | 94987475                          | 94987475                          |
| Net Increase or Decrease in investment       | 1,152,796.27        | (11,832,125.78)                   | (21,157,661)                      | 14,812,259.72                     | 34,795,549                        |
| Additional Actual Investment During the year | 10,100,000.00       | 10,100,000.00                     | 10,100,000.00                     | 10,100,000.00                     | 10,100,000.00                     |
| <b>Investment balance</b>                    | <b>106,240,271</b>  | <b>93,255,349</b>                 | <b>83,929,814</b>                 | <b>119,899,735</b>                | <b>139,883,024</b>                |

The investment cost in Wegagen Bank S.C. and Ethio-Re was birr 102,434.000 and birr 78,851,000(2022 birr 95,979,000 and birr 68,750,000) respectively.



**AFRICA INSURANCE COMPANY (S.C.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**6.3 Trade Receivable**

|                        | 30-Jun-23        | Currency:- Ethiopian Birr<br>30-Jun-22 |
|------------------------|------------------|--|
| Trade receivable       | 58,799,072       | 50,980,331                             |
| Provision for doubtful | (49,413,353)     | (49,413,353)                           |
|                        | <b>9,384,609</b> | <b>1,566,978</b>                       |

**Analysis of Trade Receivable**

|                                     | 30-Jun-23        | 30-Jun-22        |
|-------------------------------------|------------------|------------------|
| Amount Due from policyholders       | 1,109            | 1,109            |
| Amount Due from Insurance Companies | 9,384,610        | 1,565,869        |
|                                     | <b>9,385,719</b> | <b>1,566,978</b> |

|          | 30-Jun-23        | 30-Jun-22        |
|----------|------------------|------------------|
| Life     | 1,109            | 1,109            |
| Non-Life | 9,384,610        | 1,565,869        |
|          | <b>9,385,719</b> | <b>1,566,978</b> |

**6.4 Reinsurance Assets**

|  | 30-Jun-23          | Currency:- Ethiopian Birr<br>30-Jun-22 |
|--|--------------------|--|
| Due from reinsurers                    | 19,061,878         | 17,839,966                             |
| Provision for uncollectible            | (13,172,621)       | (13,172,621)                           |
| Impairment of reinsurance receivable   | -                  | (845,792)                              |
|  | <b>5,889,257</b>   | <b>3,821,553</b>                       |
| Reinsurers share of UPR                | 132,951,843        | 72,036,019                             |
| Reinsurers share of Outstanding claims | 177,516,679        | 250,409,917                            |
| Reinsurers share of IBNR               | 18,297,747         | 13,593,473                             |
|  | <b>328,766,268</b> | <b>336,039,408</b>                     |
| Total Reinsurance Asset                | <b>334,655,525</b> | <b>339,860,962</b>                     |

|         | 30-Jun-23          | 30-Jun-22          |
|---------|--------------------|--------------------|
| General | 334,655,525        | 339,860,962        |
| Life    | -                  | -                  |
|         | <b>334,655,525</b> | <b>339,860,962</b> |

|             | 30-Jun-23          | 30-Jun-22          |
|-------------|--------------------|--------------------|
| Current     | 334,655,525        | 339,860,962        |
| Non-Current | -                  | -                  |
|             | <b>334,655,525</b> | <b>339,860,962</b> |



Due from reinsurer represents the over all balance of reinsurers with debit ending balance. The company conducted an impairment review of reinsurance asset, and no impairment is required in respect of the these assets during this financial year as the company has the right to set-off reinsurance assets against reinsurance liabilities on settlement.





# AFRICA INSURANCE COMPANY (S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2023

#### 6.5 Deferred acquisition Cost

Deferred acquisition costs represent commissions on unearned premium relating to the unexpired period of risks:

|                           | 30-Jun-23         | 30-Jun-22         |
|---------------------------|-------------------|-------------------|
| Deferred acquisition cost | 30,047,117        | 13,000,794        |
|                           | <b>30,047,117</b> | <b>13,000,794</b> |

The movement in deferred acquisition cost is as follows:

|                                      | 30-Jun-23         | 30-Jun-22         |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 13,000,794        | 9,614,402         |
| Additions during the year            | 53,254,306        | 24,711,262        |
| Less: Incurred during the year       | 36,207,983        | 21,324,870        |
|                                      | <b>30,047,117</b> | <b>13,000,794</b> |

|         | 30-Jun-23         | 30-Jun-22         |
|---------|-------------------|-------------------|
| General | 30,047,117        | 13,000,794        |
| Life    | -                 | -                 |
|         | <b>30,047,117</b> | <b>13,000,794</b> |

#### 6.6 Other Receivables

Currency:- Ethiopian Birr

##### a) Financial Assets

|                 | 30-Jun-23         | 30-Jun-22         |
|-----------------|-------------------|-------------------|
| Rent Receivable | 374,991           | 374,991           |
| Staff Debtors   | 15,810,096        | 16,799,750        |
| Third Party     | 35,824,086        | 24,068,341        |
|                 | <b>52,009,173</b> | <b>41,243,083</b> |

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Allowance for Impairment              | -                 | -                 |
| Net Other Financial Asset Receivables | <b>52,009,173</b> | <b>41,243,083</b> |

##### b) Non Financial Assets

|                                       | 30-Jun-23          | 30-Jun-22          |
|---------------------------------------|--------------------|--------------------|
| Prepayments                           | 12,599,527         | 11,887,714         |
| Advance withholding tax               | 16,681,098         | 12,590,705         |
| Sundry Receivables                    | 38,502,242         | 44,415,842         |
| Depositors with Debit Balance         | 5,055,128          | 3,731,189          |
| Tax Receivable                        | 61,333             | 61,333             |
| Directors-Receivable                  | 17,267             | 15,267             |
| Shareholders-Receivable               | 1,193,760          | -                  |
| Third party motor insurance fund      | 572,948            | 3,366,729          |
| Salvage amount at recovery yard       | 3,736,080          | 450,000            |
|                                       | <b>78,419,383</b>  | <b>76,518,778</b>  |
| Allowance for Impairment              | (7,472,779)        | (3,842,280)        |
| Net Other Financial Asset Receivables | <b>70,946,604</b>  | <b>72,676,498</b>  |
| Other Receivables                     | <b>122,955,777</b> | <b>113,919,581</b> |



During the year the company conducted an impairment test and recognized birr 3,630,498 as impairment of sundry receivables.

The salvage recovery refers to the estimated amount of salvage vehicles which are considered as total loss and settled but not disposed or transferred to third party.





**AFRICA INSURANCE COMPANY (S.C.)**  
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**FOR THE YEAR ENDED 30 JUNE 2023**

|             | 30-Jun-23          | 30-Jun-22          |
|-------------|--------------------|--------------------|
| Current     | 122,148,943        | 112,870,832        |
| Non-Current | 806,834            | 1,048,749          |
|             | <b>122,955,777</b> | <b>113,919,581</b> |

|         | 30-Jun-23          | 30-Jun-22          |
|---------|--------------------|--------------------|
| General | 120,852,576        | 112,002,315        |
| Life    | 2,103,201          | 1,917,267          |
|         | <b>122,955,777</b> | <b>113,919,581</b> |

**6.7 Investment in associates**

**a) Nature of Relationship**

The company has over 20% voting power in Selam Bus Line S.C., hence this is recognized as investment in associates. The associate has share capital consisting solely of ordinary shares which are held directly by the company. The country of incorporation is also its principal place of business.

| COMPANY             | Financial Year | %age of ownership interest | %age of ownership interest |
|---------------------|----------------|----------------------------|----------------------------|
| Selam Bus Line S.C. | 2016           | 23.4%                      | 23.4%                      |
|                     | 2017           | 23.3%                      | 23.3%                      |
|                     | 2018           | 24.6%                      | 24.6%                      |
|                     | 2019           | 24.6%                      | 24.6%                      |
|                     | 2020           | 27.2%                      | 27.2%                      |
|                     | 2021           | 27.2%                      | 27.2%                      |
|                     | 2022           | 27.2%                      | 27.2%                      |
|                     | 2023           | 27.2%                      | 27.2%                      |

Selam bus Line share company is a private company and there is no quoted market price available for its shares. There is no contingent liabilities relating to the company's interests in the associate.

**b) Movements In Investment**

Currency:- Ethiopian Birr

|                                      | 30-Jun-23         | 30-Jun-22         |
|--------------------------------------|-------------------|-------------------|
| Opening balance                      | 24,621,607        | 29,096,669        |
| Share of Associate Loss for the year | 3,578,535         | (763,151)         |
| Prior Year adjustments               | 1,414,063         | (3,711,910)       |
| Dividend collected                   | -                 | -                 |
|                                      | <b>29,614,205</b> | <b>24,621,607</b> |

|   | 30-Jun-23         | 30-Jun-22         |
|---|-------------------|-------------------|
| Cost of Investment                              | 32,500,000        | 32,500,000        |
| Additions during the year                       | -                 | -                 |
| Share of Associates Profit/loss ( Prior years ) | (6,464,330)       | (7,115,242)       |
| Share of Associates current year Profit         | 3,578,535         | (763,151)         |
|   | <b>29,614,205</b> | <b>24,621,607</b> |

|         | 30-Jun-23         | 30-Jun-22         |
|---------|-------------------|-------------------|
| General | 29,614,205        | 24,621,607        |
| Life    | -                 | -                 |
|         | <b>29,614,205</b> | <b>24,621,607</b> |





# AFRICA INSURANCE COMPANY (S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2023

#### c) Summarized Financial Position of Associate

##### Assets

##### Non-current

Fixed assets

Investments

##### Current

Cash and cash equivalents

Other current asset

Total Assets

##### Liabilities

Long Term liabilities

Other current liabilities

Net Assets

| 30-Jun-23          | 30-Jun-22          |
|--------------------|--------------------|
| 59,352,731         | 80,439,637         |
| 20,885,318         | 20,885,318         |
| <b>80,238,049</b>  | <b>101,324,955</b> |
| 24,683,542         | 17,421,158         |
| 48,370,156         | 31,034,446         |
| <b>73,053,698</b>  | <b>48,455,604</b>  |
| <b>153,291,747</b> | <b>149,780,559</b> |
| 16,548,524         | 46,453,943         |
| 27,999,855         | 12,916,073         |
| <b>44,548,379</b>  | <b>59,370,016</b>  |
| <b>108,743,368</b> | <b>90,410,543</b>  |

#### d) Summarized Statement of Comprehensive income

Revenue

Profit or loss for the year net of tax

Other comprehensive income for the year

Total comprehensive income for the year

|                   |                    |
|-------------------|--------------------|
| 139,270,202       | 92,839,724         |
| 13,140,386        | (2,802,285)        |
| -                 | -                  |
| <b>13,140,386</b> | <b>(2,802,285)</b> |

#### e) Reconciliation of investment in associate

Proportion of Ownership

Investment

Add:-Share Premium

Current year share of profit

Prior year's adjustment

Dividend recognized during the year

| Currency:- Ethiopian Birr |                   |
|---------------------------|-------------------|
| 30-Jun-23                 | 30-Jun-22         |
| 27.23%                    | 27.23%            |
| 24,621,608                | 29,096,668        |
| -                         | -                 |
| 3,578,535                 | (763,151)         |
| 1,414,063                 | (3,711,910)       |
| -                         | -                 |
| <b>29,614,206</b>         | <b>24,621,608</b> |

#### 6.8 Property, Plant and Equipment

|                    | Balance at<br>1/7/2022 | Addition         | Disposal/<br>Reclassification | Balance at 30/6/2023 |
|--------------------|------------------------|------------------|-------------------------------|----------------------|
| <b>COST</b>        |                        |                  |                               |                      |
| Building 2         | 83,383,608             | -                | -                             | 83,383,608           |
| Generator          | 900,000                | -                | -                             | 900,000              |
| Lift               | 3,768,843              | -                | -                             | 3,768,843            |
| CCTV-Camera        | 1,914,265              | -                | -                             | 1,914,265            |
|                    | <b>89,966,716</b>      | <b>-</b>         | <b>-</b>                      | <b>89,966,716</b>    |
| Motor vehicles     | 42,303,744             | -                | -                             | 42,303,744           |
| Office equipment   | 2,817,726              | 997,480.00       | -                             | 3,815,206            |
| Office furniture   | 12,778,483             | 1,923,900        | -                             | 14,702,383           |
| Computer equipment | 15,096,210             | 657,660          | -                             | 15,753,870           |
|                    | <b>72,996,163</b>      | <b>3,579,040</b> | <b>-</b>                      | <b>76,575,203</b>    |
|                    | <b>162,962,879</b>     | <b>3,579,040</b> | <b>-</b>                      | <b>166,541,919</b>   |

#### ACCUMULATED DEPRECIATION

|                    |                   |                  |          |                   |
|--------------------|-------------------|------------------|----------|-------------------|
| Building 2         | 7,019,512         | 2,050,320        |          | 9,069,832         |
| Generator          | 270,000           | 90,000           |          | 360,000           |
| Lift               | 753,769           | 251,256          | -        | 1,005,025         |
| CCTV-Camera        | 482,643           | 191,427          | -        | 674,069           |
|                    | <b>8,525,923</b>  | <b>2,583,003</b> | <b>-</b> | <b>11,108,926</b> |
| Motor vehicles     | 30,196,756        | 1,920,013        | -        | 32,116,768        |
| Office equipment   | 2,197,909         | 137,912          | -        | 2,335,821         |
| Office furniture   | 8,951,944         | 636,475          | -        | 9,588,420         |
| Computer equipment | 10,084,465        | 1,119,041        | -        | 11,203,506        |
|                    | <b>51,431,074</b> | <b>3,813,441</b> | <b>-</b> | <b>55,244,515</b> |
|                    | <b>59,956,997</b> | <b>6,396,444</b> | <b>-</b> | <b>66,353,441</b> |





**AFRICA INSURANCE COMPANY (S.C.)**  
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|                            |                    |                                 |   |                    |
|----------------------------|--------------------|---------------------------------|---|--------------------|
| <b>NET BOOK VALUE</b>      | <b>103,005,882</b> |                                 |   | <b>100,188,479</b> |
| Construction in progress   | 682,475            | -                               | - | 682,475            |
|                            | <b>103,688,357</b> |                                 |   | <b>100,870,954</b> |
|                            | <b>Cost</b>        | <b>Accumulated Depreciation</b> |   | <b>Book Value</b>  |
| General Insurance Business | 102,001,354        | 65,465,137                      |   | 100,754,730        |
| Life insurance Business    | 1,004,528          | 888,304                         |   | 116,224            |
| <b>Total</b>               | <b>103,005,882</b> | <b>66,353,441</b>               |   | <b>100,870,954</b> |

|                    |                            |                  |                                   |                             |
|--------------------|----------------------------|------------------|-----------------------------------|-----------------------------|
|                    | <b>Balance at 1/7/2021</b> | <b>Addition</b>  | <b>Disposal/ Reclassification</b> | <b>Balance at 30/6/2022</b> |
| <b>COST</b>        |                            |                  |                                   |                             |
| Building 2         | 83,383,608                 | -                | -                                 | 83,383,608                  |
| Generator          | 900,000                    | -                | -                                 | 900,000                     |
| Lift               | 3,768,843                  | -                | -                                 | 3,768,843                   |
| CCTV-Camera        | 1,914,265                  | -                | -                                 | 1,914,265                   |
|                    | <b>89,966,716</b>          | <b>-</b>         | <b>-</b>                          | <b>89,966,716</b>           |
| Motor vehicles     | 42,303,744                 | -                | -                                 | 42,303,744                  |
| Office equipment   | 2,608,326                  | 209,400.00       | -                                 | 2,817,726                   |
| Office furniture   | 11,604,759                 | 1,173,723        | -                                 | 12,778,483                  |
| Computer equipment | 13,442,820                 | 1,664,890        | (11,500)                          | 15,096,210                  |
|                    | <b>69,959,649</b>          | <b>3,048,013</b> | <b>(11,500)</b>                   | <b>72,996,163</b>           |
|                    | <b>159,926,365</b>         | <b>3,048,013</b> | <b>(11,500)</b>                   | <b>162,962,879</b>          |

**ACCUMULATED DEPRECIATION**

|                    |                   |                  |                                  |                   |
|--------------------|-------------------|------------------|----------------------------------|-------------------|
|                    |                   |                  | <b>Currency:- Ethiopian Birr</b> |                   |
| Building 2         | 4,969,192         | 2,050,320        | -                                | 7,019,512         |
| Generator          | 180,000           | 90,000           | -                                | 270,000           |
| Lift               | 502,512           | 251,256          | -                                | 753,769           |
| CCTV-Camera        | 291,216           | 191,427          | -                                | 482,643           |
|                    | <b>5,942,920</b>  | <b>2,583,003</b> | <b>-</b>                         | <b>8,525,923</b>  |
| Motor vehicles     | 28,252,149        | 1,944,608        | -                                | 30,196,756        |
| Office equipment   | 2,108,828         | 89,080           | -                                | 2,197,909         |
| Office furniture   | 8,399,669         | 552,275          | -                                | 8,951,944         |
| Computer equipment | 9,230,712         | 865,251          | (11,499)                         | 10,084,465        |
|                    | <b>47,991,360</b> | <b>3,451,214</b> | <b>(11,499)</b>                  | <b>51,431,074</b> |
|                    | <b>53,934,280</b> | <b>6,034,217</b> | <b>(11,499)</b>                  | <b>59,956,997</b> |

|                          |                    |   |   |                    |
|--------------------------|--------------------|---|---|--------------------|
| <b>NET BOOK VALUE</b>    | <b>105,992,086</b> |   |   | <b>103,005,882</b> |
| Construction in progress | 682,475            | - | - | 682,475            |
|                          | <b>106,674,561</b> |   |   | <b>103,688,357</b> |

|                            |                    |                                 |  |                    |
|----------------------------|--------------------|---------------------------------|--|--------------------|
|                            | <b>Cost</b>        | <b>Accumulated Depreciation</b> |  | <b>Book Value</b>  |
| General Insurance Business | 162,640,826        | 59,107,588                      |  | 103,533,238        |
| Life insurance Business    | 1,004,528          | 849,409                         |  | 155,119            |
| <b>Total</b>               | <b>163,645,354</b> | <b>59,956,997</b>               |  | <b>103,688,356</b> |

**6.9 Intangible Assets**

|                          |                            |                    |                         |                             |
|--------------------------|----------------------------|--------------------|-------------------------|-----------------------------|
|                          | <b>Balance at 1/7/2022</b> | <b>Addition</b>    | <b>Reclassification</b> | <b>Balance at 30/6/2023</b> |
| <b>Computer Software</b> |                            |                    |                         |                             |
| Cost                     | 21,617,469                 | -                  | -                       | 21,617,469                  |
| Accumulated amortization | 7,477,865                  | 1,767,450          |                         | 9,245,316                   |
|                          | <b>14,139,603</b>          | <b>(1,767,450)</b> |                         | <b>12,372,153</b>           |







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|                            | Cost              | Addition | Accumulated Depreciation | Book Value        |
|----------------------------|-------------------|----------|--------------------------|-------------------|
| General Insurance Business | 21,617,469        | -        | 9,245,316                | 12,372,153        |
| Life insurance Business    | -                 | -        | -                        | -                 |
| <b>Total</b>               | <b>21,617,469</b> | <b>-</b> | <b>9,245,316</b>         | <b>12,372,153</b> |

|                          | Balance at 1/7/2021 | Addition         | Reclassification | Balance at 30/6/2022 |
|--------------------------|---------------------|------------------|------------------|----------------------|
| <b>Computer Software</b> |                     |                  |                  |                      |
| Cost                     | 20,986,536          | 630,933          | -                | 21,617,469           |
| Accumulated amortization | 5,647,322           | 1,830,544        | -                | 7,477,865            |
|                          | <b>15,339,214</b>   | <b>2,461,477</b> |                  | <b>14,139,604</b>    |

|                            | Cost              | Addition       | Accumulated Depreciation | Book Value        |
|----------------------------|-------------------|----------------|--------------------------|-------------------|
| General Insurance Business | 20,986,536        | 630,933        | 7,477,865                | 14,139,604        |
| Life insurance Business    | -                 | -              | -                        | -                 |
| <b>Total</b>               | <b>20,986,536</b> | <b>630,933</b> | <b>7,477,865</b>         | <b>14,139,604</b> |

**6.10 Investment Property**

|             | Balance at 1/7/2022 | Addition | Reclassification | Disposal/ Reclassification | Balance at 30/6/2023 |
|-------------|---------------------|----------|------------------|----------------------------|----------------------|
| <b>COST</b> |                     |          |                  |                            |                      |
| Building 01 | 232,783,933.84      | -        | -                | -                          | 232,783,934          |
| Generator   | 5,588,052.00        | -        | -                | -                          | 5,588,052            |
| Lift        | 10,899,410.84       | -        | -                | -                          | 10,899,411           |
| CCTV-Camera | 957,132.51          | -        | -                | -                          | 957,133              |
|             | <b>250,228,529</b>  | <b>-</b> | <b>-</b>         | <b>-</b>                   | <b>250,228,529</b>   |

|                                 |                   |                  |          |          |                   |
|---------------------------------|-------------------|------------------|----------|----------|-------------------|
| <b>ACCUMULATED DEPRECIATION</b> |                   |                  |          |          |                   |
| Building 01                     | 71,216,706.48     | 6,478,656.31     | -        | -        | 77,695,363        |
| Generator                       | 4,333,754.08      | 422,325.69       | -        | -        | 4,756,080         |
| Lift                            | 7,577,692.02      | 784,120.10       | -        | -        | 8,361,812         |
| CCTV-Camera                     | 241,321.74        | 95,713.25        | -        | -        | 337,035           |
|                                 | <b>83,369,474</b> | <b>7,780,815</b> | <b>-</b> | <b>-</b> | <b>91,150,290</b> |

|                       |                    |  |  |  |                    |
|-----------------------|--------------------|--|--|--|--------------------|
| <b>NET BOOK VALUE</b> | <b>166,859,055</b> |  |  |  | <b>159,078,240</b> |
|-----------------------|--------------------|--|--|--|--------------------|

|                            | Cost               | Accumulated Depreciation | Book Value         |
|----------------------------|--------------------|--------------------------|--------------------|
| General Insurance Business | 185,228,529        | 63,641,047               | 121,587,482        |
| Life insurance Business    | 65,000,000         | 27,509,242               | 37,490,758         |
| <b>Total</b>               | <b>250,228,529</b> | <b>91,150,290</b>        | <b>159,078,240</b> |

|             | Balance at 1/7/2021 | Addition | Reclassification | Disposal/ Reclassification | Balance at 30/6/2022 |
|-------------|---------------------|----------|------------------|----------------------------|----------------------|
| <b>COST</b> |                     |          |                  |                            |                      |
| Building 01 | 232,783,934         | -        | -                | -                          | 232,783,934          |
| Generator   | 5,588,052           | -        | -                | -                          | 5,588,052            |
| Lift        | 10,899,411          | -        | -                | -                          | 10,899,411           |
| CCTV-Camera | 957,133             | -        | -                | -                          | 957,133              |
|             | <b>250,228,529</b>  | <b>-</b> | <b>-</b>         | <b>-</b>                   | <b>250,228,529</b>   |

|                                 |                   |                  |          |          |                   |
|---------------------------------|-------------------|------------------|----------|----------|-------------------|
| <b>ACCUMULATED DEPRECIATION</b> |                   |                  |          |          |                   |
| Building 01                     | 64,738,050        | 6,478,656        | -        | -        | 71,216,706        |
| Generator                       | 3,911,428         | 422,326          | -        | -        | 4,333,754         |
| Lift                            | 6,793,572         | 784,120          | -        | -        | 7,577,692         |
| CCTV-Camera                     | 145,608           | 95,713           | -        | -        | 241,322           |
|                                 | <b>75,588,659</b> | <b>7,780,815</b> | <b>-</b> | <b>-</b> | <b>83,369,474</b> |

|                       |                    |  |  |  |                    |
|-----------------------|--------------------|--|--|--|--------------------|
| <b>NET BOOK VALUE</b> | <b>174,639,870</b> |  |  |  | <b>166,859,055</b> |
|-----------------------|--------------------|--|--|--|--------------------|



**AFRICA INSURANCE COMPANY (S.C.)**  
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|                            | Cost               | Accumulated Depreciation | Book Value         |
|----------------------------|--------------------|--------------------------|--------------------|
| General Insurance Business | 185,228,529        | 57,909,686               | 127,318,843        |
| Life insurance Business    | 65,000,000         | 25,459,789               | 39,540,211         |
| <b>Total</b>               | <b>250,228,529</b> | <b>83,369,474</b>        | <b>166,859,055</b> |

The Company's investment property is measured at cost including subsequent costs. Depreciation on these properties is calculated using the straight line method to allocate their cost to their estimated useful life. The fair value of the investment properties as at the previous reporting date was conducted by external valuer who has the required qualification and experience on asset valuation. The fair value was determined based on replacement cost approach. This method is frequently used in valuing investment companies or intensive capital firms. The fair value of the investment properties as at June 30, 2023 are stated here under.

|  | 30-Jun-23<br>Depreciated<br>Replacement Cost | 30-Jun-22<br>Depreciated<br>Replacement Cost |
|--|--|--|
| Building Bistrate Gebriel                      | 669,693,024                                  | 683,360,229                                  |
| Land Bistrate Gebriel                          | 116,669,000                                  | 119,050,000                                  |
| Generator, Lift and CCTV camera-Bsrate Gebriel | 40,052,148                                   | 44,502,387                                   |
| Head Office Building                           | 232,612,195                                  | 237,359,383                                  |
| Land-Head Office                               | 35,280,000                                   | 36,000,000                                   |
| Generator, Lift and CCTV camera-Head Office    | 15,269,695                                   | 16,966,328                                   |
|  | <b>1,109,576,063</b>                         | <b>1,137,238,327</b>                         |

### 6.11 Leasehold Land

The Company has acquired 2,381m.sq plot of land under 50 years finance lease agreement from the Addis Ababa City Administration for construction of office building. The total cost of the lease agreement amounting to birr.684,538 has been paid to the Addis Ababa City Administration and will be amortized over the remaining lease period commencing from the date the building is put to use. Additional 600m sq. leasehold land has been obtained from Addis Ababa City Administration for construction of main branch office for a lease period of 50 years. The total cost of this lease agreement is Birr 1,518,992 and has been paid to the City Administration.



**AFRICA INSURANCE COMPANY (S.C.)**  
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|                    | Cost             | Accumulated Amortization | Book Value       |
|--------------------|------------------|--------------------------|------------------|
| Cost               |                  |                          |                  |
| As at 1 July 2021  | 2,203,530        | 695,441                  | 1,508,089        |
| Additions          |                  | 44,071                   |                  |
| Disposal           |                  |                          |                  |
| Reclassification   |                  | -                        | -                |
| As at 30 June 2022 | <b>2,203,530</b> | <b>739,512</b>           | <b>1,464,019</b> |
| As at 1 July 2022  | 2,203,530        | 739,512                  | 1,464,019        |
| Additions          |                  | 44,071                   |                  |
| Disposal           |                  |                          |                  |
| Reclassification   |                  | -                        | -                |
| As at 30 June 2023 | <b>2,203,530</b> | <b>783,582</b>           | <b>1,419,948</b> |

|                            | COST             | Accumulate Depreciation | BOOK VALUE       |
|----------------------------|------------------|-------------------------|------------------|
| General Insurance Business | 1,981,285        | 660,976                 | 1,320,311        |
| Life insurance Business    | 222,244          | 122,605                 | 99,640           |
| <b>Total</b>               | <b>2,203,530</b> | <b>783,582</b>          | <b>1,419,948</b> |

**6.12 Lease**

**a, Right of use Assets**

|                                   | 30-Jun-23         | 30-Jun-22         |
|-----------------------------------|-------------------|-------------------|
| Balance, Beginning of the year    | 10,824,359        | 6,756,654         |
| Addition                          | 2,839,947         | 4,067,705         |
| Derecognition                     | -                 | -                 |
|                                   | <b>13,664,306</b> | <b>10,824,359</b> |
| <b>Amortization @ 1 July 2022</b> | 5,246,936         | 3,733,787         |
| Addition                          | 1,135,973         | 1,513,150         |
|                                   | <b>6,382,910</b>  | <b>5,246,936</b>  |
| <b>Net right use assets</b>       | <b>7,281,397</b>  | <b>5,577,423</b>  |

**b, Lease Liability**

|                                | 30-Jun-23        | 30-Jun-22        |
|--------------------------------|------------------|------------------|
| Balance, Beginning of the year | 5,759,343        | 4,002,767        |
| Addition                       | 2,750,347        | 3,203,804        |
| Interest Expense               | 1,057,042        | 495,852          |
| Repayment during the period    | (1,064,350)      | (1,943,081)      |
|                                | <b>8,502,382</b> | <b>5,759,343</b> |
| Current                        | 7,322,482        | 4,579,443        |
| Non-Current                    | 1,179,900        | 1,179,900        |
|                                | <b>8,502,382</b> | <b>5,759,343</b> |



**6.13 Statutory Deposit**

This represents 15% of the paid up capital at the Statement of Financial position date and this has been deposited with National Bank of Ethiopia in accordance with Article 20 of Proclamation No. 746/2012. The deposit has been made in the form of Government Bonds at an interest rate of 6% and measured at amortized cost.

**AFRICA INSURANCE COMPANY (S.C.)**  
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Currency:- Ethiopian Birr

|                            | 30-Jun-23  | 30-Jun-22  |
|----------------------------|------------|------------|
| Statutory Deposit          | 41,358,150 | 40,389,850 |
| General Insurance Business | 39,108,150 | 38,139,850 |
| Life insurance Business    | 2,250,000  | 2,250,000  |
|                            | 41,358,150 | 40,389,850 |

**6.14 Deferred Taxation**

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

**a) The movement on deferred tax asset account during the year was as follows:**

|                                     | 30-Jun-23 | 30-Jun-22 |
|-------------------------------------|-----------|-----------|
| Balance, Beginning of the year      | -         | -         |
| Charged to Profit or loss statement | -         | -         |
|                                     | -         | -         |

**b) The movement on deferred tax Liability account during the year was as follows:**

|  | 30-Jun-23  | 30-Jun-22  |
|--|------------|------------|
| Balance, Beginning of the year                 | 18,388,964 | 17,662,415 |
| Credited / charged to Profit or loss statement | 2,015,228  | 416,824    |
| Credited to Other comprehensive income         | 1,690,871  | 309,725    |
|  | 22,095,064 | 18,388,964 |

**c) Net deferred Tax Liability/Asset**

|                            | 30-Jun-23  | 30-Jun-22  |
|----------------------------|------------|------------|
| General Insurance Business | 20,124,339 | 17,179,837 |
| Life insurance Business    | 1,970,724  | 1,209,127  |
|                            | 22,095,063 | 18,388,964 |







# AFRICA INSURANCE COMPANY (S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2023

The net Deferred tax liability/asset is attributable to the following:

Currency:- Ethiopian Birr

|  | 30-Jun-23         | 30-Jun-22         |
|--|-------------------|-------------------|
| <b>Assets</b>  |                   |                   |
| Property, plant and equipment                                      | -                 | -                 |
| Investment Property  | -                 | -                 |
| Gain or loss on employee benefit obligation                        | -                 | -                 |
| Fair Value of Equity instrument through other Comprehensive Income | -                 | -                 |
|  | <b>-</b>          | <b>-</b>          |
| <b>Liability</b>   |                   |                   |
| Property, plant and equipment                                      | 3,123,794         | 3,123,794         |
| Investment Property  | 5,580,363         | 3,565,135         |
| Gain or loss on employee benefit obligation                        | 287,984           | 361,716           |
| Fair Value of Equity instrument through other Comprehensive Income | 13,102,921        | 11,338,319        |
|  | <b>22,095,062</b> | <b>18,388,964</b> |
| <b>Net deferred Tax Liability/Asset</b>                            | <b>22,095,062</b> | <b>18,388,964</b> |

#### 6.15 Insurance contract Liabilities

|   | 30-Jun-23            | 30-Jun-22          |
|---|----------------------|--------------------|
| Outstanding Claims Provision                                    | 313,690,847          | 374,157,541        |
| IBNR Provisions   | 96,532,088           | 74,636,458         |
| Loss Adjustment due to Liability Adequacy Test/IBNER Provisions | -                    | -                  |
| Other Technical Provision/Unallocated loss Adjustment Estimate  | 15,658,233           | 15,509,520         |
|   | <b>425,881,169</b>   | <b>464,303,520</b> |
| Unearned Premium Reserve  | 578,066,072          | 295,536,833        |
| Policyholders Liability life business                           | 86,307,671           | 70,259,902         |
|   | <b>1,090,254,912</b> | <b>830,100,254</b> |

#### 6.15.1 Outstanding Claims(including IBNR,IBNER and Technical Provision ULAE)

##### a) Movements

|                                   | 30-Jun-23          | 30-Jun-22          |
|-----------------------------------|--------------------|--------------------|
| Balance, beginning of year        | 464,303,520        | 478,938,988        |
| Increase/decrease during the year | (38,422,350)       | (14,635,469)       |
| Balance, End of year              | <b>425,881,169</b> | <b>464,303,520</b> |





**AFRICA INSURANCE COMPANY (S.C.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Currency:- Ethiopian Birr

**b) Analysis**

**Non Life**

|                    | 30-Jun-23          | 30-Jun-22          |
|--------------------|--------------------|--------------------|
| Marine             | 365,586            | 1,330,266          |
| Fire               | 12,997,465         | 11,945,520         |
| Motor              | 195,390,645        | 162,368,010        |
| Workmen            | 5,236,579          | 4,694,135          |
| Personal accident  | 913,077            | 657,503            |
| Pecuniary          | 186,893,242        | 264,310,267        |
| Engineering        | 1,579,530          | 1,322,835          |
| Liability          | 9,699,310          | 9,410,676          |
| Political Violence | 9,283,336          | 4,515,385          |
| Aviation           | -                  | -                  |
| Weather Index      | 3,522,397.47       | 3,748,423          |
|                    | <b>425,881,169</b> | <b>464,303,020</b> |

**6.15.2 Unearned Premium Reserve**

**a) Movement in unearned premium Provision:**

**Non Life**

|                                   | 30-Jun-23          | 30-Jun-22          |
|-----------------------------------|--------------------|--------------------|
| Balance, beginning of year        | 295,536,833        | 284,911,997        |
| Increase/decrease during the year | 282,529,239        | 10,624,836         |
| Balance, End of year              | <b>578,066,072</b> | <b>295,536,833</b> |

**b) Analysis of unearned premium by class:**

**Non Life**

|                              | 30-Jun-23          | 30-Jun-22          |
|------------------------------|--------------------|--------------------|
| Marine                       | 758,055            | 1,285,574          |
| Fire                         | 11,383,135         | 6,897,493          |
| Motor                        | 415,356,568        | 202,105,923        |
| Workmen                      | 4,386,465          | 4,471,458          |
| Personal accident            | 736,947            | 2,047,965          |
| Pecuniary                    | 16,576,107         | 15,055,483         |
| Engineering                  | 10,287,653         | 13,993,628         |
| Liability                    | 28,813,753         | 14,437,742         |
| Crop insurance/Weather Index | 64,727,124         | 15,529,847         |
| Aviation                     | -                  | -                  |
| Political violence           | 25,040,265         | 19,711,720         |
|                              | <b>578,066,072</b> | <b>295,536,833</b> |



# AFRICA INSURANCE COMPANY (S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2023

#### 6.15.3 Actuarial Policyholders Liability

Currency:- Ethiopian Birr

##### a) Movement in Actuarial Policyholders Liability:

Balance, beginning of year  
Increase/decrease during the year  
Balance, End of year

| 30-Jun-23         | 30-Jun-22         |
|-------------------|-------------------|
| 70,259,902        | 64,696,816        |
| 16,047,769        | 5,563,086         |
| <b>86,307,671</b> | <b>70,259,902</b> |

##### b) Analysis of Actuarial Policyholders Liability:

Group Life  
Individual Life

| 30-Jun-23         | 30-Jun-22         |
|-------------------|-------------------|
| 78,247,102        | 64,048,394        |
| 8,060,569         | 6,211,508         |
| <b>86,307,671</b> | <b>70,259,902</b> |

O/S Claims  
IBNR Claims  
Actuarial Liabilities  
Unearned Premium

| 30-Jun-23         | 30-Jun-22         |
|-------------------|-------------------|
| 3,286,640         | 2,948,086         |
| 1,865,454         | 322,350           |
| 76,898,005        | 66,103,779        |
| 4,257,572         | 885,687           |
| <b>86,307,671</b> | <b>70,259,902</b> |

Ordinary Endowment  
Individual paid Up Policies  
Individual Riders  
Group Term  
Group Medical  
Group Rider  
Contingency Reserve

| 30-Jun-23         | 30-Jun-22         |
|-------------------|-------------------|
| 71,190,332        | 61,906,612        |
| 4,974,708         | 3,445,500         |
| 728,267           | 746,337           |
| 1,160,580         | 265,710           |
| 4,007,842         | 708,573           |
| 959,301           | 239,083           |
| -                 | -                 |
| <b>83,021,031</b> | <b>67,311,816</b> |

#### 6.16 Credits Arise From Reinsurance Arrangements

Due to reinsurers

| 30-Jun-23          | 30-Jun-22         |
|--------------------|-------------------|
| 101,022,701        | 37,087,309        |
| <b>101,022,701</b> | <b>37,087,309</b> |

General  
Life



| 30-Jun-23          | 30-Jun-22         |
|--------------------|-------------------|
| 92,230,638         | 30,345,573        |
| 8,792,063          | 6,741,736         |
| <b>101,022,701</b> | <b>37,087,309</b> |

#### 6.17 Trade payables

Co-insurers  
Sales agents and brokers  
Trade debtors with credit balances

| 30-Jun-23         | 30-Jun-22         |
|-------------------|-------------------|
| 4,100,342         | 5,965,346         |
| 37,037,907        | 21,945,157        |
| 571,534           | 2,872,786         |
| <b>41,709,783</b> | <b>30,783,289</b> |



# AFRICA INSURANCE COMPANY (S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2023

#### 6.18 Other Liabilities

##### a) Financial Liabilities

Currency:- Ethiopian Birr

|                   | 30-Jun-23         | 30-Jun-22         |
|-------------------|-------------------|-------------------|
| Dividend payables | -                 | 1,641,956         |
| Accrued charges   | 11,548,060        | 7,193,106         |
| Retention payable | 2,435,491         | 2,435,491         |
| Accrued leave pay | 8,332,732         | 6,720,347         |
| Severance pay     | 5,497,155         | 4,478,296         |
| Sundry creditors  | 6,500,730         | 6,627,663         |
|                   | <b>34,314,167</b> | <b>29,096,859</b> |

##### b) Non-Financial Liabilities

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Provident fund          | 9,062,305         | 28,352,707        |
| Pension payable         | 2,270,286         | 1,459,303         |
| Deferred Rent income    | 7,281,299         | 4,093,542         |
| Stamp duty              | 307,877           | 290,978           |
| Income tax payable      | 2,064,133         | 1,965,367         |
| Value Added tax (VAT)   | 4,642,582         | 1,124,769         |
| Withholding tax payable | 1,125,553         | 405,076           |
| Other Payables          | (1,929)           | 1,875             |
|                         | <b>26,752,106</b> | <b>37,693,617</b> |
|                         | <b>61,066,273</b> | <b>66,790,476</b> |

|             | 30-Jun-23         | 30-Jun-22         |
|-------------|-------------------|-------------------|
| Current     | 61,066,273        | 66,790,476        |
| Non-Current | -                 | -                 |
|             | <b>61,066,273</b> | <b>66,790,476</b> |

|         | 30-Jun-23         | 30-Jun-22         |
|---------|-------------------|-------------------|
| General | 57,198,762        | 63,351,076        |
| Life    | 3,867,511         | 3,439,400         |
|         | <b>61,066,273</b> | <b>66,790,476</b> |

#### 6.19 Severance Pay

Accounted as part of financial liability. The company employees are entitled to severance benefit. The severance benefit entitlement is provided under the labor proclamation No. 1156/2019 and if an employee is terminated due to redundancy. In the first year, the pay is thirty times the average daily wage 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 paid to employees on voluntary resignation, disability and death in service after 5 years of service. In the event of death in service, the dependants will be paid a lump sum equal to 5 times members annual salary and burial expenses equal to 2 months wage.

#### KEY RISKS

The key risks associated with severance benefit entitlement are as follows

1. The benefits are linked to salary and consequently have an associated risk to increases in salary
2. The benefits are defined as per the labor proclamation. Amendments to the labor proclamation could change these benefits and materially change the costs of the company.





## AFRICA INSURANCE COMPANY (S.C.) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. The severance benefits is unfunded with no separate assets, investment risk would therefore not arise.
4. Severance benefits is payable where an employee's contract of employment is terminated by the initiation of the employer against the provision of law. The actual cost to the company of the benefits is therefore subject to the demographic movement of employees.

### Assumptions

The valuation of the severance benefit entitlement has been done on a discount rate of 14.25% p.a. as at 30 June 2022 and a salary inflation rate of 12.25% p.a. A sensitivity analysis has also been undertaken showing the impact of change in the assumptions on the disclosure.

#### a) Reconciliation of benefit obligation.

Currency:- Ethiopian Birr

|   | 30-Jun-23        | 30-Jun-22        |
|---|------------------|------------------|
| opening benefit obligation                          | 4,404,534        | 4,812,805        |
| Current service cost net of employees contributions | 3,630,089        | 2,901,382        |
| Interest cost                                       | 637,320          | 686,580          |
| Actuarial (gain)/loss                               | 245,773          | (1,105,447)      |
| Past service cost                                   | -                | -                |
| Benefits and Expenses paid                          | (3,494,323)      | (2,890,786)      |
| closing benefit obligation                          | <b>5,423,393</b> | <b>4,404,534</b> |

|  | 30-Jun-23        | 30-Jun-22        |
|--|------------------|------------------|
| Present value of Active members funded obligations | 5,423,393        | 4,404,535        |
| Outstanding Benefit                                | -                | -                |
| Net liability                                      | <b>5,423,393</b> | <b>4,404,535</b> |

|   | 30-Jun-23        | 30-Jun-22        |
|---|------------------|------------------|
| Current service cost net of employees contributions                 | 3,630,089.00     | 2,901,382.00     |
| Interest on net liability   | 637,320.00       | 686,580.00       |
| Recognition of past service cost                                    | -                | -                |
| Total included in "staff costs" in respect of the severance benefit | <b>4,267,409</b> | <b>3,587,962</b> |

#### Net actuarial losses/gains in the net liability/asset recognized in the year;

|   |                |                    |
|---|----------------|--------------------|
| Net actuarial losses/gains and experience adjustments arising from changes in financial assumptions | (310)          | (522,227)          |
| Net actuarial losses/gains and experience adjustments arising from participants movement            | 246,083        | (583,220)          |
| <b>Total included in "other Comprehensive Income" in respect of the severance benefit</b>           | <b>245,773</b> | <b>(1,105,447)</b> |

#### Reconciliation

|   | 30-Jun-23 | 30-Jun-22   |
|---|-----------|-------------|
| Net liability at start of period                      | 4,404,534 | 4,812,805   |
| Net expense recognized in statement of profit or loss | 4,267,409 | 3,587,962   |
| Net expense recognized in other comprehensive income  | 245,773   | (1,105,447) |

**AFRICA INSURANCE COMPANY (S.C.)**  
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**FOR THE YEAR ENDED 30 JUNE 2023**

|                                |                         |                         |
|--------------------------------|-------------------------|-------------------------|
| Employer contributions         | (3,494,323)             | (2,890,786)             |
| Net Liability at end of period | <u><b>5,423,393</b></u> | <u><b>4,404,534</b></u> |

**Actuarial Assumptions**

|   | <u><b>30-Jun-23</b></u> | <u><b>30-Jun-21</b></u> |
|---|-------------------------|-------------------------|
| Discount rate (% .a)                                    | 14.30%                  | 14.25%                  |
| Future salary increases (% p.a)                         | 12.30%                  | 12.25%                  |
| Mortality assumptions males                             | A1945-52 Males          | A1945-52 Males          |
| Mortality assumptions female                            | A1945-52 Females        | A1945-52 Females        |
| Weighted average duration of defined benefit obligation | 6.3                     | 6.9                     |

The company also make statutory contribution to the national social security fund contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 June 2023, the company contributed birr 7,018,687 (2022: birr 3,287,920) which has been charged to the profit and loss account.



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**b) Sensitivity Analysis**

**30-Jun-23**

Currency:- Ethiopian Birr

|  | Scenario -1 | Scenario -2                   | Scenario -3                 | Scenario -4                  | Scenario -5                 | Scenario -6                | Scenario -7                |
|--|-------------|-------------------------------|-----------------------------|------------------------------|-----------------------------|----------------------------|----------------------------|
|  | Base        | Discount Rate Increased by 1% | Salary Rate increased by 1% | Discount Rate decrease by 1% | Salary Rate decreased by 1% | Mortality Increased by 10% | Mortality Decreased by 10% |
| Discount rate  | 14.30%      | 15.30%                        | 14.30%                      | 13.30%                       | 14.30%                      | 14.30%                     | 14.30%                     |
| Salary increases   | 12.30%      | 12.30%                        | 13.30%                      | 12.30%                       | 11.30%                      | 12.30%                     | 12.30%                     |
| Net liability at start of period                         | 4,404,535   | 4,404,535                     | 4,404,535                   | 4,404,535                    | 4,404,535                   | 4,404,535                  | 4,404,535                  |
| Total net expense recognized in the income statement     | 4,267,409   | 4,267,409                     | 4,267,409                   | 4,267,409                    | 4,267,409                   | 4,267,409                  | 4,267,409                  |
| Net expense recognized in the other comprehensive income | 245,773     | (74,795)                      | 598,014                     | 606,992                      | (70,832.00)                 | 416,762.00                 | 73,136.00                  |
| Employer contribution                                    | (3,494,323) | (3,494,323)                   | (3,494,323)                 | (3,494,323)                  | (3,494,323)                 | (3,494,323)                | (3,494,323)                |
| Net liability at end of period                           | 5,423,394   | 5,102,926                     | 5,775,635                   | 5,784,613                    | 5,106,789                   | 5,594,383                  | 5,250,757                  |



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**c) Expected impact on future company cash flows**

**Currency:- Ethiopian Birr**

The current arrangements are unfunded with no pre-determined contributions. The company however meets benefits payments on a pay-as-you-go basis. the company's benefit outgo was Ethiopia birr 3,494,323 (2022 Ethiopian birr 2,890,786)

**d) Maturity profile**

| <b>Time to maturity of membership</b> | <b>Liability (Ethiopian</b> |
|---------------------------------------|-----------------------------|
| Less than 1 year                      | 1,954                       |
| 1 to 5 years                          | 56,999                      |
| Greater than 5 years                  | 5,364,440                   |

**6.20 Deferred Commission income**

|                            | <b>30-Jun-23</b>  | <b>30-Jun-22</b>  |
|----------------------------|-------------------|-------------------|
| Deferred Commission income | 20,831,332        | 10,856,082        |
|                            | <b>20,831,332</b> | <b>10,856,082</b> |

The movement in Deferred Commission income is as follows:

|                                      | <b>30-Jun-23</b>  | <b>30-Jun-22</b>  |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 10,856,082        | 9,074,724         |
| Commission during the year           | 30,168,145        | 22,280,702        |
| Amortization for the year            | 20,192,895        | 20,499,344        |
|                                      | <b>20,831,332</b> | <b>10,856,082</b> |

**6.21 INCOME TAX**

**6.21.1 Income Tax Charged to Profit or Loss**

|  | <b>30-Jun-23</b>  | <b>30-Jun-22</b>  |
|--|-------------------|-------------------|
| General Insurance Business (Note 6.21 A) | -                 | -                 |
| Life Insurance Business (6.21 B)         | -                 | 412,221           |
| Investment & Property (6.21 C)           | 11,460,170        | 12,510,671        |
|  | <b>11,460,170</b> | <b>12,922,892</b> |

**6.21.2 Income Tax Payable**

|  | <b>30-Jun-23</b> | <b>30-Jun-22</b>  |
|--|------------------|-------------------|
| General Insurance Business (Note 6.21 A) | (240,472)        | (240,472)         |
| Life Insurance Business (6.21 B)         | -                | 15,624            |
| Investment & Property (6.21 C)           | 9,050,173        | 11,195,147        |
|  | <b>8,809,701</b> | <b>10,970,299</b> |







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6.21

**A) General Insurance Business**

|  | <b>30-Jun-23</b>    | <b>30-Jun-22</b>    |
|--|---------------------|---------------------|
| <b>Beginning Balance</b>                               | (240,472)           | (240,472)           |
| <b>Less:- Settlements(Adjustments Vs Life account)</b> | -                   | -                   |
|  | <b>(240,472)</b>    | <b>(240,472)</b>    |
| <b>Profit before tax for the year</b>                  | <b>44,189,393</b>   | <b>(843,832)</b>    |
| Transfer from life                                     | -                   | -                   |
|  | <b>44,189,393</b>   | <b>(843,832)</b>    |
| <b>Less:- Income taxed at source</b>                   |                     |                     |
| Interest income  | 36,304,026          | 23,915,660          |
| Divided income   | 15,035,236          | 9,693,634           |
| Rent income  | 34,276,268          | 38,180,974          |
| Share of Associate Result                              | 3,578,537           | (763,150)           |
|  | <b>89,194,066</b>   | <b>71,027,117</b>   |
|  | <b>(45,004,674)</b> | <b>(71,870,949)</b> |
| Other technical provision (Additional)                 | 148,601             | 2,085,925           |
| Impairment on Sundry Debtors                           | 3,630,499           | 1,711,456           |
| Entertainment  | 491,682             | 66,906              |
| Tax Penalty(Interest)                                  | 34,226.85           | -                   |
| Office Refreshment                                     | 2,509,255           | 1,870,478           |
| Provision-Staff Leave pay                              | 1,396,360           | 1,539,993           |
| Provision-Severance pay                                | 773,086.00          | 697,176             |
| Dep. Expense - Investment Property                     | 5,731,361           | 7,780,815           |
| Building Related Exp.                                  | 2,549,917           | 925,960             |
| Leasehold Land Amortization                            | 39,626              | 39,626              |
| Giveaway Items   | 162,317             | 274,629             |
| Donation   | 1,677,500           | 1,570,055           |
| Sponsorship  | 43,960              | -                   |
| Medical Expense-Family                                 | -                   | -                   |
| Taxable Profit   | <b>(25,816,283)</b> | <b>(53,307,931)</b> |
| Profit tax 30%   | -                   | -                   |
| Profit Tax Charge to profit/Loss                       | -                   | -                   |
| Deferred Tax   | -                   | -                   |
| Current Tax  | -                   | -                   |
| WHT Paid During the Year                               | -                   | -                   |
| Current Tax Payable                                    | <b>(240,472)</b>    | <b>(240,472)</b>    |





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|  | Currency:- Ethiopian Birr |                    |
|--|---------------------------|--------------------|
|  | 30-Jun-23                 | 30-Jun-22          |
| <b>Deferred Tax Liability(Asset):</b>                      |                           |                    |
| Depreciation Expense for Tax                               | 12,371,760                | 10,852,805         |
| Depreciation Expense for Report                            | (8,124,999)               | (7,820,441)        |
|  | <b>4,246,761</b>          | <b>3,032,364</b>   |
| Tax at 30%   | -                         | -                  |
| <b>Deferred Tax Liability(Asset)</b>                       | <b>-</b>                  | <b>-</b>           |
|  | <b>30-Jun-22</b>          | <b>30-Jun-21</b>   |
| <b>Beginning Balance</b>                                   | 15,624                    | 1,377,530          |
| <b>Less:- Settlements(Adjustments Vs Non- Life account</b> | 15,624                    | (1,377,530)        |
|  | <b>-</b>                  | <b>-</b>           |
| <b>B) Life Insurance Business</b>                          |                           |                    |
| <b>Profit before tax for the year</b>                      | <b>11,441,080</b>         | <b>21,685,936</b>  |
| <b>Less:- Income taxed at source</b>                       |                           |                    |
| Interest income  | 10,525,904                | 7,614,181          |
| Divided income   | 1,521,180                 | -                  |
| Rent income  | 13,430,407                | 15,113,043         |
|  | <b>25,477,491</b>         | <b>22,727,223</b>  |
|  | <b>(14,036,411)</b>       | <b>(1,041,287)</b> |
| Provision-Staff Leave pay                                  | 216,025                   | 182,092            |
| Dep. Expense - Investment Property                         | 2,049,453.88              | 2,049,454          |
| Building Related Exp.                                      | 343,083.06                | 179,366            |
| Leasehold Land Amortization                                | 4,445                     | 4,445              |
| <b>Taxable Profit</b>                                      | <b>(11,423,404)</b>       | <b>1,374,069</b>   |
| Profit tax 30%   | -                         | 412,221            |
| Profit Tax Charge to profit/Loss                           | -                         | 412,221            |
| Deferred Tax   | -                         | 1,464              |
| Current Tax  | -                         | 413,685            |
| WHT Paid During the Year                                   | -                         | (398,061)          |
| <b>Current Tax Payable</b>                                 | <b>-</b>                  | <b>15,624</b>      |
|  | <b>30-Jun-23</b>          | <b>30-Jun-22</b>   |
| <b>Deferred Tax Liability(Asset):</b>                      |                           |                    |
| Depreciation Expense for Tax                               | 33,116                    | 48,408             |
| Depreciation Expense for Report                            | (38,895)                  | (43,528)           |
|  | <b>(5,780)</b>            | <b>4,880</b>       |
| Tax at 30%   | (1,734)                   | 1,464              |
| <b>Deferred Tax Liability(Asset)</b>                       | <b>(1,734)</b>            | <b>1,464</b>       |



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**6.21 C) Investment Property**

|                                       | 30-Jun-23         | 30-Jun-22         |
|---------------------------------------|-------------------|-------------------|
| Beginning Balance                     | 11,195,147        | 5,608,290         |
| Less:- Settlements                    | 11,373,590        | 5,608,290         |
|                                       | (178,443)         | -                 |
| <b>Profit before tax for the year</b> | <b>38,200,565</b> | <b>41,702,238</b> |
| Taxable Profit                        | 38,200,565        | 41,702,238        |
| Profit tax 30%                        | 11,460,170        | 12,510,671        |
| Profit Tax Charge to profit/Loss      | 11,460,170        | 12,510,671        |
| Deferred Tax                          | 1,216,758         | 418,288           |
| Current Tax                           | 10,243,411        | 12,092,383        |
| WHT Paid During the Year              | (1,014,795)       | (897,236)         |
| Current Tax Payable                   | <b>9,050,173</b>  | <b>11,195,147</b> |
|                                       | <b>30-Jun-23</b>  | <b>30-Jun-22</b>  |
| <b>Deferred Tax Liability(Asset):</b> |                   |                   |
| Depreciation Expense for Tax          | 11,880,747        | 11,880,747        |
| Depreciation Expense for Report       | (7,824,886)       | (10,486,452)      |
|                                       | 4,055,860         | 1,394,295         |
| Tax at 30%                            | 1,216,758         | 418,288           |
| <b>Deferred Tax Liability(Asset)</b>  | <b>1,216,758</b>  | <b>418,288</b>    |
|                                       | <b>30-Jun-23</b>  | <b>30-Jun-22</b>  |
| General Insurance Business            | 1,576,922         | 778,452           |
| Life Insurance Business               | (360,164)         | (360,164)         |
|                                       | <b>1,216,758</b>  | <b>418,288</b>    |

**6.22 Capital and Reserves**

| Share Capital         | 30-Jun-23   | 30-Jun-22   |
|-----------------------|-------------|-------------|
| Authorized            | 500,000,000 | 500,000,000 |
| Issued and fully paid | 276,315,000 | 275,721,000 |

The issued and fully paid up capital of the company, which is a composite insurer is birr 276.3 million (birr 275.7 million in 2022 ). In line with the regulations issued by the national bank of Ethiopia(NBE), issued and paid up capital of the company is allocated as follows:

| Issued and fully paid | 30-Jun-23          | 30-Jun-22          |
|-----------------------|--------------------|--------------------|
| Non-Life Business     | 261,315,000        | 260,721,000        |
| Life Business         | 15,000,000         | 15,000,000         |
|                       | <b>276,315,000</b> | <b>275,721,000</b> |



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**b) Movement in paid up capital:**

Currency:- Ethiopian Birr

|                            | 30-Jun-23          | 30-Jun-22          |
|----------------------------|--------------------|--------------------|
| Balance, beginning of year | 275,721,000        | 223,891,000        |
| Paid during the year       | 594,000            | 51,830,000         |
| Balance, End of year       | <b>276,315,000</b> | <b>275,721,000</b> |

**6.23 Share Premium**

This represents excess of share prices over par value.

|  | 30-Jun-23  | 30-Jun-22  |
|--|------------|------------|
|  | 14,251,676 | 14,251,676 |

**6.24 Legal Reserve**

In compliance with Article 12 of proclamation No.86/1994, 10% of the net profit after tax is transferred to legal reserve account until the balance reaches the paid up capital.

|                                | 30-Jun-23         | 30-Jun-22         |
|--------------------------------|-------------------|-------------------|
| Balance brought forward        | 54,982,249        | 53,229,685        |
| Add:-Current year transfer     | 4,417,199         | 1,752,564         |
| Prior years adjustment         | -                 | -                 |
| <b>Balance carried forward</b> | <b>59,399,449</b> | <b>54,982,249</b> |

|                            | 30-Jun-23         | 30-Jun-22         |
|----------------------------|-------------------|-------------------|
| General Insurance Business | 44,563,827        | 40,959,933        |
| Life Insurance Business    | 14,835,621        | 14,022,316        |
|                            | <b>59,399,449</b> | <b>54,982,249</b> |





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**6.25 Retained Earnings**

|  | Currency:- Ethiopian Birr |                  |
|--|---------------------------|------------------|
|  | 30-Jun-23                 | 30-Jun-22        |
| Balance brought forward                                | 622,122                   | 45,094,197       |
| Less:- Dividend declared                               | -                         | (43,900,840)     |
| Directors' profit sharing                              | -                         | (1,050,000)      |
| Restated balance                                       | 622,122                   | 143,357          |
| Add:-Current year transfer                             | 44,170,303                | 7,919,211        |
| Impact of Reclassification and Recognitions            | -                         | -                |
| Transfers from Revaluation Reserve                     | 595,398.57                | 635,113          |
| Transfers from Life                                    | -                         | -                |
| Opening balance Difference                             | 60                        | (8,822)          |
| Less:- Legal reserve                                   | (4,417,199)               | (1,752,564)      |
| Less:-Prior year adjustment- related to tax and others | (6,156,511)               | (2,602,265)      |
| Less:-Prior year adjustment on- associates             | 1,414,063                 | (3,711,910)      |
| Add:-Deferred Tax                                      | -                         | -                |
| <b>Balance carried forward</b>                         | <b>36,228,240</b>         | <b>622,122</b>   |
|  | <b>30-Jun-23</b>          | <b>30-Jun-22</b> |
| General Insurance Business                             | 16,027,111                | (12,583,278)     |
| Life Insurance Business                                | 20,201,129                | 13,205,401       |
|  | <b>36,228,240</b>         | <b>622,123</b>   |

**6.25a Prior year adjustment**

|   | 30-Jun-23          | 30-Jun-22          |
|---|--------------------|--------------------|
| Tax penalty, interest and Others        | -                  | (2,581,875)        |
| Salary paid to Mekelle and Shire Branch | (2,276,043)        | -                  |
| Oracle and Support Fee                  | (2,899,336)        | -                  |
| Others                                  | (981,132)          | (20,390)           |
|   | <b>(6,156,511)</b> | <b>(2,602,265)</b> |

**6.26 Other Components of Equity**

|   | 30-Jun-23         | 30-Jun-22         |
|---|-------------------|-------------------|
| <b>Resulted From Subsequent Measurement</b>       |                   |                   |
| Revaluation Reserve-PP&E-First Time Adoption      | 1,621,615         | 2,217,014         |
| Fair Value Reserve-Equity Instrument              | 30,303,704        | 26,186,296        |
| Revaluation Reserve- Employee Benefit Obligations | 672,009           | 844,050           |
|   | <b>32,597,329</b> | <b>29,247,360</b> |
|   | <b>30-Jun-23</b>  | <b>30-Jun-22</b>  |
| General Insurance Business                        | 30,037,890        | 27,298,716        |
| Life Insurance Business                           | 2,559,439         | 1,948,644         |
|   | <b>32,597,329</b> | <b>29,247,360</b> |



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**a) Asset Revaluation Reserve**

This reserve is the accumulation of revaluation gain on the company's property, plant and equipment. This reserve is raised following the application of deemed cost on its transition to IFRS. See the statement of change in equities for movements in asset revaluation reserve.

**b) Fair Value Reserve**

The fair value reserve represents the net accumulated change in the fair value of investment in equity instrument at fair value through other comprehensive income, until the investment is derecognized or impaired. See statement of change in equity for movements in fair value reserve.

**c) Remeasremt of Employee Benefit obligations**

This reserve is the accumulation of gain or loss on remeasremt of employ's benefit obligation determined by actuarial.

**6.27 Net Earned Premium**

**Currency:- Ethiopian Birr**

|   | <b>30-Jun-23</b>     | <b>30-Jun-22</b>   |
|---|----------------------|--------------------|
| <b>Gross premium on insurance contracts</b>               |                      |                    |
| Non-life insurance  | 1,034,737,742        | 557,971,796        |
| Life insurance  | 27,693,287           | 20,064,565         |
| <b>Total gross written premium</b>                        | <b>1,062,431,030</b> | <b>578,036,360</b> |
| Gross Change in Unearned premium provisions(Non-Life)     | 292,466,469          | 10,624,837         |
| Gross Change in Unearned premium provisions(Life)         | 3,371,890            | (193,341)          |
| <b>Total gross earned premium income</b>                  | <b>766,592,672</b>   | <b>567,604,866</b> |
| <b>Premium ceded to reinsurers on insurance contracts</b> |                      |                    |
| Non-life insurance  | 229,564,068          | 110,243,184        |
| Life insurance  | 3,331,909            | 1,589,220          |
|   | <b>232,895,977</b>   | <b>111,832,404</b> |
| Reinsurers share of -Change in UPR                        | 70,853,053           | (28,809,553)       |
| <b>Total premium ceded to reinsurers</b>                  | <b>162,042,923</b>   | <b>140,641,957</b> |
| <b>Net Earned Premium</b>                                 | <b>604,549,749</b>   | <b>426,962,909</b> |
|   | <b>30-Jun-23</b>     | <b>30-Jun-22</b>   |
| General   | 583,560,261          | 408,294,223        |
| Life  | 20,989,489           | 18,668,686         |
|   | <b>604,549,749</b>   | <b>426,962,909</b> |



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**6.28 Investment and Other income**

Currency:- Ethiopian Birr

|                                | 30-Jun-23          | 30-Jun-22         |
|--------------------------------|--------------------|-------------------|
| Interest Income                | 46,829,930         | 31,529,840        |
| Dividend Income                | 16,556,416         | 9,693,634         |
| Rent Income                    | 47,706,674         | 53,294,016        |
| Other Income                   | 923,624            | 673,927           |
| <b>Total investment income</b> | <b>112,016,643</b> | <b>95,191,416</b> |
|                                | <b>30-Jun-23</b>   | <b>30-Jun-22</b>  |
| General                        | 86,536,001         | 72,464,043        |
| Life                           | 25,480,642         | 22,727,373        |
|                                | <b>112,016,643</b> | <b>95,191,416</b> |

**6.29 Other Comprehensive Income**

|   | 30-Jun-23        | 30-Jun-22        |
|---|------------------|------------------|
| Revaluation of Equity-through OCI           | 5,882,011        | (73,369)         |
| Actuarial Gain-on defined contribution plan | (245,773)        | 1,105,786        |
| <b>Total Other Comprehensive Income</b>     | <b>5,636,238</b> | <b>1,032,417</b> |
|   | <b>30-Jun-23</b> | <b>30-Jun-22</b> |
| General                                     | 4,763,674        | 4,270,041        |
| Life  | 872,564          | (3,237,624)      |
|   | <b>5,636,238</b> | <b>1,032,417</b> |

**6.30 Fees and commissions**

|                               | 30-Jun-23         | 30-Jun-22         |
|-------------------------------|-------------------|-------------------|
| Reinsurance commission income | 39,280,273        | 23,922,206        |
| Change in unearned commission | 9,975,250         | 1,781,358         |
| <b>Net Commission income</b>  | <b>29,305,023</b> | <b>22,140,848</b> |
|                               | <b>30-Jun-23</b>  | <b>30-Jun-22</b>  |
| General                       | 28,531,484        | 21,749,502        |
| Life                          | 773,540           | 391,346           |
|                               | <b>29,305,023</b> | <b>22,140,848</b> |



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**6.31 Associate Result**

Currency:- Ethiopian Birr

|                           | 30-Jun-23        | 30-Jun-22        |
|---------------------------|------------------|------------------|
| Share of Associate Result | 3,578,537        | (763,150)        |
|                           | <b>3,578,537</b> | <b>(763,150)</b> |

|         | 30-Jun-23        | 30-Jun-21        |
|---------|------------------|------------------|
| General | 3,578,537        | (763,150)        |
| Life    | -                | -                |
|         | <b>3,578,537</b> | <b>(763,150)</b> |

**6.32 Net benefits and claims**

|                                  | 30-Jun-23          | 30-Jun-22          |
|----------------------------------|--------------------|--------------------|
| Claims expenses                  |                    |                    |
| Non-life insurance contracts     | 468,259,091        | 479,351,150        |
| Life insurance contracts         | 17,927,290         | 10,089,794         |
| <b>Total claims expenses</b>     | <b>486,186,381</b> | <b>489,440,944</b> |
| Claims recovered from reinsurers | 51,076,845         | 142,111,219        |

**Gross change in contract liabilities**

|   |                     |                    |
|---|---------------------|--------------------|
| Change in outstanding claims                | 60,466,693          | 17,980,509         |
| Change in IBNR provisions                   | (21,895,942)        | (2,191,153)        |
| Change in IBNER provisions                  | -                   | -                  |
| Change in Other Technical provisions        | (148,601)           | (2,085,925)        |
| Change in Actuarial Policyholders Liability | (12,903,782)        | (5,756,427)        |
| <b>Gross change in contract liabilities</b> | <b>(25,518,369)</b> | <b>(7,947,003)</b> |

**Change in contract liabilities ceded to reinsurers**

|   |                     |                     |
|---|---------------------|---------------------|
| Change in outstanding claims                      | (72,893,688)        | (20,135,012)        |
| Change in IBNR provisions                         | 4,704,274           | 1,186,145           |
| Change in Other Technical provisions              | -                   | -                   |
| Change in Actuarial Policyholders Liability       | 227,902             | -                   |
| <b>Change in reinsurance contract liabilities</b> | <b>(67,961,512)</b> | <b>(18,948,867)</b> |

|                                |                    |                    |
|--------------------------------|--------------------|--------------------|
| <b>Net benefits and claims</b> | <b>477,552,679</b> | <b>358,331,588</b> |
|--------------------------------|--------------------|--------------------|





**AFRICA INSURANCE COMPANY (S.C.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

|         | Currency:- Ethiopian Birr |                    |
|---------|---------------------------|--------------------|
|         | 30-Jun-23                 | 30-Jun-22          |
| General | 447,457,553               | 342,779,730        |
| Life    | 30,095,127                | 15,551,858         |
|         | <b>477,552,679</b>        | <b>358,331,588</b> |

**6.33 Underwriting Expenses**

|                                      | 30-Jun-23         | 30-Jun-22         |
|--------------------------------------|-------------------|-------------------|
| Sales commission incurred            | 53,254,306        | 24,711,262        |
| Change in deferred commission income | 17,046,323        | 3,386,392         |
|                                      | <b>36,207,983</b> | <b>21,324,871</b> |

|                   | 30-Jun-23         | 30-Jun-22         |
|-------------------|-------------------|-------------------|
| General Insurance | 35,384,655        | 21,197,856        |
| Life Insurance    | 823,328           | 127,015           |
|                   | <b>36,207,983</b> | <b>21,324,871</b> |

**6.34 Finance costs**

|                                     | 30-Jun-23        | 30-Jun-22        |
|-------------------------------------|------------------|------------------|
| Interest expense-Bank over draft    | 2,630,437        | 1,612,244        |
| Interest expense-Right use of asset | 1,057,042        | 495,853          |
|                                     | <b>3,687,478</b> | <b>2,108,097</b> |

The company uses over draft facility from wegagen bank s.c at interest rate of 16%.In connection to this interest expense of birr 2,630,437 was recognized during the year.

**6.35 Impairment**

|                              | 30-Jun-23        | 30-Jun-22        |
|------------------------------|------------------|------------------|
| Impairment on Sundry Debtors | 3,630,499        | 1,711,456        |
|                              | <b>3,630,499</b> | <b>1,711,456</b> |



**AFRICA INSURANCE COMPANY (S.C.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**6.35 General and administrative expenses**

Currency:- Ethiopian Birr

The breakdown of general and administrative expenses is given below

|                               | 30-Jun-23          | 30-Jun-22          |
|-------------------------------|--------------------|--------------------|
| DIRECTORS' FEE                | 1,154,000          | 880,000            |
| SALARIES & BENEFITS           | 102,506,749        | 80,760,295         |
| DEPRECIATION                  | 15,988,780         | 15,689,646         |
| FINANCIAL EXPENSE             | -                  | 457,644            |
| CHARGES                       | 1,491,704.05       | 0                  |
| ADVERTISING & PROMOTIONS      | 3,644,530          | 2,744,207          |
| RENT & UTILITIES              | 12,982,255         | 11,112,127         |
| TELEPHONE & POSTAGE           | 1,902,374          | 1,849,147          |
| FUEL & VEHICLE RUNNING EXP.   | 6,091,748          | 3,269,842          |
| PERDIUM & TRANSPORTATIONS     | 1,936,368          | 1,033,728          |
| STATIONARY, PRINTING & SUPPLY | 4,867,603          | 5,687,015          |
| REPAIR & MAINTAINANCE         | 3,540,486          | 2,817,704          |
| PROFESSIONAL FEES             | 5,759,023          | 2,951,153          |
| AUDIT FEE                     | 100,625            | 100,050            |
| INSURANCE EXPENSE             | 484                | 562                |
| MIS.ADM & GENERAL EXP.        | 6,203,609          | 6,095,794          |
| BUILDING RELATED EXPENSE      | 2,893,000          | 2,194,939          |
| DONATIONS/CONTRIBUTIONS       | 1,677,500          | 1,570,055          |
|                               | <b>172,740,840</b> | <b>139,213,908</b> |
|                               | <b>30-Jun-23</b>   | <b>30-Jun-22</b>   |
| General Insurance             | 167,856,704        | 134,791,312        |
| Life Insurance                | 4,884,136          | 4,422,596          |
|                               | <b>172,740,840</b> | <b>139,213,908</b> |

**6.36 Related Party**

A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

**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 below. There were no sales or purchase of goods and service between the company and key management personnel as at 30 June 2023.



**AFRICA INSURANCE COMPANY (S.C.)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

|   | Currency:- Ethiopian Birr |                   |
|---|---------------------------|-------------------|
|   | 30-Jun-23                 | 30-Jun-22         |
| Salaries and other short term employee benefits | 25,900,881                | 20,142,006        |
| Post employment benefits                        | 3,885,132                 | 3,014,830         |
| Representation allowance                        | 1,479,000                 | 1,203,000         |
| Other expenses                                  | 3,675,029                 | 2,388,268         |
|   | <b>34,940,042</b>         | <b>26,748,104</b> |

**6.37 Earnings per share**

Earning per share is calculated by dividing the net profit for the year to the weighted average number of shares of ordinary shares outstanding during the year .

|   | 30-Jun-23  | 30-Jun-22 |
|---|------------|-----------|
| Profit attributable to shareholders               | 44,170,302 | 7,919,211 |
| Weighted average number of ordinary shares issued | 276,295    | 250,422   |
| Earning per share(Birr)                           | <b>160</b> | <b>32</b> |

**6.38 Contingent Liability, Claims Under Litigation**

During the year, the company in the ordinary course of business was involved in 172 legal cases. The directors have sought the opinion of legal professional and are of the opinion that no significant liability will crystallize against the company from these cases beyond the provisions already recognized within "provisions for outstanding claims" in these financial statements.

**6.39 Events Occurring After the Reporting Period**

There were no events that occurred subsequent to the reporting date that require adjustments or disclosures in the financial statements.

**6.39 Comparative Figures**

Comparatives figure have been rearranged to facilitate comparison.





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AFRICA INSURANCE COMPANY (S.C.)

## HEAD OFFICE CONTACT ADDRESSES

| Work Unit                                       | Tel              | Fax              | P.O.Box |
|---|------------------|------------------|---------|
| Managing Director/CEO Office                    | +251 116 638 094 | +251 116 638 253 | 12941   |
| D/Managing Director Office                      | +251 116 632 984 | 251 116 615 093  | 12941   |
| Engineering Service                             | +251 116 610 491 | +251 116 638 253 | 12941   |
| Marketing & Business Development                | +251 116 621 617 | +251 116 615 093 | 12941   |
| Claims Department                               | +251 116 632 987 | +251 116 638 253 | 12941   |
| Finance & Investment Department                 | +251 116 632 989 | +251 116 638 253 | 12941   |
| Reinsurance Service                             | +251 116 632 985 | +251 116 838 253 | 12941   |
| Risk Management & AML/CFT Compliance Department | +251 116 610 491 | +251 116 615 093 | 12941   |
| Legal Service                                   | +251 116 187 039 | +251 116 615 093 | 12941   |
| Internal Audit Service                          | +251 116 612 037 | +251 116 615 093 | 12941   |
| IT Service                                      | +251 116 632 982 | +251 116 638 253 | 12941   |
| HRD & Property Administrative Service           | +251 116 611 307 | +251 116 611 305 | 12941   |
| U/W & Branch Operations Department              | +251 116 618 119 | +251 116 615 093 | 12941   |
| Ethics & Anti Corruption Office                 | +251 116 631 382 | +251 116 638 253 | 12941   |



# Addis Ababa Branches Address

## Head Office Branch

Address: Head Office Building,  
Bole  
Tel +251-116 63 29 88  
Fax +251-11 661 10 67  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Filwuha Branch

Address: Around Tele Bar/  
Commerce  
Tel: +251-11 551 78 61  
Fax: +251-11 515 58 14  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Yoseph Branch

Address: Kadisco Building, Saris  
Adey-Ababa  
Tel: + 251-11440 15 72/73  
Fax: +251-11442 15 74  
P.O.Box:12941  
Addis Ababa, Ethiopia

## T/Haimanot Branch

Address: Leyla Building, T/  
Haimanot  
Tel: +251-11 227 75 41/43  
Fax: +251-11 277 75 42  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Kirkos Branch

Address: KKare Building, Mexico  
Tel: +251-11 515 52 93  
Fax: +251-11 515 53 17  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Arada H/Giorgis Branch

Address: Tefera Business Center  
Tel: +251-11 111 90 19  
Fax: +251-11 111 91 19  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Gofa Branch

Address: Down Town Building,  
Gofa Mezoriya  
Tel: 251-11 467 01 32/33  
Fax:251-11 467 0158  
P.O.Box:12941

## Bole Yeka Branch

Address: H&M Building, Hayahulet  
Mazoriya  
Tel 251-11 661 64 35/36  
Fax 251-11 661 64 37  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Gerji Branch

Address: Aminiya Guest House,  
Gerji Mebrat Hayil  
Tel +251-116 67 54 11/67  
Fax +251-116 67 54 40  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Arat Killo Branch

Address: Denver Building, Arat  
Kilo  
Tel: 251-11 156 01 15/16  
Fax:251-11 156 01 14  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Mesalemia Branch

Address: Yeshewa Tsega Building,  
Mesalemiya  
Tel: 251-11 275 05 19  
Fax:251-11 2781 891  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Lideta Branch

Address: A/A Building, Lideta  
Tel: 251-11 552 29 73  
Fax:251-11 553 45 22  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Kality Branch

Address: Around Cheraliya, Kality  
Tel: 251-11 471 74 58/60  
Fax:251-11 471 74 87  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Ayer Tena Branch

Ayer tena Square Near to Sami  
Cafe  
Tel: 251-11 369 37 08  
Fax:251-11 369 38 17  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Fit Ber Branch

Address: Wolde Yohannes Shita Building  
Kazanchis  
Tel: 251-11 557 55 45  
Fax:251-11 557 53 44  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Ras Desta Branch

Address: Infront of Ras Desta  
Damtew Memorial Hospital  
Tel: 251-11126 36 87/88  
Fax:251-116 263 686  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Meskel Flower Branch

Address: Sam House Building,  
Meskel Flower  
Tel: 251-11 470 13 95/ 251-11  
470 23 90  
Fax:251-11 470 29 05  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Mekanisa Branch

Address: Sido Building, Mekanisa  
Tel: 251-11 369 98 19/84 98  
Fax:251-11 369 99 09  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Lambert Branch

Address: Marathon Building  
Tel: 251-11 666 05 14  
Fax:251-11 668 34 51  
P.O.Box:12941  
Addis Ababa, Ethiopia

## Stadium Branch

Address: Wegagen Head Office  
Bld. Stadium  
Tel: +251-115-58 20 02  
Fax: +251-115-58 20 04  
P.O.Box:12941  
Addis Ababa, Ethiopia

## CMC Branch

Address:- Tsion Building  
Tel: 251 - 116 688 223  
Fax: 251- 116 683 457  
P.O.box: 12941  
Addis Ababa, Ethiopia

## Addisu Gebeya Branch

Address:- Yerosa Guest House  
Building  
Tel: 251 - 111 265 764  
Fax: 251-111 264 882  
P.O.box: 12941  
Addis Ababa, Ethiopia

## Life Main Branch

Tel: 251 - 116 187 741  
Fax: 251-116 180 563  
P.O.box: 12941  
Addis Ababa, Ethiopia

# Up Country Branches

## Mekele Branch

Address: Kasa Mengesha Building,  
around City Hotel Mekelle  
Tel: +251- 34440 8410  
Fax: +251-34 440 40 67  
P.O.Box:493  
Mekele, Ethiopia

## Dire Dawa Branch

Address: Kezira Infront of Post Office  
Dire Dawa  
Tel: +251- 25 111 07 15  
Fax: +251-25 111 41 20  
P.O.Box:461  
Dire Dawa, Ethiopia

## Hawassa Branch

Address: City Center Building Piazza,  
Hawassa  
Tel: +251- 46 220 19 60  
Fax: +251-46 220 60 25  
P.O.Box:800  
Hawassa, Ethiopia

## Bahir Dar Branch

Address: Abiyu Building, Around Pa-  
pires Hotel, Bahir Dar  
Tel: 251- 58 220 17 92  
Fax:251-58 220 14 98  
P.O.Box:163  
Bahir Dar, Ethiopia

## Dessie Branch

Address: Brhane Building, Piazza  
Dessie  
Tel: 251- 33 111 91 40/41  
Fax:251-33 111 91 42  
P.O.Box:1430  
Dessie, Ethiopia

## Gondar Branch

Address: Piazza around Quara Hotel,  
Gondar  
Tel: 251- 58 111 02 34  
Fax:251-58 111 47 59  
P.O.Box:890  
Gondar, Ethiopia

## Jimma Branch

Address: Nejima Building Merkato,  
Jimma  
Tel: 251- 47 211 03 96  
Fax:251-47 211 04 23  
P.O.Box:4002  
Jimma, Ethiopia

## Wolayita Sodo Branch

Address: Gebre Selam Building, Wolayita  
Tel:251- 46 180 09 83  
Fax:251-46 551 18 32  
P.O.Box:231  
Wolayita, Ethiopia

## Nekmete Branch

Address: Kidus Michael Building,  
Nekemte  
Tel: 251- 57 660 00 13  
Fax:251-57 660 00 15  
P.O.Box:246  
Nekmete, Ethiopia

## Shire Branch

Address: Around Hayelom Adebabay,  
Shire  
Tel: 251- 34 244 18 67  
Fax:251-34 244 07 04  
P.O.Box:85  
Shire, Ethiopia

## Arba Minch Branch

Address: Arba Minch  
Tel: 251- 46 1 81 86 36  
Fax:251-46 181 86 38  
Arba Minch, Ethiopia

## Debre Birhan Branch

Address: Zeleke Building, Debre Birhan  
Tel: 251- 11 6 37 58 19  
Fax:251-116 37 57 82  
P.O.Box:83  
Debre Birhan, Ethiopia

## Jigjiga Branch

Address:Alemayehu Hotel Bld. Jigjiga  
Tel: 251- 252 78 31 46  
Fax:251-11252 78 31 48  
Jigjiga, Ethiopia

## Adama Branch

Address: Tesfaye Olympic Hotel  
Building Adama  
Tel: 251- 22 112 21 01  
Fax:251-22 11221 00  
P.O.Box:182  
Adama, Ethiopia

## Sebeta Branch

Address:- Wanofi Building  
Tel: 251 - 113 818 022  
Fax: 251- 113 818 050  
P.O.box: 12941  
Sebeta, Ethiopia

## Contact Office - Shashemene

Address:- Tsegaye Building  
Shashemene  
Tel: 251 - 461 10 62 66  
Fax: 251- 46 220 60 25  
P.O.box: 800  
Sashemene, Ethiopia







**አፍሪካ ኢንሹራንስ ኩባንያ (አ.ማ.)**  
**AFRICA INSURANCE COMPANY (S.C.)**

## OUR SERVICES

የላቀና ጥራት ያለው አገልግሎት መስጠት ቃል ኪዳናችን ነው  
**Committed to Excellence and Quality Service**

| የምንሰጣቸው የዋስትና ዓይነቶች   | Available Services Rendered   |
|---|---|
| ✓ የተለያዩ የሕይወት ዋስትናዎች  | ✓ Different Types of Life Assurance   |
| ✓ የእሳት ቃጠሎና የመብረቅ አደጋ መድን   | ✓ Fire & Allied Perils Insurance  |
| ✓ በአደጋ ምክንያት ለሚከሰት የትርፍ እጦት   | ✓ Business Interruption (Loss of Profit)  |
| ✓ የሥርቆት አደጋ መድን   | ✓ Burglary & House Breaking Insurance   |
| ✓ የተሽከርካሪ/የግልና የንግድ/ መድን  | ✓ Motor (Private & Commercial) Insurance  |
| ✓ የመርከብና የባሕር ላይ ጉዞ መድን   | ✓ Marine (Hull & Commercial) Insurance  |
| ✓ የኢንጂነሪንግ/የሥራ ተቋራጮች፣ የማሽን ከለላ፣ ወዘተ                                     | ✓ Engineering (Contractors All Risk, Machinery Breakdown, Erection All Risks) etc |
| ✓ በሰው ላይ ለሚደርስ አደጋ መድን  | ✓ Personal & Group Personal Accident Including Illness                            |
| ✓ የሠራተኞች ጉዳት ካሣ መድን   | ✓ Workmen's Compensation & Employees Liability                                    |
| ✓ የዕምነት ማጉደል  | ✓ Fidelity Guarantee Insurance  |
| ✓ ሌሎች ማለትም  | ✓ Others, such as:-   |
| • የቦንድ ዋስትናዎች /የጨረታ ማስከበሪያ ዋስትና፣ የመልካም ሥራ አፈፃፀም ዋስትና እና የቅድሚያ ክፍያ ዋስትና/ | • Bonds/Bid Bond, Performance Bond & Advance Payment Bond/                        |
| • የገንዘብ ዋስትና መድን  | • Money (Cash in Safe & in Transit)   |
| • በሕብረተሰብ ላይ ለሚያስከትል ኃላፊነት  | • Public Liability Insurance  |
| • ሁሉን አቀፍ የዋስትና መድን   | • All Risks Insurance   |
| • የመስታዎት ስብራት መድንና ሌሎችም   | • Plate Glass Insurance, etc  |
| ✓ የጉዞ ላይ የሕክምና መድን  | ✓ Travel Health Insurance   |
| ✓ የሶስተኛ ወገን የኃላፊነት ሕጋዊ ግዴታ ኢንሹራንስ                                       | ✓ Third Party Liability Insurance   |
| ✓ የአየር ንብረት ዋስትና  | ✓ Weather Index Insurance   |
| ✓ ከፖለቲካ ጋር በተያያዘ ለሚከሰት ሁከት/ ብጥብጥ እና ሽብርተኝነት/ መድን / ዋስትና/                | ✓ Political Violence & Terrorism (PVT) Insurance                                  |

**“ያከሰጋት ከመሰፈት ከአፍሪካ ኢንሹራንስ ዋስትና መግዛት !!!”**

**“Buy All Your Insurance Needs From Africa Insurance to Minimize or Avoid Worries !!!”**



**HEAD OFFICE ADDRESS**  
**AFRICA INSURANCE HEAD OFFICE BUILDING**  
**BOLE SUB CITY (BOLE), ADDIS ABABA, ETHIOPIA**  
**TELL :- +251 - 116637716, FAX:- +251 - 116638253**  
**E-MAIL :- [md@africainsurancesc.com](mailto:md@africainsurancesc.com)**  
**WEBSITE :- [WWW.africainsurancesc.com](http://WWW.africainsurancesc.com)**