NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
REPORTS AND ANNUAL FINANCIAL STATEMENTS
DIRECTORS, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30 JUNE 2023

Board Memebers *(as of 30 June 2023)*

		Date of appointment
Ato Gebeyehu Bekele	Chairperson	December 5/2020
W/ro Zadigwa Tsehay	V/Chairperson	December 5/2020
Ato Ayele Asfawossen	Member	December 5/2020
Ato Beley Gizachew	Member	December 5/2020
Ato Biruk Wallelegn	Member	December 5/2020
Ato Demere Demissie	Member	December 5/2020
Engineer Tamrat Iyob	Member	December 5/2020
Captain Yegzeru Belete	Member	December 5/2020
W/ro Mulumebt Tilahun	Company Secretary	August 22/2022

Senior management *(as of 30 June 2023)*

Ato Besrat H/Sellassie	Chief Executive Officer (CEO)	February 01/2021
Ato Misrak W/ afrash	CEO Operations	February 24/2022
W/t Alem Damte	Exec. Ass. & adviser to CEO	January 14/2023
Ato Gizeaddis Balemual	CEO, Strategy	January 01/2022
Ato Gezehagn Sitotaw	Legal Service Department Director	July 6/2017
Ato Abebe Tegegn	CEO Corporate Affairs	January 14/2023
Ato Fitsum Wubshet	Director Finance and Investments	July 1/2022
Ato Ashenafi Getachew	Director, Human Resource & General Servic	December 10/2021
Ato Tariku G/hiwot	Director, IT and system development	February 17/2022
Wro Alemtsehay Degaga	Director,Re- insurance	February 1/2014
W/ro Seblework Teklu	Director, Claims Dep.	May 17/2022
Ato Elias Yetagesu	Director, Engeenering	November 16/2020

Independent auditor

Tafesse, Shisema and Ayalew (TMS plus) Certified Audit Partnership
Chartered Certified Accountants (UK) and Authorized Auditors (Ethiopia)
Addis Ababa
Ethiopia

Corporate office

Debrezeit road,
Zefco Building
P.O. Box 12645
Addis Ababa
Ethiopia

Principal bankers

Dashen Bank S.C.
Bank of Abyssinia S.C.
Commercial Bank of Ethiopia
NIB International Bank S.C.
Awash International Bank S.C.
Cooperative Bank of Oromia S.C.
Zemen Bank S.C.
Bunna International Bank S.C.
Enat Bank S.C.
Addis International Bank S.C.

Consulting Actuaries

Actuarial Service (East Africa) Limited
26th floor, UAP-Old Mulual Towers
Upper Hill Road, Upper Hill
P.O.Box 10472-00100
Nairobi, Kenya

Principal Re-insurer

Afro-Asian Insurance Service Limited
3rd floor, 16 St. Clare Street
London, United Kingdom

Tafesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
REPORTS AND ANNUAL FINANCIAL STATEMENTS
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2023

The Directors have pleasure of presenting their report on the affairs of National Insurance Company of Ethiopia (NICE) S.C. or 'the Company" together with the financial statements for the year ended 30 June 2023, to the shareholders of National Insurance Company of Ethiopia (NICE) S.C. This report discloses the

Incorporation and address

National Insurance Company of Ethiopia (NICE) S.C. ("the Company) is a private commercial insurance company domiciled in Ethiopia. The Company was established in October 1994 in accordance with the provisions of the Commercial Code of Ethiopia of 1960 and Licensing and Supervision of Insurance Business Proclamation no. 86/1994.

Principal activities

The Company is principally engaged in the provision of general insurance services and other ancillary business activities to a wholesale, retail and SME clients base in Ethiopian market.

Dividends

During the year under review, the directors declared and paid dividend in the sum of ETB 71,215,260 (2022: 53,744,548ETB) per ordinary share on the issued capital of 237,805,374 (2021: 176,049,815) Ordinary Share of ETB 1,000 each.

Operating results

The Company's results for the year ended 30 June 2023 are set out on page 8. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2023 ETB	30 June 2022 ETB
Net premiums	387,752,813	302,670,182
Profit before income tax	97,052,109	88,062,133
Income tax expense	(3,361,242)	(8,934,066)
Remeasurement loss on retirement benefits obligations	(2,191,850)	(1,980,875)
Profit for the year	**91,499,017**	**77,147,192**

Directors

The Directors who held office during the year and to the date of this report are set out on page 3.

Ato Gebeyehu Bekele
Chairman, Board of Directors
Addis Ababa, Ethiopia

Tefesse, Shiferaw & Aydaku
TMS Plus
Certified Audit Partnership

National Insurance Co. of Eth. S.C.

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
REPORTS AND ANNUAL FINANCIAL STATEMENTS
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2023

The Commercial Code of Ethiopia 1960 and Licensing and Supervision of Insurance Business Proclamation no. 746/2012 of the Government of Ethiopia require the Directors to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Commercial Code of Ethiopia 1960 also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the statement of financial position of the Company at the reporting date and of its comprehensive income in the manner required by the Commercial Code of Ethiopia of 1960, 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 responsibilities include;

a) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;

b) selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and

c) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of Licensing and Supervision on Insurance Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

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

The Directors are 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 of Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Ato Gebeyehu Bekele	Besrat H/selassie
Chairman, Board of Directors	Chief Executive Officer
27-Dec-23	27-Dec-23

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

Tel. 251-011-8961752 /011 6180638 Mob. 0911 229425 /0930 034356/0930 034357 Fax: 251-011 662 12 70/60
E-mail:- tafessef@gmail.com / tafessef@hotmail.com P.O.Box 110690 Addis Ababa - Ethiopia

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL INSURANCE COMPANY OF ETHIOPIA(NICE) S.C

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Insurance Company of Ethiopia (NICE) Share Company, which comprise the statement of financialposition as at 30 June 2023, the statement of profit and loss or other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, or give a true and fair view of the financial position of the Company as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis forOpinion

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.

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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 the board of directors and the proposal for distribution of profit submitted by the directors so far as it related to these financial statements and pursuant to Article 349 of the Commercial Code of Ethiopia and 1243/2021, and hence we recommend approval of the financial statements.

Taf. Shi & Ay

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

Addis Ababa
19 December 2023

Tafesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

	Notes	30 June 2023	30 June 2022
Gross premium income	5	447,438,218	348,866,145
Premium ceded to reinsurers	5	(59,685,405)	(46,195,963)
Net premium income		387,752,813	302,670,182
Fee and commission income	6	11,419,813	13,025,520
Net underwriting Income		**399,172,626**	**315,695,702**
Claims expenses	7	(252,078,284)	(173,844,424)
Claims expenses recoverable from reinsurers	7	33,479,047	11,013,182
Underwriting expenses	8	(25,926,145)	(19,216,813)
Net underwriting expenses		**(244,525,382)**	**(182,048,055)**
Underwriting profit		**154,647,244**	**133,647,647**
Investment income	9	85,498,247	62,086,887
Other income	10	563,936	341,378
Net Income		**240,709,427**	**196,075,912**
Other operating expenses	11	(143,657,318)	(108,013,779)
Profit before income tax		**97,052,109**	**88,062,133**
Income tax expense	12a	(3,361,242)	(8,934,066)
Profit for the year		**93,690,867**	**79,128,067**
Other comprehensive income			-
Items that will not be subsequently reclassified into profit or loss			
Remeasurement gain /loss on retirement benefits obligations	25	(2,191,850)	(1,980,875)
Deferred tax (liability)/asset on remeasurement gain or loss			-
Total comprehensive income for the year		**91,499,017**	**77,147,192**
Basic & diluted earnings per share (ETB)	27	446	486

The notes on pages 7 to 55 are an integral part of these financial statements.

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National Insurance Co. of Ethiopia S.C.

NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

Currency: Ethiopian Birr

	Notes	30 June 2023	30 June 2022
ASSETS			
Cash and balances with banks	13	477,654,869	387,463,205
Investment securities			
– Available for sale	14	246,403,514	185,396,737
– Loans and receivables	14	16,175,340	3,518,742
Insurance receivables	15	(0)	(0)
Reinsurance assets	16	91,948,758	59,034,793
Other assets	17	20,971,538	13,631,821
Deferred acquisition cost	18	17,453,495	12,731,112
Investment property	19	26,539,740	21,177,458
Property, plant and equipment	20	44,726,309	33,181,372
Statutory deposit	21	41,138,563	29,967,881
Deferred tax Asset	12d	-	-
Total assets		**983,012,126**	**746,103,121**
LIABILITIES			
Insurance contract liabilities	22	482,780,843	366,713,066
Insurance payables	23	54,898,216	30,939,864
Other liabilities	24	65,323,616	49,248,063
Retirement benefit obligation	25	4,362,870	3,448,195
Current income tax liabilities	12c	1,951,980	8,004,091
Deferred tax liability	12d	1,205,239	1,399,795
Total liabilities		**610,522,764**	**459,753,074**
EQUITY			
Share capital	26	237,805,374	176,009,815
Retained earnings	28	78,010,580	67,095,910
Share premium account	28a	5,258,380	1,198,380
Legal reserve	29	51,415,029	42,045,942
Total equity		372,489,362	286,350,046
Total equity and liabilities		**983,012,126**	**746,103,121**

The notes on pages 7 to 55 are an integral part of these financial statements.

The financial statements on pages 3 to 55 were approved and authorized for issue by the Board of Directors were signed on its behalf by:

Ato Gebeyehu Bekele
Chairman, Board of Directors

Besrat H/Sellassie
Chief Executive Officer

Tafesse, Shisema & Ayalew
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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
STATEMENT OF CHANGES IN EQUITY
AT 30 JUNE 2023

Currency: Ethiopian Birr

	Notes	Share capital	Retained earnings	Legal reserve	Share premium account	Total
As at 1 July 2021		139,352,864	51,606,073	34,133,137	1,198,380	226,290,453
Profit for the year	28	-	79,128,067	-	-	79,128,067
Other comprehensive income: benefit						
plans (net of tax)	25	-	(1,980,875)	-	-	(1,980,875)
year		139,352,864	128,753,265	34,133,137	1,198,380	303,437,645
Transactions with owners in their capacity as owners						
Issue of shares		36,656,951	-	-	-	36,656,951
Dividend distributed to shareholders		-	(53,744,548)	-	-	(53,744,548)
Transfer to legal reserve		-	(7,912,807)	7,912,805	-	
Share premium account		-			-	-
As at 30 June 2022		**176,009,815**	**67,095,910**	**42,045,942**	**1,198,380**	**286,350,048**
As at 1 July 2022		176,009,815	67,095,910	42,045,942	1,198,380	286,350,048
Profit for the year	28	-	93,690,867	-	-	93,690,867
Other comprehensive income		-		-	-	-
benefit plan						
	25	-	(2,191,850)	-	-	(2,191,850)
year		**176,009,815**	**158,594,927**	**42,045,942**	**1,198,380**	**377,849,063**
Transactions with owners in their capacity as owners						
Issue of shares		61,795,559	-	-	-	61,795,559
Dividend distributed to shareholders		-	(71,215,260)	-	-	(71,215,260)
Transfer to legal reserve		-	(9,369,087)	9,369,087	-	-
Share premium account		-	-	-	4,060,000	4,060,000
As at 30 June 2023		**237,805,374**	**78,010,580**	**51,415,029**	**5,258,380**	**372,489,362**

The notes on pages 7 to 55 are an integral part of these financial statements.

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

	Notes	30 June 2023	30 June 2022
Cash flows from operating activities			
Cash generated from operations	30	205,411,421	142,716,636
Retirement benefit paid	25d	(4,671,556)	(3,662,897)
Income tax paid	12c	(9,607,909)	(2,292,861)
Net cash inflow from operating activities		**191,131,956**	**136,760,878**
Cash flows from investing activities			
Purchase of equity investment	14	(61,006,777)	(47,653,226)
Purchase of Ethiopian government bonds	14	(12,656,598)	(161,838)
Purchase of investment property	19	(5,766,800)	(9,025,900)
Purchase of property, plant and equipment	20	(16,153,417)	(3,285,578)
Proceed from disposal of property, plant and equipment	20	3,000	-
Additional investment in fixed deposit	13	(31,469,933)	(19,833,687)
Net cash outflow from investing activities		**(127,050,525)**	**(79,960,229)**
Cash flows from financing activities			
Dividend paid	28	(71,215,260)	(53,744,548)
Proceeds from issues of shares including share premium		65,855,559	36,656,951
Net cash outflow from financing activities		**(5,359,701)**	**(17,087,597)**
Net decrease in cash and cash equivalents		**58,721,730**	**39,713,051**
Cash and cash equivalents at the beginning of the year	13	130,975,295	91,262,244
Cash and cash equivalents at the end of the year	13	**189,697,026**	**130,975,295**

The notes on pages 7 to 55 are an integral part of these financial statements.

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National Insurance Co. of Eth.

1 General information

National Insurance Company of Ethiopia (NICE) S.C. ("the Company) is a private commercial insurance company domiciled in Ethiopia. The Company was established in October 1994 in accordance with the provisions of the Commercial Code of Ethiopia of 1960. The registered office is at:

Debre Zeit Road ZEFCO Building
P.O.Box: 12645
Addis Ababa,
Ethiopia

The Company is principally engaged in the provision of general insurance services and other ancillary business activities to a wholesale, retail and SME clients base in Ethiopian market.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the year ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations are included where appropriate.

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

The financial statements for the year ended 30 June 2018 is the first time the Company has prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

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

2.2.1 Going concern

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

2.2.2 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued but not yet effective

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

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National Insurance Co.

2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

New Standards, amendments, interpretations issued but not yet effective (continued)

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

Classification and measurement

IFRS 9 require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortized cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortized cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Fund will be required to record an allowance for expected losses for debt financial instrument at ultimate redemptive value. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. The Company is yet to assess the impact of this standard.

IFRS 15 - Revenue from contracts with customers

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

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

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

IFRS 16 - Leases

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

A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. It also substantially carries forward the lessor accounting requirements in IAS 17. The Company is yet to assess the expected impact of this standard.

National Insurance Co.

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2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

New Standards, amendments, interpretations issued but not yet effective (continued)

IFRS 17 - Insurance contracts

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

This standard requires a company that issues insurance contracts to report insurance obligations and risks on the balance sheet as the total of:
(a) the fulfilment cash flows— the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and
(b) the contractual service margin— the expected profit for providing future insurance coverage (i.e. unearned profit).

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

The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

IFRIC 22 Foreign Currency Transactions and Advance Consideration was issued in December 2016 (effective 1 January 2018). The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation or;
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

2.3 Foreign currency translation

a) *Functional and presentation currency*

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

b) *Transactions and balances*

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

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

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

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2 Summary of significant accounting policies (continued)

2.4 Property, plant and equipment

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

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

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

Asset class	Depreciation rate (years)
Building	50
Motor vehicles	10
Furniture & fittings	10
Computer equipment	7
Office equipment	7

The Company commences depreciation when the asset is available for use. Freehold land is not depreciated.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

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

Properties in the course of construction are carried as work in progress at cost, less any recognized impairment loss. Cost includes professional fees. Such properties are reclassified to the appropriate categories of asset when completed and ready for intended use.

2.5 Investment property

Property that is held by the Company to earn rental income or for capital appreciation, or both, and is not occupied by the Company, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. the Company has opted to subsequently carry investment property at cost and disclose fair value. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Company's investment property is determined by the Company's staff who have recent experience in the location and category of the investment property being valued. Professional valuers were not involved.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Earned rental income is recorded in profit or loss for the year within (other operating income). Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

Investment properties are derecognized when they have been disposed.

Asset class	Depreciation rate (years)
Office property	50

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2 Summary of significant accounting policies (continued)

2.6 Deferred acquisition costs (DAC)

Acquisition costs comprise all direct and indirect costs arising from the writing of non-life insurance contracts. Deferred acquisition costs represent a proportion of commission which are incurred during a financial period and are deferred to the extent that they are recoverable out of future revenue margins. it is calculated by applying to the acquisition expenses the ratio of unearned premium to written premium.

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

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

- For property, casualty and short-duration life insurance contracts, DAC is amortized over the terms of the policies as premium is earned.

2.7 Statutory deposit

Statutory deposit represents 15% of the paid up capital of the Company deposited with the National Bank of Ethiopia in pursuant to Article 20 of the Insurance business proclamation No. 746/2012. Statutory deposit is measured at cost.

2.8 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years and current year. Such reversal is recognized in the statement of profit or loss.

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2 Summary of significant accounting policies (continued)

2.9 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.9.1 Financial assets

Initial recognition and measurement

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

Subsequent measurement

For purposes of subsequent measurement of the Company's financial assets are classified into two categories:
• Loans and receivables
• Available-for-sale financial investments

a) ***Loans and receivables***

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

The Company's loans and receivables comprise of insurance receivables, investment in government bonds, reinsurance assets and other receivables.

Insurance receivables relate to receivables from agents, brokers and insurance companies in respect of premium income.

Government securities: Government securities represent investment in Ethiopian government bonds.

Reinsurance asset: The Company cedes businesses to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Reinsurance assets are measured at amortized costs. Reinsurance assets relate to prepaid reinsurance, reinsurers' share of incurred but not reported (IBNR) claims and claims recoverable.
Other receivables are made up of other amounts due from parties which are not directly linked to insurance or investment contracts. These are measured at amortized costs. Discounting is omitted where the effect of discounting is immaterial.

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2 Summary of significant accounting policies (continued)

2.9 Financial instruments - initial recognition and subsequent measurement (continued)

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

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

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Interest earned whilst holding AFS financial investments is reported as interest and similar income using the EIR method. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

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

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

'Day 1' profit or loss

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

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

Reclassification of financial assets

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

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

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

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

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2 Summary of significant accounting policies (continued)

2.9 Financial instruments - initial recognition and subsequent measurement (continued)

Impairment of financial assets

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

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

Derecognition of financial assets

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

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

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

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

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

(i) Financial assets carried at amortized cost

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

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

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2 Summary of significant accounting policies (continued)

2.9 Financial instruments - initial recognition and subsequent measurement (continued)

Derecognition of financial assets

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

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

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

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

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

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

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

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

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

2.9.2 Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include insurance payables, other payables, accrued charges .

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2 Summary of significant accounting policies (continued)

2.9 Financial instruments - initial recognition and subsequent measurement (continued)

2.9.2 Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortized cost

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

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

All financial liabilities of the Company are carried at amortized cost.

Derecognition of financial liabilities

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

2.9.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Company has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 Other assets

(a) Prepayments

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

(b) Other receivables

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

The Company's other receivables are staff advances and other receivables from debtors.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash and restricted balances with National Bank of Ethiopia.

2.12 Insurance contracts

(a) ***Classification***

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts where a party (the policy holder) transfers significant insurance risk to another party (insurer) and the latter agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary. Such contracts may also transfer financial risk when the insurer issues financial instruments with a discretionary participation feature. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of the insured event that are at least 10% more than the benefit payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

The Company's insurance contracts are all non-life insurance contracts.

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2 Summary of significant accounting policies (continued)

2.12 Insurance contracts (continued)

The Company's insurance contracts are classified as short-term.

Short-term insurance contracts

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

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

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

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

(b) Liability adequacy test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

(c) Reinsurance contracts held

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

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

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

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

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2 Summary of significant accounting policies (continued)

2.12 Insurance contracts (continued)

Receivables and payables related to insurance contracts

(d)

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets. These processes are described in note 2.9.

(e) Salvage and subrogation reimbursements

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

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

2.13 Revenue recognition

Premium income

For all insurance contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums. Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognized as income in line with the decrease of unexpired insurance risk of the contracts in force.

Fees and commission income

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

Investment income

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

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

Dividend income

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

2.14 Gross benefits and claims

These include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

2.15 Reinsurance claims

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

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2 Summary of significant accounting policies (continued)

2.16 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.

2.17 Employee benefits

The Company only post-employment schemes which are defined contribution pension plan and defined benfit plan.

(a) ***Wages, salaries and annual leave***

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.

(b) ***Defined contribution plan***

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

(c) **Defined benefit plan**

The company is obliged by law to pay severance payment for eligible employess who have served the company for more than five (5) years when the employment contract is terminated. The serverance benfits are based on the satutory severance benfit as set out in labor proclamation 1156/2019. Employees who have served the compnay for 5 years and above and are below the retiremen age (i.e has not met the requirement to access the the pension fund)are entitled forthe benefit. The final pay-out is determined by referance to final monthly salary and number of years in service computed as one -month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of tweleve months salary.

(d) Profit-sharing and bonus plans

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

2.18 Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions note 4.8.1 and notes 3
- Quantitative disclosures of fair value measurement hierarchy note 4.8.2
- Financial instruments (including those carried at amortized cost) note 4.8.3

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

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

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

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2 Summary of significant accounting policies (continued)

2.18 Fair value measurement (continued)

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

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

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

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

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

• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Company's Directors determine the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.19 Provisions

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

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

2.20 Share capital

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

2.21 Earnings per share

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

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

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2 Summary of significant accounting policies (continued)

2.22 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which it is incurred.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.23 Income taxation

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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NATIONAL INSURANCE COMPANY OF ETHIOPIA (NICE) S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2 Summary of significant accounting policies (continued)

2.24 New Standardes, Amendments and Interpretations

A Number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2023, and have not been applied in preparing these financial statements.
These are summarized as follows:

New Standards or amendments	Description	Effective for annual period beginning on or after
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9 and IAS 41.	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture'	01-Jan-22
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	01-Jan-23
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	01-Jan-23
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductable temporary differences.	01-Jan-23
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	01-Jan-23

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3 Significant accounting judgements, estimates and assumptions

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

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

- Capital management note 4.7
- Financial risk management and policies note 4.3
- Sensitivity analyses disclosures note 4.2

3.1 Judgements

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

Operating lease commitments -Company as lessor

The Company has entered into commercial property leases on its investment property. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.2 Estimates and assumptions

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

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

Valuation of insurance contract liabilities

Non-life insurance (which comprises general insurance) contract liabilities

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

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

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

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

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3 Significant accounting judgements, estimates and assumptions (continued)

Impairment losses on Insurance receivables

The Company assesses at the end of every reporting period whether there is any objective evidence that its premium receivable is impaired. The Company determines whether impairment losses are incurred if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the receivable (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivable that can be reliably estimated, or a trigger event is identified.

The following impairment triggers have been set by the Company:
(a) significant financial difficulty of the broker;
(b) a breach of agreements, such as payment defaults or delinquency in premium payments;
(c) High probability that the premium debtor will enter bankruptcy or other financial reorganization.

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

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

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

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

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques using inputs from unobservable sources. A degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Income taxes

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

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

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4 Insurance and financial risk management

4.1 Introduction

The Company's activities expose it to a variety of financial risks, including insurance risk, financial risk, credit risk, and interest rates risk. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

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 have the ultimate responsibility for establishing and ensuring the effective functioning of the Risk and Compliance Management activities of the Company.

The Board Risk and Compliance Management sub-committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and risk appetite. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to executive management and the Board of Directors.

The Executive Management is responsible for translating and implementing the Company's risk management strategy, priorities and policies as approved by the Board of Directors.

4.1.2 Risk measurement and reporting systems

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

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

4.1.3 Risk mitigation

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

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

4.2 Insurance risk

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

The Company is involved in only non-life insurance activities.
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.

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4 Insurance and financial risk management (continued)

Non- life insurance contracts

These include the non-life contracts namely: Motor, engineering, fire, accident, marine, pecunaries, general liability and employee . Risks under non-life insurance policies usually cover twelve months duration.

a) *Frequency and severity of claims*

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of reimbursment for the damages suffered as a result of road accidents. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling and investigations. Underwriting limits are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include treaty and excess of loss coverage, it helps to mitigate the Company's risk of total net insurance losses, increases the underwriting capacity, reduces our exposures to catastrophic risk and gives us an opportunity of benefit from the reinsurers' expertise.

b) *Sources of uncertainty in the estimation of future claim payments*

Claims on non-life insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures adopted. The reserves held for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unearned premiums at the end of the reporting period.

c) *Process used to decide on assumption*

Depending on the volume of data in the reserving classes, the appropriate methodologies were used. Two methods were used for the projection of claims. The Basic Chain Ladder Method (BCL) and a Loss ratio method, adjusted for assumed experience to date. The Bornheutter – Ferguson Method was used based on expected loss ratios. Claims data was grouped into triangles by accident year. Payment development patterns were used instead of the reporting year patterns to allow for the longer tail development that would be seen in payment/settlement delays as well as to allow for the movement of partial payments in the data.

d) *Sensitivity Analysis*

Sensitivity analyses are performed to test the variability around the reserves that are calculated at a best estimate level. The estimated claim amounts can never be an exact forecast of future claim amounts and therefore looking at how these claim amounts can vary can provide valuable information for business planning and risk appetite considerations.

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

30 June 2023	**Gross**	**Reinsurance**	**Net**
	ETB	**ETB**	**ETB**
Motor	392,364,442	44,866,521	347,497,921.06
Fire	15,925,344	8,998,896	6,926,447.64
Engineering	8,042,098	7,530,561	511,536.44
Employee	4,048,465	201,980	3,846,484.49
Marine	4,489,046	3,329,603	1,159,443.66
Accident	5,060,976	757,818	4,303,158.13
Pecunaries	22,457,395	20,666,627	1,790,767.41
General liability	19,054,623	17,818,293	1,236,330.28
PVT	11,373,237	11,460,465	(87,228.53)
Salvage value recovery		-	-
Reinsurance impairment allowance		(23,682,007)	23,682,007.00
Total non-life insurance contract liabilities	**482,815,626**	**91,948,758**	**390,866,868**

30 June 2022			
Motor	290,970,643	52,218,623	238,752,019.49
Fire	8,232,816	5,335,285	2,897,530.09
Engineering	15,968,790	2,863,192	13,105,598.42
Employee	-	69,445	(69,445.00)
Marine	5,118,602	1,542,715	3,575,887.20
Accident	9,633,506	240,915	9,392,591.64
Pecunaries	17,470,153	6,068,607	11,401,546.51
General liability	20,725,947	9,378,018	11,347,929.12
Salvage value recovery	(1,407,391)	-	(1,407,391.00)
Reinsurance impairment allowance	-	(18,682,007)	18,682,007.00
Total non-life insurance contract liabilities	**366,713,066**	**59,034,793**	**307,678,273**

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4 Insurance and financial risk management (continued)

Sensitivity Analysis (continued)

Insurance risk (contniued)

1 July 2021	Gross ETB	Reinsurance ETB	Net ETB
Motor	253,660,094	38,423,714	215,236,379.08
Fire	10,366,023	8,975,071	1,390,952.79
Engineering	15,019,485	5,706,650	9,312,834.39
Employee	1,430,012	783,774	646,238.38
Marine	11,034,063	6,520,390	4,513,672.41
Accident	13,893,720	814,583	13,079,137.62
Pecunaries	12,554,329	3,040,399	9,513,930.10
General liability	5,595,844	5,601,448	(5,604.59)
Salvage value recovery	(5,850,545)	-	(5,850,545.00)
Reinsurance impairment allowance	-	(13,682,007)	13,682,007.00
Total non-life insurance contract liabilities	**317,703,024**	**56,184,022**	**261,519,002**

Key assumptions

The principal assumption underlying the laibility 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 cost, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to asses the extent to which past trends may not apply in the future, for example: one - off occurrence; changes in market factors such as public attitude to claiming, economic condition, as well as internal factors such as portfolio mix, policy condtions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of of assumptions will have a significant effect in determing the ultimate claims liabilities, but to demonstrate the impact due to changes in
It should be noted that movements in these assumptions are non-linear

Increase in gross liabilities:		Change in liability	
	Change in assumptions	**30 June 2023 Birr'000**	**30 June 2022 Birr'000**
Average claim cost per average number of claims	+10%	3,560	4,992

Decrease in gross liabilities:		Change in liability	
	Change in assumptions	**30 June 2023 Birr'000**	**30 June 2022 Birr'000**
Average claim cost per average number of claims	-10%	(3,560)	(1,965)

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to ETB at the rate of exchange that applied at the end of the accident year.

Gross insurance contract outstanding claims provision for 2023:

Accident year	2017 ETB	2018 ETB	2019 ETB	2020 ETB	2021 ETB	2022 ETB	2023 ETB	Total ETB
2023	73,193,076.00	72,943,329.00	73,672,669.00	80,659,168.00	56,949,405.00	125,560,270.00	118,028,224.00	673,949,469.98
2022	51,571,768.00	59,459,615.00	73,356,540.00	54,130,803.00	23,598,636.00	67,207,263.00		388,784,239.71
2021	12,878,031.00	11,807,537.00	8,305,487.00	8,875,160.00	9,808,626.00			63,482,378.38
2020	3,568,424.00	3,123,425.00	6,655,065.00	3,756,442.00				20,226,780.88
2019	1,838,735.00	1,694,591.00	1,125,621.00					4,658,947.00
2018	1,476,592.00	740,496.00						2,217,088.00
2017	187,645.00							187,645.00

Gross insurance contract outstanding claims provision for 2022:

Accident year	2016 ETB	2017 ETB	2018 ETB	2019 ETB	2020 ETB	2021 ETB	2022	Total ETB
2022	69,836,732.00	73,193,076.00	72,943,329.00	73,672,669.00	80,659,168.00	56,949,405.00	125,364,086.00	500,197,707.98
2021	54,928,248.00	51,571,768.00	59,459,615.00	73,356,540.00	54,130,803.00	23,598,636.00		376,505,224.71
2020	10,051,916.00	12,878,031.00	11,807,537.00	8,305,487.00	8,875,160.00			63,725,668.38
2019	3,251,464.00	3,568,424.00	3,123,425.00	6,655,065.00				19,721,802.88
2018	3,781,914.00	1,838,735.00	1,694,591.00					7,315,240.00
2017	2,754,834.00	1,476,592.00						4,231,426.00
2016	386,713.00							386,713

Gross insurance contract outstanding claims provision for 2021:

Accident year	2015 ETB	2016 ETB	2017 ETB	2018 ETB	2019 ETB	2020 ETB	2021 ETB	Total ETB
2015	54,912,752.34	69,836,731.68	73,193,075.75	72,943,328.98	73,672,669.28	80,659,167.73	56,949,405.39	498,161,054.74
2016	44,335,635.42	54,928,247.75	51,571,768.14	59,459,614.71	73,356,540.20	54,130,803.10		397,242,224.03
2017	4,608,961.11	10,051,915.76	12,878,031.15	11,807,537.38	8,305,487.04			59,459,469.82
2018	4,160,544.77	3,251,463.61	3,568,423.99	3,123,424.88				17,227,282.13
2019	1,601,563.62	3,781,914.44	1,838,735.44					
2020	963,576.65	2,754,834.31						3,718,410.96
2021	290,118.42							

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4 Insurance and financial risk management (continued)

4.3 Financial risk

Financial instruments by category

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

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

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

	Notes	Available-For-Sale ETB	Loans and receivables ETB	Total ETB
30 June 2023				
Cash and balances with banks	13		477,654,869	477,654,869
Investment securities			-	-
– Available for sale	14	246,403,514	-	246,403,514
– Loans and receivables	14	-	16,175,340	16,175,340
Insurance receivables	15	-	(0)	(0)
Reinsurance assets	16	-	91,948,758	91,948,758
Other assets excluding prepayments	17	-	11,081,933	11,081,933
Statutory deposit	21	-	41,138,563	41,138,563
		246,403,514	**637,999,463**	**884,402,977**
30 June 2022				
Cash and balances with banks	13	-	387,463,206	387,463,206
Investment securities			-	-
– Available for sale	14	185,396,737	-	185,396,737
– Loans and receivables	14	-	3,518,742	3,518,742
Insurance receivables	15	-	(0)	(0)
Reinsurance assets	16	-	59,034,793	59,034,793
Other assets excluding prepayments	17	-	5,793,940	5,793,940
Statutory deposit	21	-	29,967,881	29,967,881
Total financial assets		**185,396,737**	**485,778,562**	**671,175,299**
1 July 2021				
Cash and balances with banks	13	-	327,916,469	(327,916,469)
Investment securities			-	-
– Available for sale	14	137,743,511	-	137,743,511
– Loans and receivables	14	-	3,356,904	(3,356,904)
Insurance receivables	15	-	-	-
Reinsurance assets	16	-	56,184,022	(56,184,022)
Other assets excluding prepayments	17	-	3,906,951	(3,906,951)
Statutory deposit	21	-	23,030,687	(23,030,687)
Total financial assets		**137,743,511**	**414,395,033**	**552,138,544**

4.4 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

-reinsurers' share of insurance liabilities;
-reinsurance assets;
- insurance receivables.

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4 Insurance and financial risk management (continued)

4.4 Credit risk (continued)

4.4.1 Management of credit risk

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Companies of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

The table below show the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is show gross before the effect of mitigation:

	30 June 2023 ETB	30 June 2022 ETB	1 July 2021 ETB
Cash and balances with banks	477,654,869	387,463,206	327,916,469
Investment securities			
- Available for sale	246,403,514	185,396,737	137,743,511
- Loans and receivables	16,175,340	3,518,742	3,356,904
Insurance receivables	-	(0)	-
Reinsurance assets	91,948,758	59,034,793	56,184,022
Other assets excluding prepayments	11,081,933	5,793,940	3,906,951
	843,264,414	**641,207,418**	**529,107,857**

4.4.2 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired as at 30 June 2023, 30 June 2022 and 30 June 2021 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. The Company has no cash or cash equivalent that are held in foreign currency.

(b) Credit quality of Insurance and other receivables

30 June 2023	Neither past due nor impaired ETB	Past due but not impaired ETB	Individually impaired ETB	Total ETB
Insurance receivables				
Due from policy holders	-	-	10,380,181	10,380,496
Due from reinsurer	31,857,282	-	13,682,007	45,539,289
Other receivables				
-				
Staff advances	762,729	-	-	762,729
Other account receivables	10,319,204	-	-	10,319,204
	42,939,215	-	24,062,188	67,001,718
Gross				
Less: impairment allowance (note 16&17)	(1,604,650)	-	(23,682,007)	(25,667,153)
Net	**41,334,565**	-	**380,181**	**22,638,579**

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4 Insurance and financial risk management (continued)
4.4 Credit risk (continued)
4.4.2 Credit quality analysis(continued)
(b) Credit quality of Insurance and other receivables (continued)

30 June 2022	Neither past due nor impaired ETB	Past due but not impaired ETB	Individually impaired ETB	Total ETB
Insurance receivables				
Due from policy holders	-	-	10,380,496	10,380,496
Due from reinsurer	20,336,278	-	13,682,007	34,018,285
Other receivables				
Staff advances	574,023	-	-	574,023
Other account receivables	5,219,917	-	-	5,219,917
	26,130,218	-	24,062,503	50,192,721
Gross				-
Less: impairment allowance (note 16,17)	(1,604,650)	-	(24,062,188)	(25,666,838)
Net	24,525,568	-	315	24,525,883
1 July 2021				
Insurance receivables				
Due from policy holders	-	-	10,380,496	10,380,496
Due from reinsurer	20,336,278	-	13,682,007	34,018,285
Other receivables				-
Staff advances	533,899	-	-	533,899
Other account receivables	3,373,052	-	-	3,373,052
	24,243,229	-	24,062,503	48,305,732
Gross				
Less: impairment allowance (note 16, 17)	(1,604,650)	-	(24,062,503)	(25,667,153)
Net	22,638,579	-	-	22,638,579

(i) *Receivables - neither past due nor impaired*

The credit quality of the portfolio of loans and receivable that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Loans and advances to customers in this category are term loans 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.

	30 June 2023 ETB	30 June 2022 ETB	1 July 2021 ETB
Neither past due nor impaired	41,334,565	24,525,568	22,638,579
	-	-	-

(ii) *Receivables- past due but not impaired*

Past due up to 30 days	-	-	-
Past due up to 30 - 60 days	-	-	-
Past due by 60 - 90 days	-	-	-
Past due by 90 - 180 days	-	-	-
	-	-	-
Collective impairment			
Receivables (net)	-	-	-

Loans and advances to customers that have been classified as neither past due nor impaired or past due but not impaired are assessed on a collective basis.

4 Insurance and financial risk management (continued)

4.4 Credit risk (continued)

4.4.2 Credit quality analysis(continued)

(b) Credit quality of Insurance and other receivables (continued)

(iv) Allowance for impairment

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

	30 June 2023 ETB	30 June 2022 ETB	1 July 2021 ETB
Specific impairment	10,380,181	10,380,181	10,380,496
Collective impairment	-	-	-
	10,380,181	10,380,181	10,380,496

4.4.3 Credit concentrations

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at 30 June 2023, 30 June 2022 and 30 June 2021. The Company concentrates all its financial assets in Ethiopia.

	Public ETB	Private ETB	Total ETB
30 June 2023			
Cash and balances with banks	-	477,654,869	477,654,869
Investment securities:			
- Available for sale	39,296,207	207,107,307	246,403,514
- Loans and receivables	16,175,340	-	16,175,340
	55,471,547	**684,762,176**	**740,233,723**
30 June 2022			
Cash and balances with banks	-	387,463,205	387,463,205
Investment securities:			
- Available for sale	28,874,779	156,521,958	185,396,737
- Loans and receivables	3,518,742	-	3,518,742
	32,393,521	**543,985,163**	**576,378,684**
1 July 2021			
Cash and balances with banks	-	327,916,468	327,916,468
Investment securities:			-
- Available for sale	25,000,000	112,743,511	137,743,511
- Loans and receivables	3,356,904	-	3,356,904
	28,356,904	**440,659,979**	**469,016,883**

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4 Insurance and financial risk management (continued)

4.5 Liquidity risk

Liquidity risk is the risk that the the Company cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms.

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

4.5.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

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

4.5.2 Maturity analysis of financial liabilities

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

	0-180 days	181 - 365 days	Over 1 year	Total
30 June 2023	ETB	ETB	ETB	ETB
Insurance contract liabilities	357,235,954	24,285,323	101,259,567	482,780,843
Insurance payables	(14,719,456)	(11,711,640)	(28,467,119)	(54,898,216)
Other liabilities	43,633,203	12,825,869	8,864,545	65,323,616
Total financial liabilities	386,149,700	25,399,551	81,656,992	493,206,244
30 June 2022				
Insurance contract liabilities	292,382,885	32,977,234	41,352,947	366,713,066
Insurance payables	(8,928,251)	(13,802,576)	(8,209,036)	(30,939,863)
Other liabilities	32,969,583	10,645,411	5,633,069	49,248,063
Total financial liabilities	316,424,217	29,820,069	38,776,980	385,021,264
1 July 2021				
Insurance contract liabilities	255,748,387	19,124,327	42,830,310	317,703,024
Insurance payables	7,979,925	7,844,781	700,836	16,525,542
Other liabilities	37,193,467	40,000	10,066,984	47,300,451
Total financial liabilities	300,921,779	27,009,108	53,598,130	381,529,017

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4 Insurance and financial risk management (continued)

4.6 Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.

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

4.6.1 Management of market risk

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

(i) Interest rate risk

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

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

30 June 2023	**Fixed**	**Floating interest bearing**	**Non-interest bearing**	**Total**
	ETB	**ETB**	**ETB**	**ETB**
Assets				
Cash and balances with banks	287,957,843	189,697,026	-	477,654,869
Investment securities				
– Available for sale	-	-	246,403,514	246,403,514
– Loans and receivables	16,175,340	-	-	16,175,340
Insurance receivables	-	-	10,380,181	10,380,181
Other receivables	-	-	10,319,204	10,319,204
Total	304,133,183	189,697,026	267,102,899	760,933,108
Liabilities				
Insurance contract liabilities	-	-	482,780,843	482,780,843
Debt securities issued			-	-
Borrowings			-	-
Insurance payables	-	-	54,898,216	54,898,216
Other liabilities	-	-	65,323,616	65,323,616
Total	-	-	603,002,675	603,002,675
30 June 2022				
Assets				
Cash and balances with banks	256,487,910	130,975,295	-	387,463,205
Investment securities				
– Available for sale	-	-	185,396,737	185,396,737
– Loans and receivables	3,518,742	-	-	3,518,742
Insurance receivables	-	-	10,380,181	10,380,181
Other receivables	-	-	5,219,917	5,219,917
Total	260,006,652	130,975,295	200,996,835	591,978,782
Liabilities				
Insurance contract liabilities	-	-	366,713,066	366,713,066
Insurance payables	-	-	30,939,864	30,939,864
Other liabilities	-	-	49,248,063	49,248,063
Total	-	-	**446,900,993**	**446,900,993**

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4 Insurance and financial risk management (continued)
4.6 Market risk (continued)
(i) Interest rate risk (continued)

1 July 2021	Fixed ETB	Floating interest bearing ETB	Non-interest bearing ETB	Total ETB
Assets				
Cash and balances with banks	236,654,223	91,262,245	-	327,916,468
Investment securities				
– Available for sale	-	-	137,743,511	137,743,511
– Loans and receivables	3,356,904	-	-	3,356,904
Insurance receivables	-	-	10,380,496	10,380,496
Other receivables	-	-	3,373,052	3,373,052
Total	**240,011,127**	**91,262,245**	**151,497,059**	**482,770,431**
Liabilities				
Insurance contract liabilities	-	-	317,703,024	317,703,024
Insurance payables	-	-	16,525,543	16,525,543
Other liabilities	-	-	47,300,451	47,300,451
Total	-	-	**381,529,018**	**381,529,018**

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency. The Company is therefore not exposed to currency risk.

4.7 Capital management

The Company maintains an efficient capital structure of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

The Company has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Company is regulated by the National Bank of Ethiopia and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Company manages capital in accordance with these rules and has embedded in its risk management framework the necessary tests to ensure continuous and full compliance with such regulations.

4 Insurance and financial risk management (continued)

4.7 Capital management (continued)

Margin of Solvency ratio

According to the Liscencing & Supervision of Insurance Business Margin of Solvency directive No. SIB/45/2016 of the National Bank of Ethiopia, an insurer carrying on general insurance business shall keep admitted capital amounting to the highest of 25% of its technical provision, or 20% of the net written premiums in the last preceeding financial year, or the minimum paid capital.

Margin of solvency ratio is the excess of assets over liabilities to be maintained for general insurance business. Admissable assets and liabilities stated below is in accordance with margin of solvency directive No.SIB/45/2016.

		30 June 2023	30 June 2022
		ETB	ETB
	Admissable assets		
	Cash and balances with banks	477,654,869	387,463,205
	Investment securities	-	-
	– Available for sale	246,403,514	185,396,737
	– Loans and receivables	16,175,340	3,518,742
	Insurance receivables	(0)	(0)
	Reinsurance assets	91,948,758	59,034,793
	Other assets	20,971,538	13,631,821
	Deferred acquisition cost	17,453,495	12,731,112
	Investment property	26,539,740	21,177,458
	Property, plant and equipment	44,726,309	33,181,372
	Statutory deposit	41,138,563	29,967,881
	Excluded assets:		-
	Prepaid Expense	(8,514,455)	(6,700,137)
	Furniture & Fixture	(2,958,606)	(2,826,516)
	Sundry Debtors	(10,319,204)	(5,219,917)
		961,219,862	731,356,550
B	**Admissable liabilities**		
	Insurance contract liabilities	482,780,843	366,713,066
	Trade payables	54,898,216	30,939,864
	Other liabilities	65,323,616	49,248,063
	Current income tax liabilities	4,362,870	3,448,195
	Retirement benefit obligations	1,951,980	8,004,091
	Deferred tax liabilities	1,205,239	1,399,795
		610,522,764	459,753,074
C	**Admitted capital (A-B)**	**350,697,098**	**271,603,476**
D	Net premium	458,102,110	341,597,847
E	Techical Provision	482,780,843	366,713,066
	Solvency Margin		
F	**Limit of net premium 20% of net Premium**	91,620,422	68,319,569
G	**Limit of technical provision 25% of technical provisoin.**	120,695,211	91,678,267
H	**Minimum paid up capital**	**,60,000,000**	**60,000,000**
	Since C >G, Positive Solvency margin		

4.8 Fair value of financial assets and liabilities

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

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

4.8.1 Valuation models

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

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

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

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

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

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4 Insurance and financial risk management (continued)
4.8.1 Valuation models (continued)

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

	30 June 2023		30 June 2022		30 June 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	ETB	ETB	ETB	ETB	ETB	ETB
Financial assets						
Cash and balances with banks	477,654,869	477,654,869	387,463,205	387,463,205	327,916,468	327,916,468
Investment securities						
- Available for sale	246,403,514	246,403,514	185,396,737	185,396,737	137,743,511	137,743,511
- Loans and receivables	16,175,340	16,175,340	3,518,742	3,518,742	3,356,904	3,356,904
Statutory Deposit	41,138,563	41,138,563	29,967,881	29,967,881	23,030,687	23,030,687
Trade receivables	10,380,181	10,380,181	10,380,181	10,380,181	10,380,496	10,380,496
Reinsurance assets	91,948,758	91,948,758	59,034,793	59,034,793	56,184,022	56,184,022
Other receivables	10,319,204	10,319,204	5,219,917	5,219,917	3,373,052	3,373,052
Total	**894,020,429**	**894,020,429**	**680,981,456**	**680,981,456**	**561,985,140**	**561,985,140**
Financial liabilities						
Insurance contract liabilities	482,780,843	482,780,843	366,713,066	366,713,066	317,703,024	317,703,024
Trade payables	54,898,216	54,898,216	30,939,864	30,939,864	16,525,543	16,525,543
Other liabilities	65,323,616	65,323,616	49,248,063	49,248,063	47,300,451	47,300,451
Total	**603,002,675**	**603,002,675**	**446,900,993**	**446,900,993**	**381,529,018**	**381,529,018**

4.8.2 Fair value methods and assumptions

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

4.8.3 Valuation technique using significant unobservable inputs – Level 3

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

4.8.4 Transfers between the fair value hierarchy categories

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

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		30 June 2023	30 June 2022
		ETB	ETB
5	**Net premium income**		
	Gross premium written	517,787,515	387,793,810
	Gross premium income:		
	Gross premium written	517,787,515	387,793,810
	Change in unearned premiums provision	(70,349,297)	(38,927,665)
	Premium revenue arising from insurance contracts issued	447,438,218	348,866,145
	Premium ceeded to reinsurer	(59,685,405)	(46,195,963)
	Total net premiums	**387,752,813**	**302,670,182**
6	**Fee and commission income**		
	Insurance contracts	11,419,813	13,025,520
	Total fees and commission income	**11,419,813**	**13,025,520**

Fee income represents commission received on direct business and transactions ceded to re-insurance companies during the year.

		30 June 2023	30 June 2022
7	**Net claims and benefits paid**	ETB	ETB
	Gross benefits & claims paid	208,476,724	171,868,438
	Changes in outstanding claims	47,841,840	(2,301,606)
	Changes in technical provision IBNR	2,330,005	5,557,725
	Losses recognised as a result of liability adequacy test	787,715	127,258
	Claims recovery from salvage	(7,358,000)	(1,407,391)
		252,078,284	**173,844,424**
	Recoverable from re-insurance:		
	Claims paid recoverable	(8,784,898)	(5,978,297)
	Decreasing in provision for outstanding claims recoverable	(25,368,207)	(3,605,467)
	Increase in provision for technical provision IBNR	674,058	(1,429,418)
		(33,479,047)	**(11,013,182)**
	Net claims and benefits expenses	**218,599,237**	**162,831,242**
8	**Underwriting expenses**		
	Commission paid	30,648,530	21,616,130
	Changes in deferred acquisition cost	(4,722,385)	(2,399,317)
		25,926,145	**19,216,813**
	Analysis of acquisition cost is as shown below:		
	Acquisition cost paid during the year		
	Movement in deferred acquisition cost	(4,722,385)	(2,399,317)
9	**Investment income**		
	Interest income on loans and receivables financial instruments	42,808,253	33,857,461
	Dividend income	40,833,386	26,827,764
	Rental inc (note 19a)	1,067,040	861,526
	Interest income on statutory deposits	786,598	161,874
	Gain from sale of property and equipment	2,970	378,261
	Total investment income	**85,498,247**	**62,086,886**

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		30 June 2023	30 June 2022
		ETB	ETB
10	**Other income**		
	Sundry income	563,936	341,378
		563,936	**341,378**
11	**Other operating expenses**		
	Employee benefits (note 11.1)	85,193,358	64,577,894
	Depreciation & amortization (note 19 & 20)	5,012,968	4,323,977
	Rental expenses	16,003,874	11,499,494
	Stationery and printing	5,419,933	3,020,960
	Other expenses	6,422,038	4,513,349
	Communication	1,800,882	1,569,370
	Repair and maintenance	3,768,387	2,952,525
	Fuel and Lubricant	4,778,614	2,886,341
	Insurance	2,088,417	2,494,254
	Legal and professional fees	390,267	438,232
	Entertainment	548,781	365,028
	Director's allowance	1,325,000	1,350,000
	Advertising and publicity	1,359,472	1,090,310
	Bank charges	264,375	161,017
	Audit fee	82,800	145,475
	Perdiem	481,008	436,631
	Transportation	907,509	438,689
	Utilities	372,739	170,096
	Consultation expense	2,305,192	512,430
	Tax Expense	22,119	18,220
	Medical Expense	109,585	49,487
	Impairment of claim recoverable asset	5,000,000	5,000,000
		143,657,318	**108,013,779**
11.1	**Employee Benefits**		
	Wages and salaries	61,289,837	48,472,204
	Allowances	15,142,489	10,438,565
	Pension costs – defined contribution plans	6,789,362	5,612,308
	Other employee costs	3,248,845	1,263,051
	Severance costs - Defined benefit plans (note 25d)	(1,277,175)	(1,208,234)
		85,193,358	**64,577,894**
12	**Company income and deferred tax**		
12a	**Current income tax**		
	Company income tax (note 12b)	3,555,799	9,068,729
	Deferred income tax/(credit) to profit or loss (note 12d)	(194,557)	(134,663)
	Total charge to profit or loss	3,361,242	8,934,066
	Tax (credit) on other comprehensive income	-	
	Total tax in statement of comprehensive income	3,361,242	8,934,066

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12b Taxation charge

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	30 June 2023	30 June 2022
	ETB	ETB
Profit before tax	97,052,109	88,062,133
Non-deductible expenses		
Entertainment	548,781	365,028
Retirement benefit expense		
Depreciation as Per IFRS	5,012,968	4,323,977
Donation	1,532,516	-
Other tax Paid expense	96,621	291,923
Sponsorship Fee	227,370	-
Provision for doubtful receivables	5,000,000	5,000,000
Gift Expense	543,674	288,778
Less:		
Interest income taxed at source	(42,808,253)	(33,857,461)
Bond income taxed at source	(786,598)	(161,874)
Dividend income taxed at source	(40,833,386)	(26,827,764)
Depreciation as Per Tax Law	(5,097,965)	(4,640,017)
Expected Recoveries on salvage	(7,358,000)	(1,407,391)
Retirement benefit income	(1,277,175)	(1,208,234)
Taxable income	**11,852,662**	**30,229,097**
Current Tax Expense (30%)	**3,555,799**	**9,068,729**

12 Company income and deferred tax (continued)

12c Current income tax liability	30 June 2023	30 June 2022
	ETB	ETB
Balance at the beginning of the year	8,004,091	1,228,223
Charge for the year (note 12b)	3,555,799	9,068,729
WHT Paid	(1,470,034)	(1,064,638)
Payment during the year	(8,137,875)	(1,228,223)
Balance at the end of the year	**1,951,980**	**8,004,091**

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12d Deferred income tax

	30 June 2023 ETB	30 June 2022 ETB
The analysis of deferred tax (assets)/liabilities is as follows:		
To be recovered after more than 12 months	1,205,239	1,399,795
To be recovered within 12 months	-	-
	1,205,239	1,399,795

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

Deferred income tax (assets)/liabilities:	At 1 July 2022 ETB	Credit/ (charge) to profit or loss ETB	Credit/ (charge) to equity ETB	30 June 2023 ETB
Property, plant and equipment	(2,434,254)	(79,846)	-	(2,514,100)
Post employment benefit obligation	1,034,459	274,403		1,308,862
Total deferred tax (assets) /liabilities	(1,399,795)	194,557	-	(1,205,239)
Deferred income tax assets/(liabilities):				
Property, plant and equipment	(2,337,126)	(97,128)	-	(2,434,254)
Post employment benefit obligation	802,667	231,792	-	1,034,459
Total deferred tax assets/(liabilities)	**(1,534,459)**	**134,664**	**-**	**(1,399,795)**

13 Cash and cash equivalents

	30 June 2023 ETB	30 June 2022 ETB
Cash in hand	155,656	1,020,724
Time deposits with financial institutions	287,957,843	256,487,910
Deposits with local banks	189,541,370	129,954,571
	477,654,869	387,463,205
Maturity analysis		
Current	90,191,664	387,463,205
Non- current	387,463,205	-
	477,654,869	387,463,205

For the purpose of the cashflow statement, cash and cash equivalent is made up of the following:

	30 June 2023 ETB	30 June 2022 ETB
Cash in hand	155,656	1,020,724
Short-term deposits with local banks	189,541,370	129,954,571
	189,697,026	130,975,295

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14 Investment securities	30 June 2023 ETB	30 June 2022 ETB
Available for sale:		
Equity investment	246,403,514	185,396,737
	246,403,514	185,396,737
Loans and receivables:		
Ethiopian Government bonds	3,681,921	3,518,742
DV'T BANK OF ETHIOPIA BOND	12,493,419	-
	16,175,340	3,518,742
Maturity analysis		
Current	73,663,375	3,518,742
Non-current	188,915,479	-
	262,578,854	3,518,742

The Company holds equity investments in the following entities;

	30 June 2023		30 June 2022	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Bank of Abyssinia S.C.	37,537	0.30%	125,680	0.21%
NIB International Bank	95,976	0.80%	95,976	0.80%
Zemen Bank S.C.	107,460	2.15%	75,192	1.00%
Ethiopian Reinsurance !	6,273	2.51%	2,887	2.51%
Access Capital S.C.	500	-	500	-
Amhara bank (s.c)	1,000	0.02%	1050	
Ahadu bank (s.c)	500	0.07%	525	

These investments are unquoted equity securities measured at cost.

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

15 Insurance receivables	30 June 2023 ETB	30 June 2022 ETB
Due from policy holders	10,380,181	10,380,181
Gross amount	10,380,181	10,380,181
Less impairment allowance	(10,380,181)	(10,380,181)
	(0)	(0)

15a Impairment allowance on insurance receivables

A reconciliation of the allowance for impairment losses for loans and receivables by class, is as follows:

	30 June 2023 ETB	30 June 2022 ETB
At 1 July	10,380,181	10,380,496
Charge for the year (note 11)		(315)
	-	
At 30 June	10,380,181	10,380,181

16 Reinsurance assets	30 June 2023 ETB	30 June 2022 ETB
Claims recoverable (see note 16a)	96,472,896	59,268,459
Reinsurer share of unearned premium	19,157,869	18,448,341
	115,630,765	77,716,800
Less: Impairment allowance	(23,682,007)	(18,682,007)
	91,948,758	59,034,793

ETB 5,000,000 in other operating and administrative expenses. The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

During the year, the Company entered into reinsurance arrangements that resulted in profits on inception of ETB 2,669,439.01 (2022: ETB 2,672,654.25). This profit has been reflected in the statement of profit or loss fees and commission income (note 6).

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16 Reinsurance assets (continued)

	30 June 2023	30 June 2022
	ETB	ETB
16a Claims recoverable are analysed as follows:		
Recoverable on claims - Incurred but not reported claims	3,324,584	3,998,642
Recoverable on outstanding claims .	93,148,312	55,269,817
	96,472,896	59,268,459
16b The movement in claims recoverable is analysed as follows:		
Balance at the beginning of year	59,268,459	53,673,535
Recoveries during the year	10,609,051	10,609,051
Decrease in recoverable during the year	26,595,386	(5,014,126)
	96,472,896	59,268,459
16c The movements in impairment allowance for reinsurance assets is analyzed below;		
Balance at the beginning of year	18,682,007	13,682,007
(Recovery)/allowance made during the year for doubtful recoverable	5,000,000	5,000,000
	23,682,007	18,682,007

	30 June 2023 ETB	30 June 2022 ETB
17 Other assets		
Staff advances	762,729	574,023
Other account receivable	10,319,204	5,219,917
Prepayments	11,494,255	9,442,531
Gross amount	22,576,188	15,236,471
Collective impairment	(1,604,650)	(1,604,650)
	20,971,538	13,631,821
Maturity analysis		
Current	17,549,522	9,242,912
Non- current	3,422,026	4,388,909
	20,971,548	13,631,821

18 Deferred acquisition cost

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

	30 June 2023	30 June 2022
Deferred acquisition cost- Marine	303,736	382,839
Deferred acquisition cost- Fire	1,193,380	936,968
Deferred acquisition cost- Engineering	619,225	415,996
Deferred acquisition cost- Liability	3,373	288,553
Deferred acquisition cost- Motor	13,963,641	9,714,329
Deferred acquisition cost- Gen. Accident	218,738	216,847
Deferred acquisition cost- Goods in transit	338,552	269,792
Deferred acquisition cost- Pecunaries	513,475	266,523
Deferred acquisition cost- PVT	231,816	194,369
Deferred acquisition cost- Burglary	67,559	44,896
	17,453,495	12,731,112
The movement in deferred acquisition cost is as follows:		
Balance at beginning of year	12,731,112	10,331,794
Movement in deferred acquisition cost	4,722,383	2,399,318
Balance at the end of the year	17,453,495	12,731,112

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19 Investment property

	30 June 2023 ETB	30 June 2022 ETB
Cost:		
At the beginning of the year	22,074,137	13,048,237
Addition	5,766,800.0	9,025,900
At the end of the year	27,840,937	22,074,137
Accumulated depreciation:		
At the beginning of the year	896,679	805,365
Charge for the year	404,519	91,314
At the end of the year	1,301,198	896,679
Net book value	**26,539,740**	**21,177,458**

19a Amounts recognised in profit or loss for investment properties (note 9)

	30 June 2023 ETB	30 June 2022 ETB
Rental income	1,339,143	872,278
Direct operating expenses from property that generated rental incom	(272,103)	(10,752)
	1,067,040	861,526

19b Fair value measurement of the Company's investment properties

The Company's investment property is measured at cost. These properties include those held for rental purposes. There are currently no restrictions on the realisability of these properties.

Investment property is initially measured at cost including transaction costs and subsequently measured at depreciated cost (less any accumulated impairment losses). Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 years. The fair value of investment properties has been disclosed as

The fair value of the Company's investment property as at the reporting date and has been arrived at by in-house engineers qualified estate surveyors and valuers. These valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the replacement cost concept which approximates the estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing, prudently and without compulsion. This implies a market comparable approach that reflects the recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

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20 Property, plant and equipment

	Freehold land ETB	Motor vehicles ETB	Office Furniture and ETB	Computer equipment ETB	Work-in-progress (note 20a) ETB	Total ETB
Cost						
As at 1 July 2021	1,149,435	31,668,135	11,518,308	6,852,614	6,998,080	58,186,572
Additions	-	162,109	1,836,042	1,274,227	13,200	3,285,578
Disposal			-			-
As at 30 June 2022	1,149,435	31,830,244	13,354,350	8,126,841	7,011,280	61,472,150
As at 1 July 2022	1,149,435	31,830,244	13,354,350	8,126,841	7,011,280	61,472,150
Additions	-	11,534,871	1,546,714	2,427,809	644,023	16,153,417
Disposal		-	(3,000)			(3,000)
As at 30 June 2023	1,149,435	43,365,115	14,898,064	10,554,650	7,655,303	77,622,567
Accumulated depreciation						
As at 1 July 2021	-	12,219,530	6,801,889	5,036,696	-	24,058,115
Charge for the year	-	2,514,712	1,049,374	668,577	-	4,232,663
Disposal			-			-
As at 30 June 2022	-	14,734,242	7,851,263	5,705,273	-	28,290,778
As at 1 July 2022	-	14,734,242	7,851,263	5,705,273	-	28,290,778
Charge for the year	-	2,490,982	1,233,865	883,602	-	4,608,449
Disposal		-	(2,969)			(2,969)
As at 30 June 2023	-	17,225,224	9,082,159	6,588,875	-	32,896,258
Net book value						
As at 30 June 2022	1,149,435	17,096,002	5,503,087	2,421,568	7,011,280	33,181,372
As at 30 June 2023	1,149,435	26,139,891	5,815,905	3,965,776	7,655,303	44,726,309

20a Construction in progress

Construction in progress relates to the construction of head quarter for NICE S.C.

20b Impairment review

Upon impairment review, the net book value of property, plant and equipment do not exceed its recoverable value as at the end of the reporting period. Thus, the management are of the opinion that allowance for impairment is not required.

	30 June 2023 ETB	30 June 2022 ETB
21 Statutory deposit		
Statutory deposit	41,138,563	29,967,881
	41,138,563	29,967,881
The movement during the year is as follows:		
As at 1 July	29,967,881	23,030,687
Addition/ (reduction)	9,263,536	5,504,589
Interest receivable on statutory deposit in Government bond	1,907,046	1,432,605
As at 30 June	**41,138,563**	**29,967,881**

Statutory deposits include saving bonds acquired from the Government of the Federal Democratic Republic of Ethiopia, bearing interest at the rate of 6% & 8% per annum and maturing in September 2023 & 2025 and are held with the National Bank of Ethiopia and serve as the statutory reserve calculated at 15% of the paid up capital.

The statutory deposit above includes ETB 30,783,450 (2022: ETB 22,031,400, 2021: ETB 15,000,000) that is transferred to Ethiopian Government for the acquisition of Great Renaissance dam Bond. The Bonds bears interest income of 6% per annum and 8% per annum.

Although, the minimum balance required to be set aside is ETB 35,670,806.15, accrued interest receivable on the statutory deposit transferred to Ethiopian Savings Bond of ETB 523,835.85 have been included in the disclosed balance.

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		30 June 2023 ETB	30 June 2022 ETB
22	**Insurance contract liabilities**		
	Outstanding claims and loss adjustment expenses (note 22.1a)	181,713,544	133,871,703
	Claims incurred but not reported (note 22.1b)	35,598,867	33,268,862
	Unearned premium (note 22.1c)	269,032,575	197,973,750
	Unallocated loss adjustment expense	3,793,857	3,006,142
	Expected recoveries from salvage	(7,358,000)	(1,407,391)
		482,780,843	366,713,066
	Reinsurers' share of outstanding claims	93,148,312	55,269,817
	Reinsurance share of Incurred But Not Reported (IBNR) claims	3,324,584	3,998,642
	Reinsurers' share of Unearned premium	19,157,869	18,448,341
	Impairment of claim recoverable asset	(23,682,007)	(18,682,007)
	Total reinsurers' share of insurance liabilities (see note 16)	91,948,758	59,034,793
	Net insurance liability	**390,832,085**	**307,678,273**
	Maturity analysis		
	Current	83,188,595	238,686,132
	Non- current	307,678,273	68,992,141
		390,866,868	**307,678,273**

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

		30 June 2023 ETB	30 June 2022 ETB
22.1a	Outstanding claims and loss adjustment expenses;		
	Fire	474,000	150,000
	Motor	146,032,748	108,721,246
	Marine	758,000	1,466,000
	Accidents	737,500	49,700
	Pecunaries	15,948,635	12,911,929
	Engineering	1,613,511	2,385,445
	General	11,877,235	8,187,383
	Pvt	4,271,915	-
		181,713,544	133,871,703
22.1b	Claims incurred but not reported		
	Fire	985,813	1,616,622
	Motor	31,089,052	26,137,725
	Marine	394,326	821,766
	Accidents	-	-
	Pecunaries	711,675	820,853
	Engineering	555,623	837,242
	General	1,210,637	1,995,935
	PVT	651,741	1,038,719
		35,598,867	33,268,862
22.1c	Unearned premium		
	Fire	14,428,697	8,965,026
	Motor	219,441,309	158,830,070
	Marine	3,313,520	3,588,532
	Accidents	4,323,476	4,004,629
	Pecunaries	5,536,505	5,128,126
	Engineering	5,832,093	4,753,144
	General	9,012,796	10,206,260
	Pvt	6,367,150	-
	Travel	777,030	-
		269,032,576	195,475,787
	The movement in unearned premium account during the year was as follows:		
	Balance at the beginning of year	195,475,787	156,790,239
	Increase in unearned premium	73,556,789	38,685,548
	Balance at the end of year	269,032,576	195,475,787

23 Insurance payables

Insurance payables represent liabilities to customers, agents, brokers, coinsurers and re-insurers on insurance contracts at year end.

	30 June 2023 ETB	30 June 2022 ETB
Due to reinsurer	54,898,216	30,939,864
	54,898,216	**30,939,864**
Maturity Analysis		
Current	23,958,352	22,730,828
Non-current	30,939,864	8,209,036
	54,898,216	**30,939,864**

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	30 June 2023 ETB	30 June 2022 ETB
24 Other liabilities		
Other financial liabilities		
Director's remuneration	2,990,000	1,800,000
Dividend payable	560,703	1,566,819
Unclaimed salary	-	-
Pension payable	1,129,073	1,119,166
Unearned Revenue	1,300,374	354,294
Other non-financial liability		
Accruals	20,769,620	12,623,609
Deferred commission income	8,797,896	6,177,803
Other account payables	26,744,897	22,952,190
Other tax payable	3,031,053	2,654,182
	65,323,616	**49,248,063**

Other tax payable consists of VAT payable and withholding tax payable.

Maturity Analysis	30 June 2023 ETB	30 June 2022 ETB
Current	56,459,071	41,143,733
Non- current	8,864,545	8,104,330
	65,323,616	**49,248,063**

25 Retirement benefit obligation	30 June 2023 ETB	30 June 2022 ETB
Defined benefits liabilities:		
– Severance benefit plan (note 25.1)	4,362,870	3,448,195
Liability in the statement of financial position	**4,362,870**	**3,448,195**
Income statement charge included in personnel expenses:		
– Severance benefit plan (note 25.1)	3,394,381	2,454,663
Total defined benefit expenses	**3,394,381**	**2,454,663**
Remeasurements for:		
– Severance benefit plan (note 25.1)	(2,191,850)	(1,980,875)
	(2,191,850)	**(1,980,875)**

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

The severance benefit plan is an unfunded defined benefit scheme.

The key financial assumptions are the discount rate and the rate of salary increases. The provision was based on an independent actuarial valuation performed by Actuarial Services East Africa Limited using the projected unit credit method.

The Company does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallise.

(i) *Severance benefit plan*

The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003, as amended by the Labour (Amendment) Proclamation No. 494/2006. Employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit. The final pay-out is determined by reference to final monthly salary and number of years in service computed as one month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

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25 Retirement benefit obligation (continued)

(i) *Severance benefit plan (continued)*

	30 June 2023 ETB	30 June 2022 ETB
25a Liability recognised in the financial position		
Severance pay	4,362,870	3,448,195

	30 June 2023 ETB	30 June 2022 ETB
25b Amount recognised in the profit or loss		
Current service cost (excluding interest)	3,020,641	2,179,116
Interest cost	373,740	275,547
	3,394,381	2,454,663
25c Amount recognised in other comprehensive income:		
Actuarial (Gains)/Losses on demographic assumptions	2,191,850	1,980,875
Actuarial (Gains)/Losses on economic assumptions	-	-
Actuarial (Gains)/Losses on experience	-	-
	2,191,850	1,980,875
Deferred tax (liability)/asset on remeasurement gain or loss	-	-
	2,191,850	1,980,875
25d Changes in the present value of the defined benefit obligation		
At the beginning of the year	3,448,195	2,675,554
Current service cost	3,020,641	2,179,116
Interest cost	373,740	275,547
Actuarial (Gains)/Losses on demographic assumptions	2,191,850	1,980,875
Actuarial (Gains)/Losses on economic assumptions	-	-
Benefits paid	(4,671,556)	(3,662,897)
year	**4,362,870**	**3,448,195**

25e The principal assumptions used in determining defined benefit obligations

	30 June 2023 ETB	30 June 2022 ETB
Discount rate (p.a)	14.30%	14.25%
Long term salary increases (p.a)	12.30%	12.25%

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(i) Discount rate

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market determined. IAS 19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

The Company therefore opted to use a discount rate of (30 June 2023: 14.30%, 30 June 2022: 14.25%, 30 June 2021 : 14.25%) based on the prevailing commercial banks lending rate as advised by the Association of Ethiopian Insurers.

(ii) Long term salary increases

The salary increase has been determined by the management as mutually compatible rate taking into account the likely future economic scenarios of the country.

(iii) Mortality rate

Mortality is normally expressed as the probability of death within the next year for an individual of a specific age. Different mortality rates are thus set for each age group (higher rates for older people) and this set of rates is referred to as a mortality table.

The mortality table used for the current employees was A1949/52 as published by the Institute of Actuaries.

	30 June 2023		30 June 2022		
	Males	**Females**	**Males**		**Females**
20	0.111%	0.111%	0.111%	#	0.111%
25	0.112%	0.111%	0.112%	#	0.111%
30	0.116%	0.113%	0.116%	#	0.113%
35	0.132%	0.112%	0.132%	#	0.120%
40	0.188%	0.147%	0.188%	#	0.147%
45	0.330%	0.231%	0.330%	#	0.231%
50	0.599%	0.420%	0.599%	#	0.420%
55	1.035%	0.750%	1.035%	#	0.750%
60	1.720%	1.272%	1.720%	#	1.272%

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25 Retirement benefit obligation (continued)

25e The principal assumptions used in determining defined benefit obligations (continued)

(iv) Withdrawals from service

The withdrawal rate selected was based on experience in other similar arrangements.

	30 June 2023		30 June 2022	
	Males	**Females**	**Males**	**Females**
20	15%	15%	15%	15%
25	12%	12%	12%	12%
30	6%	6%	6%	6%
35	2.5%	2.5%	3%	2.5%
40	1.8%	1.8%	2%	1.8%
45	1%	1%	1%	1%
50	0.18%	0.18%	0%	0%
55	0.08%	0.08%	0%	0%
60	0.08%	0.08%	0%	0%

(v) Ill-health / Disability

	30 June 2023		30 June 2022	
	Males	**Females**	**Males**	**Females**
20	0.040%	0.040%	0.040%	0.040%
25	0.040%	0.040%	0.040%	0.040%
30	0.040%	0.040%	0.040%	0.040%
35	0.040%	0.040%	0.040%	0.040%
40	0.060%	0.050%	0.060%	0.050%
45	0.110%	0.080%	0.110%	0.080%
50	0.200%	0.140%	0.200%	0.140%
55	0.350%	0.250%	0.350%	0.250%
60	0.570%	0.420%	0.570%	0.420%

(vi) Duration of the plan

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the retirement benefit obligation at the end of the reporting period is 9.3 for 2022/23 year (30 June 2022: 9.5 years, 1 July 2021: 9.5 years, 30 June 2020: 9.4 years)

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25f Quantitative sensitivity analysis for significant assumption

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

	Impact on defined benefit obligation				
		30 June 2023		30 June 2022	
	Change in assumption	Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
		ETB	ETB	ETB	ETB
Discount rate	1.0%	247,166	(280,246)	201,391	(220,551)
Long term salary increases	-1.0%	(271,256)	242,085	(228,332)	(87,039)

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

The following payments are expected contributions to be made in for the next five (5) years out of the defined benefit plan obligation:

	30 June 2023	30 June 2022
	ETB	ETB
Within the next 12 months (next annual reporting period)	2,003	1,481
Between 1 to 5 years	134,250	110,803
Above 5 years	4,068,985	-
Outstanding Benefits	157,633	3,335,913
	4,362,871	3,448,197

25g Risk exposure

Through its post-employment benefit schemes, the Company is exposed to a number of risks. The most significant of which are detailed below:

(i) Liquidity risk

The defined liabilities are unfunded and as a result, there is a risk of the Company not having the required cash flow to fund future defined benefit obligations as they fall due.

(ii) Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant, where inflationary increases result in higher

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26 Ordinary share capital

	30 June 2023	30 June 2022
Authorised:	ETB	ETB
Ordinary shares with par vallue of ETB 1,000 each	250,000,000	250,000,000
Issued and fully paid:		
Ordinary shares with par vallue of ETB 1,000 each	237,805,374	176,009,815

The Company is a private insurance company. Total subscribed shares at 30 June 2023 was ETB 237,805,374 (2022: ETB 176,009,815).

27 Earnings per share

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

	30 June 2023	30 June 2022
	ETB	ETB
Profit attributable to shareholders	93,690,867	79,128,067
Weighted average number of ordinary shares in issue	210,182	162,705
Basic & diluted earnings per share (ETB)	446	486

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2022:nil) hence the basic and diluted loss per share have the same value.

28 Retained earnings

	30 June 2023	30 June 2022
	ETB	ETB
At the beginning of the year	67,095,910	51,606,073
Profit for the year	93,690,867	79,128,067
Remeasurement gain loss on retirement benefits obligations	(2,191,850)	(1,980,875)
Transfer to legal reserve (note 29)	(9,369,087)	(7,912,807)
- Dividend distributed to shareholders	(71,215,260)	(53,744,548)
At the end of the year	**78,010,580**	**67,095,910**

The amount of divided which is distributable to shareholders is the amount of profit for the year less legal reserve. That is, other compersive income or loss due to remeasurment is not considered in distributable profit.

28a Shared Premium Account

Share premium account	5,258,380	1,198,380

29 Legal reserve

Balance at the beginning of the year	42,045,942	34,133,136
Transfer from retained earnings (note 28)	9,369,087	7,912,806
At the end of the year	**51,415,029**	**42,045,942**

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30 Cash generated from operating activities

Profit before income tax	97,052,109	88,062,133
Adjustments for non- cash items:		
Impairment on trade receivables	-	-
Depreciation of property, plant and equipment (note 20)	4,608,449	4,232,663
Depreciation of investment property (note 19)	404,519	91,314
Gain on disposal of Property, Plant and Equipment	(2,970)	
Retirement benefit obligation	3,394,381	2,454,663
Changes in working capital:		
Change in insurance receivables		-
Change in other receivables (excluding accrued interest)	(7,339,717)	(5,308,828)
Change in deferred acquisition cost	(4,722,383)	(2,399,318)
Change in reinsurance asset	(32,913,965)	(2,850,771)
Change in statutory deposit	(11,170,682)	(6,937,194)
Change in insurance contract liabilities	116,067,774	49,010,042
Change in insurance payables	23,958,352	14,414,321
Change in other liabilities	16,075,553	1,947,612
	205,411,421	**142,716,636**

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31 Related party transactions

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

	Nature of relationship	30 June 2023 ETB	30 June 2022 ETB
31a Transactions with related parties			
Gross Written Premium	purchase of premium	758,298	689,362
Gross Claims incurred	paid claims	1,764,344	1,603,949
Directors' fees	Directors' emoluments	1,485,000	1,350,000
		4,007,642	3,643,311

31I *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management for is shown. There were no insurance services rendered to the key management personnel as at 30 June 2023.

	30 June ETB	30 June ETB
Salaries and other short-term employee benefits	3,490,094	2,003,512
Post-employment benefits	628,217	356,214
Termination benefits	1,590,049	428,461
Sitting allowance	1,060,000	1,070,000
Other expenses	1,325,000	1,350,000
	8,093,360	5,208,186

32 Employees

i) The average number of persons (excluding CEO) employed by the Company during the year was as follows:

	2023 Number	2022 Number
Permanent	326	300
Contract	20	25
Outsourced	18	0
	364	325

ii) The table below shows the number of emplyees (excluding CEO), emoluments in the year and were within the bands stated.

Birr	2023 Number	2022 Number
Less 10,000	164	188
10,000 - 30,000	147	116
30,001 - 50,000	30	21
50,001 - 100,000	4.00	-
Above 100,000	-	-
	345	325

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33 Contingent liabilities

Claims and litigation

The Company is subjected to litigation arising in the normal course of insurance business. The Directors are of the opinion that the pending litigation as at the reporting date will not have a material effect on the financial position or profits of the Company. At the year end the Company is involved in cases intervening as joint defendant on cases that were brought against its clients to avoid claims that have no legal ground or to reduce its liability to the possible amount. Although the total joint claims on the Company and its clients amounts to ETB 95,265,241 (2022: ETB 132,093,239) the Company's maximum liability as per the insurance contract amounts to ETB 51,701,196 (2022: ETB 41,574,278). The Company has already provided for ETB 46,301,759.02 (2022: ETB 33,681,802.56) reported under

34 Operating lease commitments - Company as lessee

The Company leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate.

	2023 ETB	2022 ETB
No later than 1 year	17,663,319	14,130,316
Later than 1 year and no later than 2 years	1,123,320	465,720
Later than 2 years but not later than 5 years	-	345,720.0
Total	**18,786,639**	**14,941,756**

35 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect the state of affairs of the Company as at 30 June 2023 and on the profit for the year ended on that date, which have been adequately provided for or disclosed.

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ACTUARY CERTIFICATE

I have conducted an actuarial valuation of the general insurance liabilities and severance benefits of National Insurance Company S.C.

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

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

In my opinion,

(i) The actuarial value of the liabilities in respect of all classes of general insurance business of the company reflect a fair value as at 30 June 2023;

(ii) The severance benefit liability as at 30 June 2023 can be incorporated in the financial statements in line with the International Accounting Standards 19.

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

Abed Mureithi
Fellow of the Institute and Faculty of Actuaries
Actuary

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