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Z Insurance

ዘመን ኢንሹራንስ አ.ማ.
Zemen Insurance S.C.

Insuring Progress!

1ST ANNUAL REPORT 2019/20

ዘመን ኢንሹራንስ አ.ማ.
Zemen Insurance S.C.

ዘ ኢንሹራንስ
Z Insurance

MISSION

- TO PROVIDE EFFICIENT AND EFFECTIVE GENERAL INSURANCE SERVICES TO ITS CUSTOMERS USING STATE OF ART TECHNOLOGY, PROFESSIONAL, COMPETENT AND ETHICAL HUMAN CAPITAL WHILE MAXIMIZING OUR STAKEHOLDERS VALUE.

VISION

"TO BE THE LOOKOUT OF CHOICE FOR INSURANCE CUSTOMERS"

VALUES

- RESPECT
- HONESTY, INTEGRITY, AND PROFESSIONALISM
- PROACTIVE AND INNOVATIVE
- LEARNING ORGANIZATION
- RELIABLE, FAIR AND PROMPT CLAIMS SERVICE
- ENTHUSIASM AND TEAM WORK
- TRANSPARENCY AND ACCOUNTABILITY LEADING THE WAY

MOTTO

"INSURING PROGRESS"

CONTENTS

BOARD OF DIRECTORS

W/O MERON TADESSE
Director

ATO ESHETU W/KIDAN
Director

MAJOR JAFAR GIDI
Director

W/O ZELEALEM FISEHA
Vice Chairwoman

ENGINEER MELAKU EZEZEW
Chairman

ATO YONAS AMDESION
Director

ATO SOLOMON MENGISTEAB
Director

W/O YODIT G/TINSAE
Director

ATO RATENEH FASIL
Director

EXECUTIVE MANAGEMENT TEAM

SHUMETIE ZERIHUN
Chief Executive Officer (CEO)

MENGESHA TESFAYE
Executive Officer, Corporate Resources

KASSAHUN TAMENE
Director, Underwritting and Customer Services

TEKESTE BEKELE
Director, Claims Management

MESAFINT ASFAW
Director, Engineering and Loss Adjusting

MESSAGE FROM **THE CHAIRMAN,** BOARD DIRECTORS

DEAR SHAREHOLDERS

It gives me great pleasure to present performance of Zemen Insurance S.C from February 1/2020 to June 30, 2020. The report covers the project time handover and operational activities that was launched as of June 05/2020.

The performance can be attributed to the investment performance and residual from the service fee that was contributed from subscribers during the sale of shares. Despite the board of directors effort to assign a CEO and followed up of final process to get license, it took us months after subscribers meeting to finalize our license. The Company got license on January 17, 2020 and was registered at Ministry of Trade and Industry as of January 24, 2020.

After the subscribers meeting, there had been a lot of process such as submitting the required updated feasibility study, all insurance policies, working policy manuals, three years strategy and operational plan of the Company, Governance policies and other documents required by the National Bank of Ethiopia. Simultaneously with submitting these documents, signature of subscribers was conducted at Document Authentication and Registration Agency which also took more than three months. The issue of rate charts and other formalities were finalized along with employment of staff after getting license.

Even though we planned to start operation earlier, we had to start late due to effect of COVID 19 and instabilities around the country.

As can be seen from the Financial Statements in this report, the Company's paid up capital and total asset at the end of project period was Birr 93,866,700 and Birr 111, 274,978 respectively. The ending balance as at June 30, 2020, reached paid up capital and asset of Birr 98,799,200 and Birr 122,214,738 respectively. The actual profit earned was Birr 18.3 million and profit before income tax of Birr 17.53 million. That is earnings per share of 19.74% on the weighted average capital. The board proposes 10% to promoters and 10% to the founding member subscribers and the rest to all shareholders according to their weighted average capital as at June 30, 2020 that is in accordance with article 8 sub-article 1 and 2 of the Memorandum of Association of the Company. Moreover, the Board of Directors further proposes to increase additional capital of Birr 35, 395,000 and reach one hundred fifty million Birr before next annual general meeting. The need for increase in Capital is mainly attributed our interest to increase our retention, increase our facultative reinsurance acceptance and develop confidence to those who need insurance cover as capital is one area where insurance proposers look into doing business with insurance companies. This is still the least in terms of capital compared to other insurance companies operating in the Country even after we reach Birr 150, 000,000.

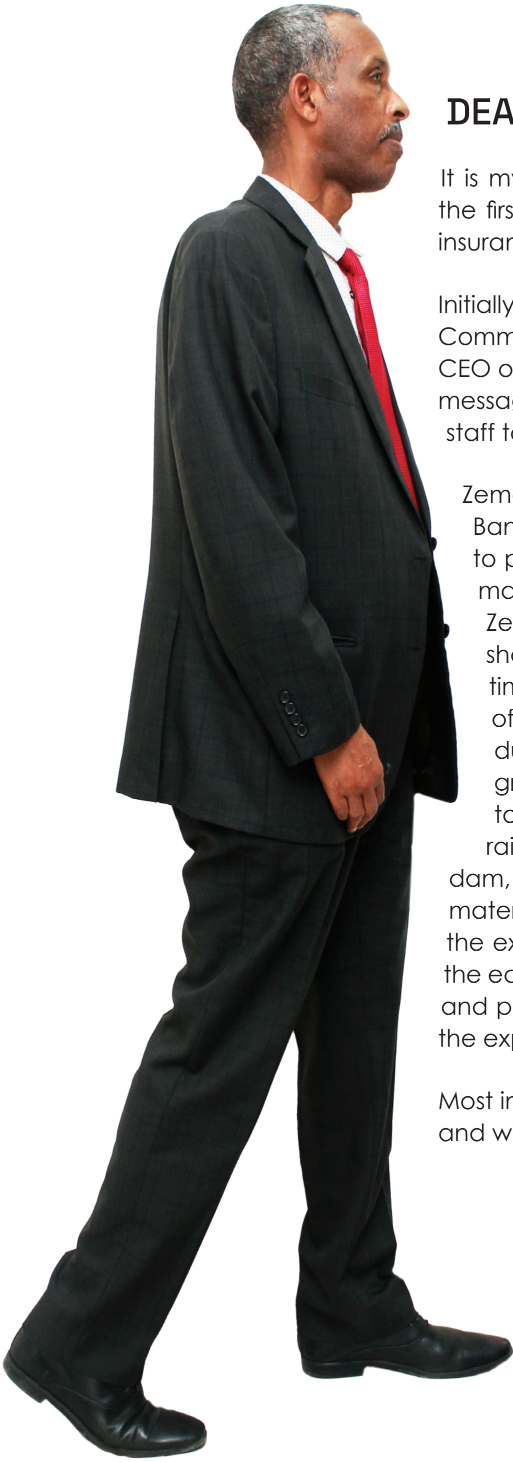
The Board of Directors of Zemen Insurance S.C is committed to increase the Company's presence and plans to reach the market in the next budget year. At this point in time, the Board of Directors of Zemen Insurance S.C would like to thank all shareholders who were patient enough despite the time spent to process the license and hope you will continue to support the Company to increase its presence and market share in the Coming years.

Thank you

17/09/20

Melaku Ezezew (Engineer)
Chairman, Board of Directors

MESSAGE FROM **THE CEO**



DEAR SHAREHOLDERS

It is my pleasure to welcome and congratulate shareholders for being the first insurance Company to generate the first ever high profit in the insurance industry's during the preoperational period.

Initially I joined Zemen as Project Manager and member of the Organizing Committee of Zemen Insurance S.C and currently working as founding CEO of Zemen Insurance S.C, it is a special privilege to me to address the message on behalf of members the Company's management team and staff to those reading this message.

Zemen Insurance S.C formation was initiated by shareholders of Zemen Bank in 2017. Five of these Zemen Bank shareholders took the initiative to promote, organize and reach this stage which was in fact possible mainly because of the support of Zemen Bank shareholders and Zemen Bank Staff. This was why we were able to sell such amount of shares in seven months. Unfortunately, there was a delay in response time for some of our requests during the licensing time. Movement of people and processing the documentation was also challenged due to the impact of COVID 19. The forecasted Ethiopian second growth and transformation plan did not materialize as planned due to various factors. Among the many infrastructural projects such as railway, road, power plants, dams including the great renaissance dam, partial privatization of some telecom infrastructure did not materialize timely and cost effectively. Political instability also jeopardized the expected investment growth. This in turn led under performance of the economy where the growth forecasted was far less from the forecast and previous years' performance. Yet we had entered the market with the expectation that things will improve gradually.

Most important is that we have come up with a different business model and will work towards that.

Among main focus areas in the near future for 2020/21 and 2021/22 budget year are

- Work on human capital development;
- Dedicate Customer Service Team to handle all underwriting and claims service follow up on behalf of our customers;
- Limit the number of branches but reaching the customer through our customer service team;
- Develop and implement a technology roadmap and implement it within not more than two years so that the customer can deal virtually
- Reviewing the strategy and organizational structure to meet the changing environment
- Unique working hours schedule to the convenience of customers- continuous hours' service from early in the morning at 8.00am to 6.30pm including lunch time Monday to Friday and from 8.00am up to 4.00pm in Saturdays excluding holidays .
- Currently we have opened Head Office Insurance Services Branch located at Noah Real Estate ground floor, next to Alem Cinema around Bole Road and Kazanchis Branch, next Zemen Bank Current head office, located at Genet Building. More branches will be opened in Addis Ababa and regional cities in the year ahead.

Finally, I would like to thank all shareholders who are willing to work with us and support in insuring their risks with Zemen Insurance S.C. as well as all other stakeholders who are confident enough to work with us.

Thank you all

Thank you

15/09 20

Shumetie Zerihun
Chief Executive Officer

MESSAGE FROM
THE ORGANIZING COMMITTEE

DISTINGUISHED SHAREHOLDERS OF ZEMEN INSURANCE!

The Organizing Committee of Zemen Insurance Share Company is honored and delighted to welcome you to the 1st Ordinary and Extraordinary Meeting of shareholders.

As most of you might be aware, the establishment of Zemen Insurance as a project was originally conceived at Zemen Bank's Annual General Meetings of Shareholders. In these meetings, some shareholders put forward an idea that an Insurance Company with identical name and brand ***"Zemen",*** with service excellence be established.

Following the proposal promoted by the shareholders of Zemen Bank an organizing committee of five members who were volunteers from Zemen Bank's Shareholders was set up.

MEMBERS OF THE ORGANIZING COMMITTEE:-

1. **Ato Amare Habe .... Chairperson**
2. **Ato Eshetu W/Kidan.................................... Vice Chairperson**
3. **Ato Yonas Amdetsion .... Member**
4. **Ato Zeleke Tesfaye .... Member**
5. **Ato Shumetie Zerihun .... Member and Project manager**

Right after the establishment of the Organizing Committee, Sale of Shares were commenced on December 12, 2017.

The Organizing committee has put in place three strategic objectives.

1. Short project life
2. Low establishment cost.
3. Put into investment revenues generated from sale of shares timely.

To achieve these strategic objectives the committee has utilized the following strategic tactics.

1. Avoid sales commission, if not possible minimize it.
2. Reach out potential share buyers with zero or minimum communication cost.

To hit the nail on the head, the committee has identified two sales tools

a. Seizing the opportunity of Zemen Bank's four rounds of sales of shares and dividend pay outs, we have opened up a temporary sales window at Zemen Bank's Finance Department.

b. Hang or display vinyl print in each branch of Zemen Bank.

from left to right:- Ato Zeleke, Ato Eshetu, Ato Yonas, Ato Amare and Ato Shumetie

These two tools were conducted without any cost or at a very negligible cost and the significant proportion of sales of shares was raised via these two tools.

By and large, the establishment process and sale of shares was carried out with utmost efficiency and productivity. This statement is justified by the final output of the establishment phase, which has been verified and assured by the external auditor.

The final result of these strategies, tactics and sales tools is provided under the audited income statement. An earning per Share of about 20% during establishment period is an astonishing performance. Sometimes to achieve such type of performance is difficult if not impossible, even for companies which are in operation.

HOW WAS IT POSSIBLE THAT A SHARE COMPANY UNDER FORMATION TO ACHIEVE SUCH PERFORMANCE?

The answer, we believe is that if share companies whether in operation or under formation are in good hands, hands that are committed to enrich good corporate governance by adhering strictly to duty of care and duty of loyalty, yes it is possible.

The whole purpose of this short report is to disclose to our esteemed shareholders, when hurdles pop up unexpectedly, with strong commitment it is possible to overcome different challenges. You remember that we held subscribers meetings two times. One in August 2018 another in March 2019 almost after eight months. The delay of the formation of the company was caused by these external factors, which were beyond our control, among others.

We highly appreciate for your patience and for putting trust on the organizing committee and the organizing committee is very happy to reach to this stage after overcoming the different challenges it has encountered during the entire process.

Last but not least, we would like to extend our sincere thanks to:-

- Ato Tsegay Tetemke, former President/ Chief Executive Officer of Zemen Bank for his full and unreserved support during the establishment phase.
- All Zemen Bank Branch Managers and staffs who provide share buyers excellent services with their humble and smiling faces.

We thank you!

NOTICE
ZEMEN INSURANCE S.C.

የመጀመሪያው ዓመታዊ መደበኛ ጠቅላላ ጉባኤ እና የአንደኛ ድንገተኛ ጠቅላላ ጉባኤ አጀንዳዎች

ለዘመን ኢንሹራንስ ኩባንያ አ.ማ. ባለአክሲዮኖች በሙሉ

በኢትዮጵያ ንግድ ሕግ አንቀጽ 418፣ 419 እና በዘመን ኢንሹራንስ ኩባንያ አ.ማ. የመተዳደሪያ ደንብ አንቀጽ 3 ንዑስ አንቀጽ1፤ 2 እና 3 መሠረት የባለአ ክሲዮኖች የመጀመሪያ ዓመታዊ መደበኛ ጠቅላላ ጉባኤ እና 1ኛ ድንገተኛ ጠቅላላ ጉባኤ ቅዳሜ ሕዳር 26 ቀን 2013 ዓ.ም. ከጠዋቱ 2፡00 ሰዓት ጀምሮ በኢንተር ኮንቲኔንታል አዲስ ሆቴል አዳራሽ ስለሚደረግ በስብሰባው ላይ በሰዓቱ እንዲገኙልን በአክብሮት እንጠይቃለን።

1. የአንደኛ መደበኛ ጠቅላላ ጉባኤ አጀንዳ

1.1. የጉባኤውን ጽ/ቤት አባላትና ጸሐፊ መሰየም
1.2. ድምጽ ቆጣሪዎችን መሰየም
1.3. በድምጽ ቆጣሪዎች ውጤት መሠረት ምልዓተ ጉባኤ መሟላቱን ማረጋገጥ
1.4. የጉባኤውን አጀንዳ ማፅደቅ፣
1.5. የኩባንያውን የአክሲዮን ዝውውሮች ማፅደቅና አክሲዮን የገዙ አዳዲስ ባለአክሲዮኖችን መቀበል፤
1.6. በሰነዶች ላልፈረሙ ባለአክሲዮኖች የመሥራች አባልነት ስለመቀበል
1.7. የ2019/20 አፈጻጸም የዲሬክተሮች ቦርድን ሪፖርት መስማት፣
1.8. የ2019/20 አመታዊ እና የፕሮጀክት ጊዜ የፋይናንስና ሌሎች ላይ አፈጻጸም ላይ የውጭ ኦዲተሮችን ሪፖርት መስማት፣
1.9. በተራ ቁጥር 1.7 እና 1.8 በቀረቡ ሪፖርቶች ላይ ተወያይቶ ማጽደቅ
1.10. በትርፍ ክፍፍል ላይ ውሳኔ መስጠት፣
1.11. የዲሬክተሮች ቦርድን ወርሃዊ አበልና አመታዊ የሥራ ዋጋ መወሰን፣
1.12. ለ2020/21 የኩባንያውን ሂሣብ የሚመረምሩ የውጭ ኦዲተሮችን መምረጥና ክፍያቸውን መወሰን፣
1.13. የጉባኤውን ቃለ-ጉባዔ ማፅደቅ፡

2. የአንደኛ ድንገተኛ ጠቅላላ ጉባኤ አጀንዳ

2.1. የጉባኤውን ጽ/ቤት አባላትን መሰየም
2.2. ድምጽ ቆጣሪዎችን መሰየምና ምልዓተ ጉባኤ መሟላቱን ማረጋገጥ
2.3. ረቂቅ አጀንዳውን ማፅደቅ፣
2.4. የኩባንያውን ካፒታል ማሳደግና የአክሲዮን ሽያጭ ሂደትን መወሰን፣
2.5. የኩባንያውን የመመስረቻ ፅሑፍና መተዳደሪያ ደንብ ላይ በቀረቡ ማሻሻያዎች ላይ ተወያይቶ ማጽደቅ
2.6. የጉባኤውን ቃለጉባኤ ማፅደቅ፤

የዘመን ኢንሹራንስ አ.ማ. የዲሬክተሮች ቦርድ

The Board of Directors of Zemen Insurance Share Company is pleased to present this report to the 1st Annual Ordinary General Meeting of Shareholders on the operational and financial performance results of the Company that Covers from February 1/2020 to June 30/2020; i.e from project office handover to end of budget year. The actual insurance operation was launched on June 5/2020 that covers 25 calendar days only.

1. ECONOMIC AND BUSINESS ENVIRONMENT

1.1. THE GLOBAL ECONOMY

The months after the release of the June 2020 World Economic Outlook (WEO) Update have offered a glimpse of how difficult rekindling economic activity will be while the COVID 19 pandemic surges. During May and June, as many economies tentatively reopened from the Great Lockdown, the global economy started to climb from the depths to which it had plunged in April. But with the pandemic spreading and accelerating in places, many countries slowed reopening, and some are reinstating partial lockdowns. While the swift recovery in China has surprised on the upside, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks.

IMF in its June 24/2020 World Economic Outlook Update report projected that global economic will gradually recover than it was previously forecasted. "Global growth is projected at -4.9% in 2020, 1.9 percentage points below the April 2020 World Economic Outlook forecast. For 2021, global growth is projected at 5.4%.

The effect of global outbreak of COVID 19 will contract Ethiopia's real GDP growth to 3.2 percent in 2020 the IMF Regional Economic Outlook predicted in the mid 2020; later predictions are far below this.

In the last fifteen years, Ethiopia registered higher economic growth particularly in the public projects. This was however, jeopardized due to effect of the coronavirus pandemic and instability in some regions.

The IMF Regional Economic Outlook published in October 2019 forecasted that the country's real GDP growth will stand at 7.2 percent in 2020. However, this was re-adjusted down as the economic growth will sharply decline by over half than the previous projection.

In the latest outlook published in relation with the joint spring meeting of the World Bank and IMF with member countries, the real GDP growth of Ethiopia will be limited to 3.2 percent for the year and in some forecasts less than that even though it is still one of the fastest in the region.

Even though the growth rate projection for the year is lesser than the previous forecast, Ethiopia is still one of the growing economies in East Africa. According to the IMF projection in the sub-continent the biggest economic growth will be registered by South Sudan, Benin, Uganda and Rwanda.

The latest outlook indicated that the stated countries real GDP growth will stand at 4.9 percent, 4.5 percent, 3.5 percent and 3.5 percent respectively and Ethiopia and Senegal will follow by 3.2 and 3 percentages respectively.

According to NBE Fourth quarter 2018/19 report Gross Domestic Product (GDP) of country grew by 8.3 % and also NBE has projected to grow by 10.8% in 2019/20 as compared to 3.3% and 3.5 % growth forecast for the world and sub Saharan African respectively. (WEO April 2019)

1.2. INSURANCE INDUSTRY PERFORMANCE

During the year 2018/2019, the total number of Insurance Companies compete in the market are eighteen (1 Government and 17 privately Owned) and, as of June, 2020, their branch networks are increased to 605. The total Asset of Insurance industry has reached to ETB 26.68 billion for non-life.

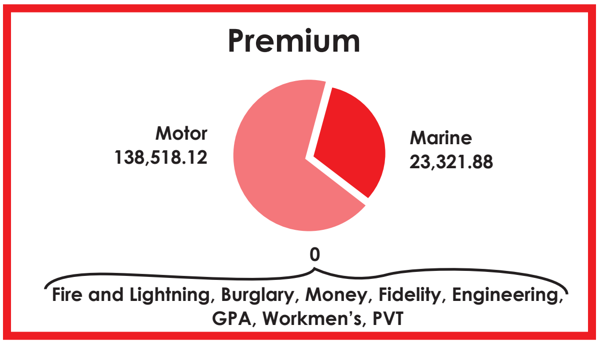
Despite the economy growth challenges and stiff competition in the market, during the year 2019/2020, the industry earned about a total premium of ETB 11.15 billion and ETB 579 million on from General and life insurance, respectively. The data indicates the industry market gross written premium (GWP) of non-life is 23%.

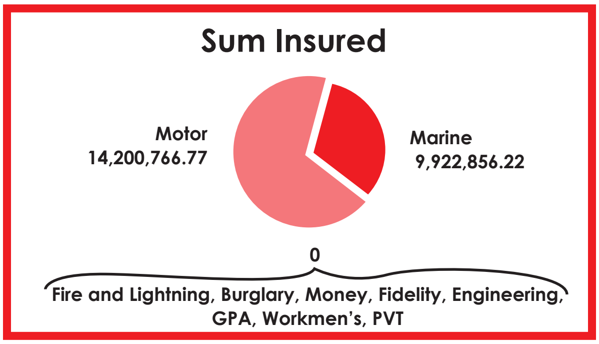
2. COMPANY'S OPERATIONAL, FINANCIAL AND OTHER MAJOR PERFORMANCE IN THE 2019/20 BUDGET YEAR

2.1. GROSS WRITTEN PREMIUM(GWP)

During the reporting period of 25 days, the Company's risk exposure reached to a total Sum Insured Value of Birr 24,128,626 by collecting gross written premium of Birr 161,840 and the main business being Marine and motor class of business.

As depicted in Figuer-1, from the Birr 161,840 total non-life premium generated in the budget year





2.2. CLAIMS

2.2.1. Claims Incurred (Non- life)

During the reporting period, claim incurred was less than one thousand.

2.3. UNDERWRITING RESULT

In 2019/20 budget year, the Company registered underwriting loss of Birr 329,339.

2.4. EXPENSES

During the reporting period, general and administrative expenses of the Company reached Birr 8.03 million. From these expenses, the main one is the start up or establishment cost of the Company; i.e. Birr 5,179,069. Other expenditures include employees' salary and benefits, financial charges, advertising and publicity, audit fee, office rent, travel and per diem and telephone, fax and internet cost, utilities, license and related expense, subscribers meeting expenses and janitorial expense.

2.5. PROFIT AND RETURN ON INVESTMENT

During the reporting period, the Company earned Birr 18.3 million profits after tax. The achievement for the year was mainly attributed from investment return and service fee from share subscription, bringing the earning per share on weighted average capital at 19.74%. This is almost a preoperational profit, an encouraging result that is the highest in the history of Ethiopian insurance industry.

2.6. ASSETS

During the reporting period, the total Assets of the Company has increased from 111,274,978 in January 2020 to Birr 122,214,738 in June 2020 which depicted a 9.8% growth.

2.7. LIABILITIES

As at June 30, 2020 the total liabilities of the Company stood at Birr 5,560,795 as against Birr 17,408,279 (which was recorded at the beginning and comprised of Birr 17,042,143 deferred income generated during the project period) that is a decrease of 32%. The liability of the Company includes primarily profit tax Payable, office rent lease payables, due to reinsurers and insurance contract liability.

2.8. CAPITAL AND TOTAL EQUITY

During the reporting period, the Company's paid-up capital and total equity increased to Birr 98,799,200 and Birr 116,653,942 respectively.

2.9. HUMAN RESOURCE DEVELOPMENT

During the reporting period, 17 employees have been employed; Capacity building is one of our human capital development pillars so as to achieve strategic objectives. Accordingly, the Company has conducted training for 35 employees in different areas. For next budget year, 20 employees will be given opportunity to two to three months training, who will sign a service agreement with the Company.

MSC / MBA / MA 47%   BA / BS 40%   Diploma / Level IV 13%

Figure: 12 Staff Distribution by Education

3. WAY FORWARD

The Board of Directors and Management of Zemen Insurance S.C would take necessary lessons from the performance of the 2019/2020 budget year and prepared to formulate the right strategy to cope up with the internal as well as external challenges and of all the things to ensure the Company's sustainability and profitability.

Accordingly, focus will also be given to staff skills development, selective but at the same time selective marketing with improved customer services by providing innovative products and services. Attention given to enhance efficiency and control costs using different distribution channels as some of the top priorities for 2020/21 budget year.

4. VOTE OF THANKS

The Board of Directors would like to express its gratitude to shareholders for their continued support for the development of the company, customers for giving us the opportunity to serve them and the National Bank of Ethiopia, Insurance Supervision Directorate for giving us guidance and support in our endeavor during 2019/20 fiscal year.

Last but not least, the Board of Directors would also like to thank the staff and management of the Company for their contribution in this endeavor.

Thank you

17/09/20

Melaku Ezezew (Engineer)
Chairman, Board of Directors
Zemen Insurance S. C.

ዘመን ኢንሹራንስ አ.ማ.
Zemen Insurance S.C.

Insuring Progress!

ANNUAL IFRS FINANCIAL STATEMENTS

30 JUNE 2020

DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE

Company Registration Number
No. MM/AA30051867/2012
Dated: 24/01/2020
License Number: 020/020
Dated: 17/01/2020

Directors (As of 30 June, 2020)		**Date Assigned**
Engineer Melaku Ezezew	Chair man	Jan. 03/2020
W/O Zelealem Fiseha	V/Chair woman	Jan. 03/2020
W/O Meron Tadesse	Member	Jan. 03/2020
Major Jafar Gidi	Member	Jan. 03/2020
Ato Solomon Mengisteab	Member	Jan. 03/2020
W/O Yodit G/Tinsae	Member	Jan. 03/2020
Ato Rateneh Fasil	Member	Jan. 03/2020
Ato Eshetu W/Kidan	Member	Jan. 03/2020
Ato Yonas Amdesion	Member	Jan. 03/2020

Executive Management (As of 30 June, 2020)		**Date Assigned**
Shumetie Zerihun	Chief Executive Officer (CEO)	Jan. 11/2020
Mengesha Tesfaye	Executive Officer, Corporate Resources	Dec. 09/2019
Kassahun Tamene	Director, Underwriting and Customer Services.	Feb. 01/2020
Tekeste Bekele	Director, Claims Management	Mar. 03/2020
Mesafent Asfaw	Director, Engineering and Loss Adjusting	Apr. 30/2020

Independent Auditor
Degefa and Tewodros Audit Service Partner
Addis Ababa
Ethiopia

Corporate Office
Zemen Insurance Share Company
Alem Bld.2nd Floor, Bole Road
Addis Ababa,
Ethiopia

Reinsurers
Africa Re-Insurers
Tunis Re
Ethiopian Reinsurance Share Company
Zep-Re (P.t.a. Reinsurance Co.)

Principal Bankers
Zemen Bank
Commercial Bank of Ethiopia
Addis Ababa,
Ethiopia

Consulting Actuaries

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the period ended 30 June 2020, to the shareholders of Zemen Insurance S.C. This report discloses the financial performance and state of affairs of the Company.

The directors submit their report together with the financial statements for the period ended 30 June 2020, to the shareholders of Zemen Insurance S.C. This report discloses the financial performance and state of affairs of the Company.

INCORPORATION AND ADDRESS

Zemen Insurance Share Company (S.C) was incorporated in Ethiopia in 2020 as a share company, and is domiciled in Ethiopia. The company was established by a diversified group of shareholders and individual citizens.

PRINCIPAL ACTIVITIES

The principal activities of the Company is the underwriting of non-life insurance risk

RESULTS AND DIVIDENDS

The Company's results for the period ended 30 June 2020 are set out on page 27. The profit for the period has been transferred to retained earnings. The summarized results are presented below.

	30 June 2020 **Birr**
Net earned premiums	6,406
Profit before income tax	17,539,659
Income tax expense	783,833
Profit for the year	18,323,492
Other comprehensive income net of taxes	-
Total comprehensive income for the year	**18,323,492**

Directors

The directors who held office during the period and to the date of this report are set out on page 16.

17/09/2020

Melaku Ezezew(Eng)
Board Chairman

Board Chair man

Addis Ababa, Ethiopia

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with Financial reporting proclamation No. 847/2014, the Accounting and Auditing Board of Ethiopia has directed the Company to prepare financial statements in accordance with International Financial Reporting Standards (IFRS). The Company's board of directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia(IFRS) and 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 The Company is required keep such records as are necessary to:

a) exhibit clearly and correctly the state of its affairs;

b) explain its transactions and financial position; and

c) enable the National Bank of Ethiopia to determine whether the Insurance company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The board accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards,Insurance Business Proclamation, Commercial code of 1960 and the relevant Directives issued by the National Bank of Ethiopia.

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

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

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

Signed on behalf of the Directors by:

17/09/20

Director
[Date]

Melaku Ezezew(Eng)
Board Chairman

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Degefa and Tewodros Audit Services Partnership

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E-mail: deg.lem@ethionet.et / chalatewodros@gmail.com
አዲስ አበባ ኢትዮጵያ / Addis Ababa Ethiopia

Partners: Degefa Lemessa, B.A, FCCA and Tewodros Hailu, M.A, FCCA

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

ZEMEN INSURANCE SHARE COMPANY

OPINION

We have audited the accompanying financial statements of **ZEMEN INSURANCE SHARE COMPANY** *which* comprise the statement of profit and loss and other comprehensive income for the period ended 30 June 2020, statement of financial position as at 30 June 2020, statement of changing equity and statement of cash flows for the period then ended and summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of **ZEMEN INSURANCE SHARE COMPANY** as at 30 June 2020 and of its financial performance and cash flows for the period then ended in accordance with international financial reporting standards as issued by IAASB.

As required by the commercial code of Ethiopia, based on our audit we report as follows:

i) Pursuant to article 375(1) of the Commercial Code of Ethiopia, 1960 and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.

ii) Pursuant to article 375 (2) of the Commercial Code of Ethiopia we recommend the financial statements be approved.

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) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our Audit Addressed the key Audit matter
The Company has just started operation this period and prepared its first financial statements in accordance with the International Financial reporting standard (IFRS) which requires the company to have finance personnel trained in IFRS and has the exposure before. We had to insure whether the finance personnel hired by the company are up to the requirements of IFRS and the preparation of the financial statements is actually in line with IFRS.	We have assigned a team with experience of the company's business process and hands-on experience on IFRS conversion process. We have examined the personal files of key finance personnel to check whether they have the experience in preparing financial statements in accordance with IFRS. We also had a thorough discussion with key personnel staff on this issue and reviewed the financial statements made available for audit for compliance with IFRS against basic parameters of presentation. To this end we have satisfied ourselves that both the key finance personnel and the financial statements made available for our audit were more than satisfactory to address our concern.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the company and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements management is 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 for accounting unless management either intends to liquidate the company or to close operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

AUDITORS RESPONSIBILITY 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.

Degefa and Tewodros Audi Services
Partnership
Chartered Certified Accountants

Addis Ababa
September 14, 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Birr
Gross written premiums	5	161,840
Premiums ceded to reinsurers		(8,092)
Change in unearned premium		(147,342)
Net earned premiums		6,406
Fees and commission income		-
Net underwriting income		6,406
Claims incurred	6	641
Less : claims recoverable from reinsurers	7	-
Net claims and loss adjustment expense		641
Underwriting expense	7	335,104
Total underwriting expense		335,745
Underwriting profit Loss		(329,339)
Investment income	8	20,165,624
Other operating income	9	5,737,299
Net income		25,573,584
Other operating and administrative expenses	10	8,033,925
Profit before income tax		17,539,659
Income tax expense	11a	783,833
Profit for the year		**18,323,492**
Other comprehensive income		
Items that will not be subsequently reclassified into profit or loss:		
Remeasurement gain/(loss) on retirement benefits obligations		-
Deferred tax (liability)/asset on remeasurement gain or loss	22	-
		-
Total comprehensive income for the year		**18,323,492**
Basic Earning Per Share(ETB)	11e	20

17/09/20
Melaku Ezezew(Eng)
Board Chairman
Board Chairman

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

15/09/20
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Shumetie Zerihun
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Chief Executive Officer
CEO

STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 Birr	31 Jan 2020 Birr
ASSETS			
Property plant and equipment	12	2,791,663	129,478
Investments	13	76,783,214	85,434,000
Statutory deposits		11,968,500	11,968,500
Deferred tax asset		1,402,533	
The right use of leased asset	12	15,811,383	-
Receivables arising out of reinsurance arrangements	14	7,755	-
Reinsurance share of technical reserves		-	
Debtors and prepayments	15	5,488,553	3,521,000
Deferred acquisition costs		-	-
Cash and cash equivalents	16	7,961,137	10,222,000
			-
Total assets		**122,214,738**	**111,274,978**
LIABILITIES			
Insurance contract liabilities	17	155,738	-
Creditors arising from reinsurance arrangements	18	8,092	-
Current profit tax payable		616,084	
Other payables	19	4,780,882	17,408,278
			-
Total liabilities		**5,560,795**	**17,408,278**
EQUITY			
Share capital		98,799,200	93,866,700
Share premium		-	-
Retained earnings		15,106,219	-
treasury share		-	-
Other component of equity		-	-
Legal reserve		2,748,524	-
Total equity		116,653,942	93,866,700
			-
Total equity and liabilities		**122,214,738**	**111,274,978**

The notes on page 27 to 61 are an integral part of these financial statements.
The financial statements on page 23 to 61 were approved and authorized for issue by the Board of Directors on 15 September 2020.

17/09/20
Melaku Ezezew(Eng)
Board Chairman

Board Chairman

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

15/09/20
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Shumetie Zerihun
ዋና ሥራ አስፈጻሚ
Chief Executive Officer

CEO

STATEMENT OF CASH FLOWS

	Notes	31 Jan 2020 Birr
Cash flows from operating activities		
Cash generated from operations	21	3,118,714
Interest received		-
Interest paid		-
Income tax paid		-
Net cash (outflow)/inflow from operating activities		**3,118,714**
Cash flows from investing activities		
Purchase of investment securities	13	
Purchase of intangible assets(office rent)		(16,263,478)
Purchase of property, plant and equipment	12	(2,699,385)
Increase in statutory deposit		-
Increase in time deposit		8,650,786
Proceeds from sale of property, plant and equipment	12	-
Interest received		-
Net cash (outflow)/inflow from investing activities		(10,312,077)
Cash flows from financing activities		
Proceeds from issues of shares		4,932,500
Increase in share premium		-
Dividends paid		-
Net cash (outflow)/inflow from financing activities		4,932,500
Net increase/(decrease) in cash and cash equivalents		**(2,260,863)**
Cash and cash equivalents at the beginning of the year	16	10,222,000
Foreign exchange (losses)/ gains on cash and cash equivalents		-
Cash and cash equivalents at the end of the year	16	**7,961,137**

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Degefa and Tewodros Audit Service Partnership

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Birr	Share premium Birr	Retained earnings Birr	Legal reserve Birr	General reserve Birr	Total Birr
As at 1 Jan 2020		93,866,700	-	-	-	-	93,866,700
							-
PROFIT FOR THE YEAR		-	-	18,323,492	-	-	18,323,492
TRANSFER TO LEGAL RESERVE	20	-	-	(2,748,524)	2,748,524	-	-
ADDITIONAL SHARE ISSUED		4,932,500	-	-	-	-	4,932,500
TREASURY SHARE		-	-	-	-	-	-
PRIOR PERIOD ADJUSTMENT			-	-			-
TRANSFER TO DIRECTORS FEES PAYABLE		-	-	(468,750)	-	-	(468,750)
DIVIDENDS DECLARED AND PAID		-	-	-	-	-	-
OTHER COMPREHENSIVE INCOME		-	-	-	-	-	-
RE-MEASUREMENT GAINS ON DEFINED BENEFIT PLANS (NET OF TAX)	21	-	-	-	-	-	-
							-
							-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,932,500**	**-**	**15,106,219**	**2,748,524**	**-**	**22,787,242**
AS AT 30 JUNE 2020		**98,799,200**	**-**	**15,106,219**	**2,748,524**	**-**	**116,653,942**

1. GENERAL INFORMATION

Zemen Insurance Share Company ("the Company) is a private commercial Insurance Company domiciled in Ethiopia. The Company was established in 2020, in accordance with proclamation No. 746/2012 and the Commercial code of Ethiopia of 1960. The Company has been licensed by the National bank of Ethiopia, the licensing body of Banks, Insurance and other Financial Institutions as per the power vested to it through Proclamation No 591/2008 , the National Bank of Ethiopia Establishment (as amended) Proclamation. The registered office is at:

Zemen Insurance Share Company
Bole road,Alem BLDG, P.O.Box: 23029,
Addis Ababa,
Ethiopia

The company is principally engaged in the business of general insurance activities. Such services include provision of non life insurance services for both corporate and individual customers.

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 period ended 30 June 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept except for financial assets which are measured at amortized cost and in acco-radance with IFRS 4 insurnce contract modified as appropriate to comply with IFRS frame work. All values are rounded to the nearest thousand, except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2.1 GOING CONCERN

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

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

2.2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards, interpretations and amendments effective from 1 July 2019

IFRS 16 - LEASES

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

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. It also substantially carries forward the lessor accounting requirements in IAS 17.

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 2020, 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:

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, with early adoption permitted.

IFRS 9 requires all financial assets, except equity instruments, 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 amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised 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.

Having completed its initial assessment, the Company has concluded that all financial assets that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9 and equity investments will be classified as FVOCI.

However the company elect unnder the amendment to ifrs 4 to apply the temoprarly exemption from IFRS 9 by deferring the initial application date of ifrs 9 to allign with the initial application of IFRS 17.

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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 implementation of the standard is likely to bring much grater coordination between many functions of the business including finance,actuarial and IT.

The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

Conceptual frame work amendment which is an amendment reference to conceptual frame work in IFRS standards which was issued by IASB dated March 2018 and is effective date period beginning on 1 July,2020.

IRRS 3 amendment regards to definition of business which was issued dated October,2018 and will be effective period beginning 1 July 2020.

Definition of Materiality,it is an amendment to IAS 1 and IAS 8 and was issued on October,2018 and will be implemented period beginning 1 July2020.

2.3 FOREIGN CURRENCY TRANSLATION

A) FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

B) TRANSACTIONS AND BALANCES

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

2.4 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Asset class	Useful life (years)
Building and land improvements	50
Motor vehicles	10
Computer and accessories	7
Intangible software	6
Furniture fitting and equipment	10

The Company commences depreciation when the asset is available for use.

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

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

2.5 STATUTORY DEPOSIT

Statutory deposit represents 15% of the paid up capital of the Company deposited with the NBE

in pursuant to Insurance proclamation 746/2012 Article 20. Statutory deposit is measured at cost

2.6 INTANGIBLE ASSETS

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

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

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

Assets class	Useful lifes (years)
Computer software	8

DEFERRED POLICY ACQUISITION COSTS (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). Deferred acquisition costs represents a portion of commission which are incurred during a financial year and are defered to the extent that they are recoverable out of future revenue margins. All other costs are recognised as expenses when incurred.

Subsequent to initial recognition, this DAC asset is amortised over the expected life of the contracts as a constant percentage of expected premiums. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

The pattern of expected profit margins is based on historical and anticipated future experience and is updated at the end of each accounting period. DACs are derecognised when the related contracts are either settled or disposed off.

2.7 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.

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

2.8 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.

2.8.1 FINANCIAL ASSETS
INITIAL RECOGNITION AND MEASUREMENT

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

SUBSEQUENT MEASUREMENT

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

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

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

A) LOANS AND RECEIVABLES

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

The Company's loans and receivables comprise of Loans and receivables including insurance receivables, investment securities and other financial assets. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

B) AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

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

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

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

'DAY 1' PROFIT OR LOSS

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

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

RECLASSIFICATION OF FINANCIAL ASSETS

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

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

DERECOGNITION OF FINANCIAL ASSETS

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

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

(a) the Company has transferred substantially all the risks and rewards of the asset, or

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

(I) FINANCIAL ASSETS CARRIED AT AMORTISED COST

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

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

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

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

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

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

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

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

(II) AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

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

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

2.8.2 FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

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

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

SUBSEQUENT MEASUREMENT

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

A) FINANCIAL LIABILITIES AT AMORTISED COST

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

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

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

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DERECOGNITION OF FINANCIAL LIABILITIES

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

2.8.3 OFFSETTING FINANCIAL INSTRUMENTS

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

2.9 OTHER ASSETS

Other assets are generally defined as claims held against other entities for the future receipt of money or other benefits. The other assets in the Company's financial statements include: sundry debtors, staff debtors and deposits.

(A) PREPAYMENTS

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

(B) OTHER RECEIVABLES

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

(C) 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 in hand, cash at bank, short term deposit with banks.

2.10 INSURANCE CONTRACTS

2.10.1 CLASSIFICATION

The Company issues contracts that underwrites risks individuals ,corporate and other entities wish to transfer to an insurer. These risks relates to property,personal accident,motor,liability,marine and other perils which may arises from an insured event. The company is therefore exposed to uncertainty surrounding the timing,frequency and severity of claims under insurance contracts.

2.10.2 RECOGNITION AND MEASUREMENT

The company is engaged in the general insurance business and most of the risks it underwrites are insurance which claims are settled with in one year of the occurrence of the events giving rise to the claims. In accordance with IFRS 4 for insurance contracts,the company has continued to apply certain accounting policies which are applied in accordance with pre change over GAAP.

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SHORT-TERM INSURANCE CONTRACTS

These contracts are Accident and casualty and property insurance contracts.

Accident 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. 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 recognised as revenue (earned premiums) 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 . 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).

2.10.3 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 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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

The Company assesses its reinsurance assets for impairment on 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 recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

2.10.4 RECEIVABLES AND PAYABLES RELATED TO INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

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

The impairment loss is calculated under the same method used for these financial assets.

2.10.5 SALVAGE AND SUBROGATION REIMBURSEMENTS

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

Salvage recoveries are used to reduce the claim expenses when the claim is settled.

2.11 REVENUE RECOGNITION

A) GROSS PREMIUMS

Gross premium is recognized at the point of attachment of risk to a policy before deducting cost of reinsurance cover. All written premium relating to risk for period not falling due with in the accounting period is carried forward as unearned premium.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated using the 1/24th method as prescribed by Licensing and Supervision of Insurance Business Directive No SIB/17/98. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

B) REINSURANCE PREMIUMS

The company cedes reinsurance in the normal course of business with retention limit varying by line of business for the purpose of limiting its net loss potential. Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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

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

C) FEES AND COMMISSION INCOME

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

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D) INVESTMENT INCOME

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

Investment income also includes dividends when the right to receive payment is established, which is generally when the shareholders approve and declare the dividend.

E) DIVIDEND INCOME

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

GROSS BENEFITS AND CLAIMS

2.12 GROSS BENEFITS AND CLAIMS

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

2.13 REINSURANCE CLAIMS

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

2.14 EMPLOYEE BENEFITS

(A) WAGES, SALARIES AND ANNUAL LEAVE

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

(B) DEFINED CONTRIBUTION PLAN

The company operates two defined contribution retirement benefit schemes for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. In a defined contribution plan, the actuarial risk falls 'in substance' on the employee. They include;

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

The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of this scheme are held in separate trustee administered funds, which are funded by contributions from both the employee and the company. The contributions are recognised as employee benefit expense in the profit or loss in the year they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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(C) DEFINED BENEFIT PLAN

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated using an assumption that Average turn over rate for employees who will serve the company less than five years of experiences by applying estimated percentage of 60% and those who will serve more than five years by taking 100 percentage point.

(D) TERMINATION BENEFITS

Termination benefits are payable to employees when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(E) PROFIT-SHARING AND BONUS PLANS

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

2.15 PROVISIONS

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

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

2.16 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.

2.17 DIVIDENDS

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations.

2.18 LEASES

Zemen shall periodically assesses the lease term for any changes as a result of options applied on extension or termination or modification of contracts. When conditions are met for the recognition of lease ,the

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right to use asset and the liabilities shall be recognized .However Zemen may elect not to recognize leases when the term is short (less than 12 months) and leases for which the underlying asset is of a low value less than ETB 150,000

2.19 INCOME TAXATION

(A) CURRENT INCOME TAX

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

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

(B) DEFERRED TAX

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Capital management Note 4.7
- 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, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.2 ESTIMATES AND ASSUMPTIONS

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

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

NON-LIFE INSURANCE (WHICH COMPRISES GENERAL INSURANCE AND HEALTHCARE) CONTRACT LIABILITIES

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

LIABILITIES ARISING FROM INSURANCE CONTRACTS

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

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.8.2 for further disclosures.

INCOME TAXES

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

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

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

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

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

The Company's Finance team is responsible for managing the financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

4.1.2 RISK MEASUREMENT AND REPORTING SYSTEMS

The Company's risks are measured using 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.

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4.1.3 RISK MITIGATION

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

Risk control processes are identified and discussed in the quarterly risk report of the Risk Committee meetings. Control processes are also regularly reviewed and changes agreed with the Board.

4.2 INSURANCE RISK

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

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.

KEY ASSUMPTIONS

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

NON- LIFE INSURANCE CONTRACTS

The Company principally issues the following types of general insurance contracts: Property insurance, Engineering insurance, Pecuniary insurance and Liability insurance. Risks under non–life insurance policies usually cover twelve months duration.

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

30 June 2020	Gross liabilities Birr	Reinsurance liabilities Birr	Net liabilities Birr
Property insurance	156,833	7,842	148,991
Engineering insurance			
Pecuniary insurance			
Liability insurance	5,007	250	4,757
Total non life insurance	161,840	8,092	153,748

4.2 FINANCIAL RISK

FINANCIAL INSTRUMENTS BY CATEGORY

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

30 June 2020	Notes	Available-For-Sale Birr	Loans and receivables Birr	Total Birr
Financial assets				
Government securities		-	-	-
Unquoted investments		-	-	-
Other receivables		-	5,491,035	5,491,035
Loans and receivables to staff		-	135	135
Receivables arising out of reinsurance arrangements		-	-	-
Receivables arising out of direct insurance arrangements		-	-	-
Statutory deposits		-	11,968,500	11,968,500
Deposits with financial institutions and cash and bank balances		-	84,744,352	84,744,352
Total financial assets		-	102,204,022	102,204,022

Financial liabilities	Notes	Available-For-Sale Birr	Loans and receivables Birr	Total Birr
Creditors arising from reinsurance arrangements		-	8,092	8,092
Creditors arising out of direct insurance arrangements		-	155,738	155,738
Other payables		-	4,780,882	4,780,882
Total financial liabilities		-	4,944,712	4,944,712
				-

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4.3 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:

- Receivables arising out of reinsurance arrangements; and
- Reinsurer's share of insurance liabilities.

Other areas where credit risk arises include cash and cash equivalents, statutory deposits, deposits with banks and other receivables.

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 for any reason, the Company remains liable for the payment to the policyholder. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset where counterparties are both debtors and creditors to the Company. Management information reported to the Board of directors includes details of provisions for impairment on loans and receivables and subsequent write offs. Internal audit makes regular reviews to assess the degree of compliance with the Company procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogeneous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company risk division.

4.4.1 MANAGEMENT OF CREDIT RISK

Credit risk management is the process of controlling the impact of credit risk- related events on the company. Thus management involves identification, understanding and quantification of the degree of risks of loss and the consequent taking of appropriate measures. Obligors often appear both in the loan portfolio and as counterparties (and even if they don't, the factors driving the respective defaults appear in both), a proper analysis of credit risk often leads to having to consider the loan portfolio and the counterparty within the same analysis rather than being able to analyze those two separately and aggregating the results. This makes credit risk one of the most difficult and expensive to analyze, and it is important that key staff involved is aware of the difficulties and how to address them. The major risk that arises from a weakening of the credit portfolio is the impairment of the capital or liquidity. Therefore, the quality of an institution`s credit portfolio contributes to the risks borne policy holders (liquidity) and shareholders (capital impairment).

4.4.2 CONCENTRATION OF CREDIT RISK

The credit risk of the Company have been concentrated in the following key areas of activities.

(a) Credit concentration of a single counter party

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

4.4.3 CREDIT QUALITY ANALYSIS

(A) CREDIT QUALITY OF CASH AND CASH EQUIVALENTS

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2020 are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia.

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(B) CREDIT QUALITY OF TRADE AND OTHER RECEIVABLES

4.4.4 CREDIT CONCENTRATIONS

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at 30 June 2020 presented as under. The Company concentrates all its financial assets in Ethiopia.

30 June 2020	**Public enterprise Birr**	**Private Birr**	**Others Birr**	**Total Birr**
Cash and bank balances	2,000	7,959,137		7,961,137
Investment securities				-
- Available for sale				-
- Loans and receivables		76,783,214		76,783,214
Trade and other receivables		5,488,553		5,488,553
Reinsurance assets		7,755		7,755
				-
	2,000	90,238,659	-	90,240,659

4.5 LIQUIDITY RISK

Liquidity refers to the company's ability to meet its current obligations. Liquidity is a measure of the ability of a debtors to pay their debts as and when they fall due. It is usually expressed as a ratio or a percentage of current liabilities. Liquidity risk is the measure of probability that a company's cash resources will be insufficient to meet current or future cash needs.

4.5.1 MANAGEMENT OF LIQUIDITY RISK

'The Finance and Investment Division is responsible to prepare and produce financial reports together with performance evaluation ratios and comparative statements on the basis of finance manual, standard reporting formats and regulatory body requirements, which include:

a) Notifying regularly the cash position and the expected commitments of the company

b) Proposing appropriate investment opportunities in line with insurance supervision directives.

c) Liability settlements shall be undertaken on the basis of cash flow of the company

d) Finance team will be responsible to report, monitor, evaluate and implement decisions affecting liquidity in line with the finance manual performance standards and reporting formats.

4.5.2 MEASUREMENT OF LIQUIDITY RISK

Liquidity risk is primarily measured as the ratio of current liability to liquid assets. It is expected that the ratio should at all times be less than or equal to 1.05 (105%) i.e. the maximum tolerance liquidity rate the company should keep on hand is one birr for one birr and five cents obligation or liability.

In addition, the Company should maintain at least 65% of admitted asset at bank deposits and treasury bills.

4.5.3 MATURITY ANALYSIS OF FINANCIAL LIABILITIES

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

30 June 2020	0-1 year Birr	1-3 years Birr	3-5 years Birr	Over 5 years Birr	Total Birr
Insurance contract liabilities	-				-
Insurance payables	163,492	-			163,492
Other liabilities	3,185,778	-			3,185,778
Total financial liabilities	3,349,270	-	-	-	3,349,270

4.6 MARKET RISK

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as premium rates, interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. The main market risk arises from trading activities and equity investments. The Company is also exposed to interest rate risk in the banking books.

Investment risk is the risk that earnings for the Company arising from its insurance entities may be adversely impacted by changes in the value of investments and that the profile of investments may be inappropriate to match the profile of liabilities.

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

4.6.1 MANAGEMENT OF MARKET RISK

Market risk is managed by the Business Development Division and Finance and Investment team subject to inputs from the Board of directors, to identify any adverse movement in the underlying variables.

4.6.2 MEASUREMENT OF MARKET RISK

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

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

Investment is not be made if the investee company does not fulfil the above noted measurement factors. Investments is also made with special guidelines of the Board of Directors of the Company

4.6.3 MONITORING OF MARKET RISK

Market risk is monitored by performing regular asset liability matching exercises, monitoring market volatility, comparing actual performance with benchmark performance, and tracking errors and durations of fixed interest assets. Market risk is further monitored by measuring and comparing the actual risk exposure in terms of economic capital to an approved limit, based on a value-at-risk calculation. Hence, the Company has taken the following measures to ensure that market risk is adequately monitored.

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a) Equity investments are made often by conducting a thorough study and assessment,

b) Equity investments are acquired from newly formed companies where they are collecting 50%of the total equity investment,

c) Investment will not exceed in concentration more than 20% in one Company and the total amount will not exceed 10 million Birr,

d) To adjust for price fluctuations, a revaluation of on-balance sheet assets will be carried every two years

e) The risk profile of every investment is made after the closing of accounts every year and action is taken based on appropriate recommendations

f) Technological related risks will be evaluated to see if the area of investment is prone to risks

g) Every investment proposal need to be approved by Board of Directors,

(I) INTEREST RATE RISK

Interestrateriskistherisk thatthevalueofafinancialinstrumentwillbeaffectedbychangesinmarketinterestrates.

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

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

30 June 2020	Birr	Non-interest bearing Birr	Total Birr
Assets			
Cash and bank balances	7,959,137	2,000	7,961,137
Investment securities	76,783,214	-	76,783,214
Reinsurance assets	7,755	-	7,755
Total	**84,750,106**	**2,000**	**84,752,106**
Liabilities			
Insurance payables	-	163,492	163,492.20
Other payables	-	3,185,778	3,185,777.77
Total	**-**	**3,349,270**	**3,349,270**

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

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4.7.1 MARGIN OF SOLVENCY RATIO

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

MOS ratio is the excess of assets over liabilities maintained for general and long term insurance business. Admissible assets and liabilities stated below is in accordance with the MOS Directives No. SIB/ 45/ 2016.

(A) ADMISSIBLE ASSETS

	Birr
Cash and cash equivalents	7,961,137
Investment securities	76,783,214
– Available for sale	-
- Loans and receivables	11,976,255
Debtors and prepayments	5,488,553
Deferred tax assets	1,402,533
Property plant and equipment	2,791,663
	106,403,355

(B) ADMISSIBLE LIABILITIES

	Birr
Insurance contract liabilities	155,738
Taxes payable	616,084
Insurance payables	8,092
Other payables	4,780,882
	5,560,795

	Birr
Excess (admitted capital)- (A-B)	**100,842,560**

Solvency Margin

	Birr
Net premium	153,748
Technical provision	147,983

(C) LIMIT OF NET PREMIUM I.E. 20% OF NET PREMIUM — 30,750

(D) LIMIT OF TECHNICAL PROVISION I.E. 25% OF TECHNICAL PROVISION — 36,996

Since Admitted capital > CandD - Positive Solvency Margin

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4.8.1 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

	Carrying amount Birr	Fair value Birr
Financial assets		
Cash and bank balances	7,961,137	7,961,137
Investment securities		
- Available for sale	-	-
- Loans and receivables	-	-
Trade and other receivables	5,488,553	5,488,553
Reinsurance assets	7,755	7,755
	13,457,445	**13,457,445**
Financial liabilities		
Insurance contract liabilities	155,738	155,738
Insurance payables	8,092	8,092
Other liabilities	4,780,882	4,780,882
	4,944,712	**4,944,712**

4.8.2 FAIR VALUE METHODS AND ASSUMPTIONS

Trade receivables and other 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.

4.9 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

5 NET PREMIUMS

A. GROSS PREMIUMS ON INSURANCE CONTRACTS

	Birr
Motor	138,518
Marine	23,322
Total gross premiums	161,840
Change in insurance contract unearned premium provision	(155,097)
Change in unearned premium provision reinsurance share	7,755
	14,498

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B. PREMIUMS CEDED TO REINSURERS

	Birr
Motor ceded	6,926
Marine ceded	1,166
Total premiums ceded to reinsurers	8,092
Net premium Earned	**6,406**

6 CLAIMS EXPENSES

Insurance claims and loss adjustment expenses:	Birr
Change in other technical provision (IBNR)	641
	641
Net claims and loss adjustment expense	**641**

7 UNDERWRITING EXPENSES

	Birr
Other acquisition cost	335,104
Changes in deferred acquisition cost (DAC)	-
	335,104

8 INVESTMENT INCOME

	Birr
Interest on saving account	1,051,611
Interest on time deposit	18,838,574
Interest on government bond	275,439
	20,165,624

9 OTHER OPERATING INCOME

	Birr
Service fee from sales of share	5,732,750
Other income and recovery of bad debts	4,549
	5,737,299

10. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Birr
Employee benefits expense (note 10.1)	1,458,088
Start up cost	5,197,069
Rental expenses	100,633
Repair and maintenance	43,548
Advertising and publication	48,599
Communication	35,550
Printing and stationeries	109,761
Entertainment	1,523
Travelling and transportation expenses	5,939
Insurance	1,331
Office cleaning and supplies	14,332
Board fees	338,333
Audit fees	57,500
Subscription and membership fees	54,800
Amortisation of intangible assets (note 19)	452,295
Depreciation on property and equipment (note 20)	37,200
Bank charges	2,689
Sundry expenses	74,736
	8,033,925

10.1 EMPLOYEE BENEFITS EXPENSE

	Birr
Salaries and wages	938,491
Project staffs' bonus	55,000
Accrued leave pay	89,698
Severance	41,397
Staff allowances	226,471
Pension costs – Defined contribution plan	78,539
Other staff expenses	28,491
	1,458,088

11. COMPANY INCOME AND DEFERRED TAX

A. CURRENT INCOME TAX

	Birr
Company income tax	618,700
Deferred income tax/(credit) to profit or loss	(1,402,533)
Total charge to profit or loss	**(783,833)**

B. PROVISION FOR PROFIT TAX

	Birr	Birr
Profit before tax		17,539,659
Add: Depreciation for reporting purpose	37,199	
Severance	41,397	
Start up cost	5,197,069	
		5,275,665
Less: Depreciation for tax purpose	55,046	
Interest income taxed at source	20,165,624	
Amortization of preoperating expense	532,320	
		(20,752,990)
Taxable profit		2,062,335
Provision for profit tax		**618,700**

C. CURRENT INCOME TAX LIABILITY

	Birr
Charge for the year:	618,700
Balance set off against withholding tax paid	(2,617)
Balance at the end of the year	**616,084**

D. DEFERRED INCOME TAX

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax asset have not been recognised as at 30 June 2020, because it is not probable that future taxable profits will be available against which they can be utilised.

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

	Birr
To be recovered after more than 12 months	1,012,392
To be recovered within 12 months	390,141
	1,402,533

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

Deferred income tax assets/(liabilities):	As at 31 January 2020 Birr	Credit/ (charge) to profit or loss Birr	As at 3o June 2020 Birr
Property, plant and equipment	-	(10,100)	(10,100)
Preoperating expense		1,400,215	1,400,215
Post employment benefit obligation	-	12,419	12,419
Total deferred tax assets/(liabilities)	**-**	**1,402,533**	**1,402,533**

E. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year and the average number of ordinary shares issued during the year

	Birr
Profit attributable to ordinary share holders(ETB)	18,323,492
Weighted average number of share out standing during the year	92,845,902
Basic and diluted earnings per ordinary share (ETB)	19.74

12. PROPERTY, PLANT AND EQUIPMENT

	Partition work Birr	Motor vehicles Birr	Furniture fittings and Equipment Birr	Computer and accessories Birr	Total Birr
Cost					
As at 1 January 2020	-	-	72,804	107,330	180,134
Additions	56,100	1,800,767	360,628	466,069	2,683,564
As at 30 June 2020	56,100	1,800,767	433,433	573,399	2,863,698
Accumulated depreciation					
As at 31 January 2020	-	-	13,804	21,032	34,836
Charge for the year	-	8,124	10,891	18,184	37,199
As at 30 June 2020	**-**	**8,124**	**24,695**	**39,216**	**72,035**
Net book value					
As at 31 January 2020	**-**	**-**	**59,000**	**86,298**	**145,298**
As at 30 June 2020	**56,100**	**1,792,643**	**408,737**	**534,183**	**2,791,663**

The right use of leased asset

	Birr
Leased asset rent Noah Building	7,217,778
Leased asset rent Alem Building	8,593,605
	15,811,383

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13. INVESTMENT

	Birr
Time deposit	76,783,214
	76,783,214

Statutory deposits

The company acquires government bond bearing interest income of 8% per annum.

The interest bearing government bonds forms the mandatory statutory deposit in line with article 20 of insurance business proclamation 746/2012.

The statutory deposit is calculated at 15% of the company's paid up capital

14. RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Birr
Gross reinsurance receivables	7,755
	7,755

15. OTHER RECEIVABLES

	Birr
Staff debtors	135
Prepayments	5,212,979
Accrued Interest Receivable	275,439
	5,488,553

	Birr
Gross amount	**5,496,308**

Maturity analysis

	Birr
Current	5,488,553
Non- current	7,755
	5,496,308

16. CASH AND CASH EQUIVALENTS

	Birr
Cash on hand	394,786
Cash at bank	7,566,351
	7,961,137

Maturity analysis

	Birr
Current	7,961,137
Non- current	-
	7,961,137

17. INSURANCE CONTRACT LIABILITIES

IBNR	**Birr**
Provision for unearned premium	155,097
Other technical provision	641
Total insurance liabilities, gross	**155,738**

Maturity analysis

	Birr
Current	155,738
Non- current	-
	155,738

18. CREDITORS ARISING FROM REINSURANCE ARRANGEMENTS

	Birr
Due to re-insurers	8,092
	8,092

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19. OTHER PAYABLES

Other financial liabilities	Birr
Accruals	228,405
Sundry payables	565,713
Directors remuneration	558,750
Obligation under office use right	3,185,778
Provident fund	40,227
Income tax (PAYE)	167,214
Withholding tax payable	32,906
Graduation tax	1,889
	4,780,882

Maturity analysis

	Birr
Current	1,553,707
Non- current	3,227,175
	4,780,882

20. LEGAL RESERVE

	Birr
At the beginning of the year	-
Transfer (from) / to retained earnings	2,748,524
At the end of the year	2,748,524

21. CASH GENERATED FROM OPERATING ACTIVITIES

	Birr	Birr
Profit before tax		17,539,659
Adjustments for non- cash items:		
Depreciation of property, plant and equipment	37,200	
Amortisation of intangible assets	452,095	
Provision for Staff cost	131,096	
Directors remuneration	(468,750)	
		151,641
Cash flow before change in working capital		17,691,300
Movements in statement of financial position items:		
Increase in debtors and prepayments	(1,970,170)	
Decrease (increase) in amount due from reinsurer	(7,755)	
Increase in creditor arising from reinsurance arrangement	8,092	
Increase in other payables	(12,602,754)	
		(14,572,587)
		3,118,714

22. RELATED PARTY TRANSACTIONS

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

Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2020.

	Birr
Salaries and other short-term employee benefits	214,000
Post-employment benefits	-
Representation allowance	23,500
Other expenses(Board allwance)	338,333
	575,833

23. DIRECTORS AND EMPLOYEES

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

Permanent	17
Contract	2
	19

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

Birr	
Less 10,000	**7**
10,000 - 30,000	9
30,001 - 50,000	3
	19

24. CONTINGENT LIABILITIES

The Company's contingent liabilities as at the date of this report. (30 June 2020 Nil).

25. DIVIDENDS

The directors propose the payment of dividend of ETB 15,105,547.00 in respect of the year ended 30th June 2020 and be distributed in accordance with commercial code of Ethiopia and article of association of the company in the following plan 10% to the founder of the company another 10% to organizer and the rest to all share holders per weighted average of capital contributed since the beginning of project office. This dividend is subject to the approval by share holders at the Annual General Meeting and has not been included as a liability in these financial statements.

26. COMMITMENTS

The company has no commitments, not provided for in these financial statement as at the date of this report.

(30 June 2020: nil ,).

27. OPERATING LEASE COMMITMENTS - COMPANY AS LESSEE

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

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2020 Birr'	
No later than 1 year		
Later than 1 year and no later than 2 years	3,806,889	-
Later than 2 years but not later than 5 years		-
Total	3,806,889	-

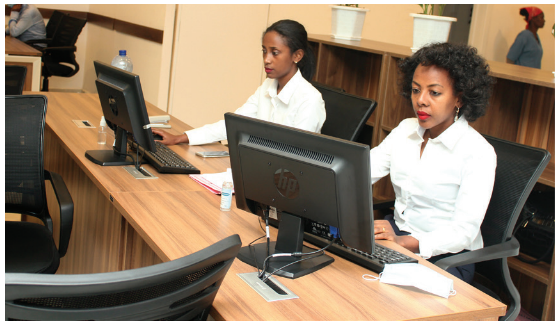
28. EVENTS AFTER REPORTING PERIOD

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

Certified Auditors in Ethiopia
Degefa and Tewodros Audit Service Partnership

SUBSCRIBERS' MEETING

Staff at the date of Launching Operation



Claim

Main Branch

Reinsurance

Customer Service

Kazanchis Branch

First Round Pre-service Trainees

Work Unit	Location	Telephone
Head Office	Alem Bld. 2nd Floor	+251 115 575850 / 575464
Chief Executive Office	Alem Bld. 2nd Floor	+251 115 575850 / 0944 173655
Corporate Resources Executive	Alem Bld. 2nd Floor	+251 116 151493 / 0944 173672
Underwriting and Customer service	Noah Realestate Boston Bld	+251 116 151415 / 0944 173676
Claims Directorate	Noah Realestate Boston Bld	+251 116 151634 / 0944 173673
Engineering and Loss Adjusting	Noah Realestate Boston Bld	+251 116 687771 / 0944 173674
Head Office Main Branch	Noah Realestate Boston Bld	+251 116 686274 / 0944 173675
Kazanchis Branch	Genet Bld., Kazanchis	+251 115 573686 / 0966 295960

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Z Insurance

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Zemen Insurance S.C.

Insuring Progress!

Sub City : Bole,
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ዋና መሰሪያ ቤት አዲስ አበባ ኢትዮጵያ
Head Office Addis Ababa Ethiopia