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Zemen Insurance S.C.

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Z Insurance

ANNUAL REPORT 2022/23

INSURING PROGRESS!

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WHO WE ARE

VISION, MISSION AND CORE VALUES

VISION

To be the Lookout of Choice for Insurance customers

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 stakeholder's value.

CORE VALUES

- Respect
- Honesty
- Integrity
- Professionalism
- Proactive and innovative
- Reliable
- Enthusiasm and team work
- Transparency and accountability

CONTENTS

BOARD OF DIRECTORS

Eng. MELAKU EZEZEW
Chairperson

MR. GIRMA SEIFU
Deputy chair person

MR KOLELE TADESSE
Director

MR. MIKRE AYALEW
Director

DR. ELIAS BERHANU
Director

MR SOLOMON MENGISTEAB
Director

W/O MERON TADESSE
Director

MR. AYELE TIBEBU
Director

MR. SILESHE TEGABU
Director

EXECUTIVE
MANAGEMENT TEAM

MR ENDALKACHEW ZELEKEW
Chief Executive Officer

MR KASSAHUN TAMENE
Director, Underwriting and Customers Service

MR MENGESHA TESFAYE
Director, Finance

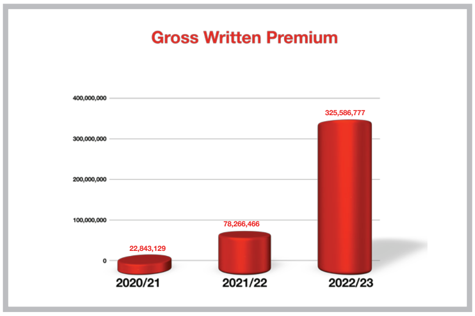
MR MESAFINT ASFAW
Director, Engineering and Loss Adjusting

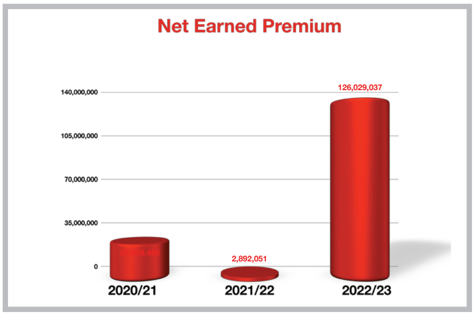
MR HAILU MEKONNEN
Marketing Service Manager

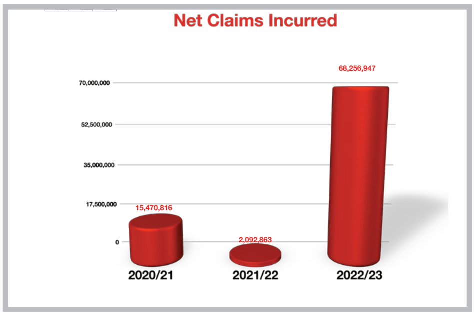
MR SINTAYHUE ERMIAS
Internal Audit Division Manager

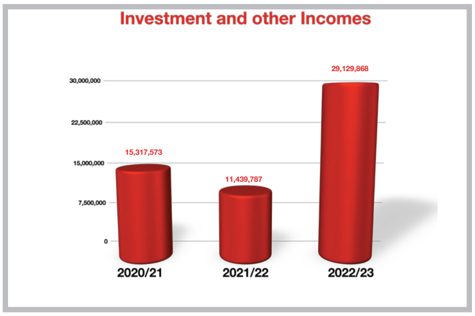
MR GASHAW ASCHALEW
A/Director, Claims management

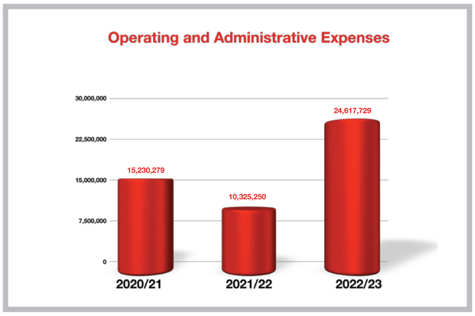
1. PERFORMANCE AND FINANCIAL HIGHLIGHT

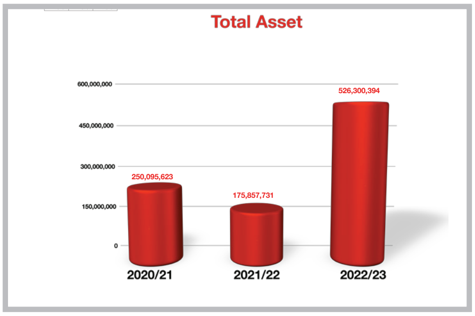


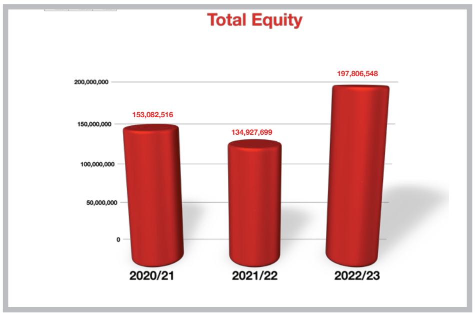


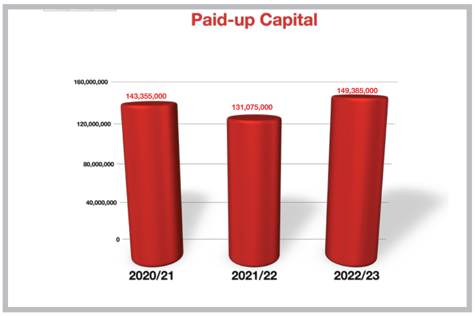




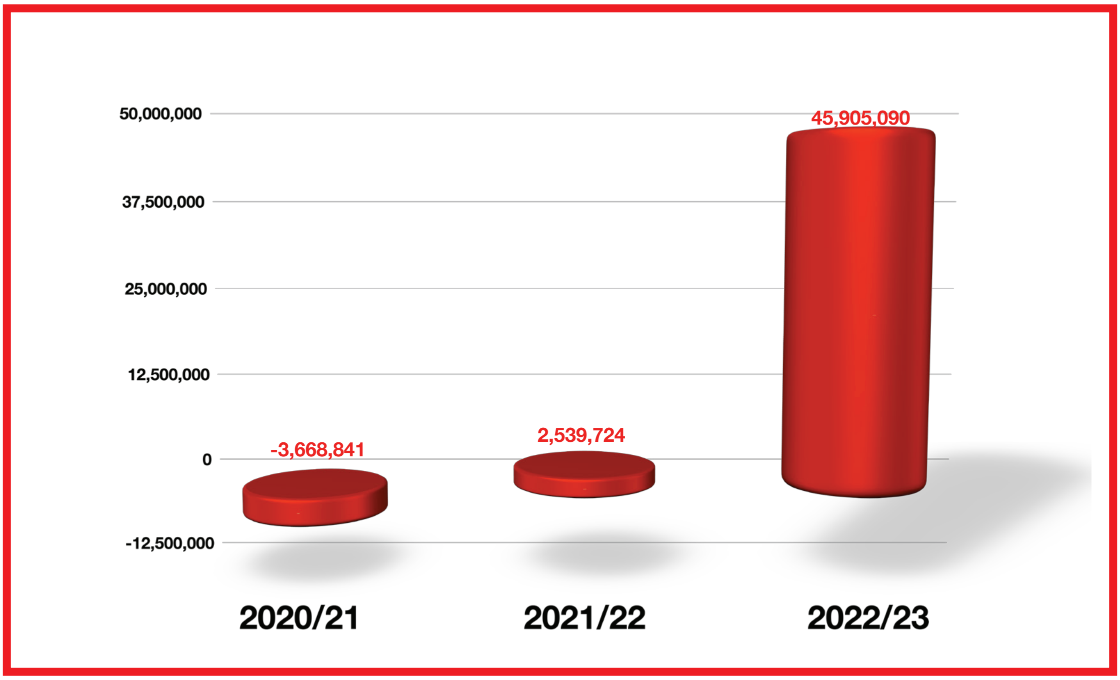




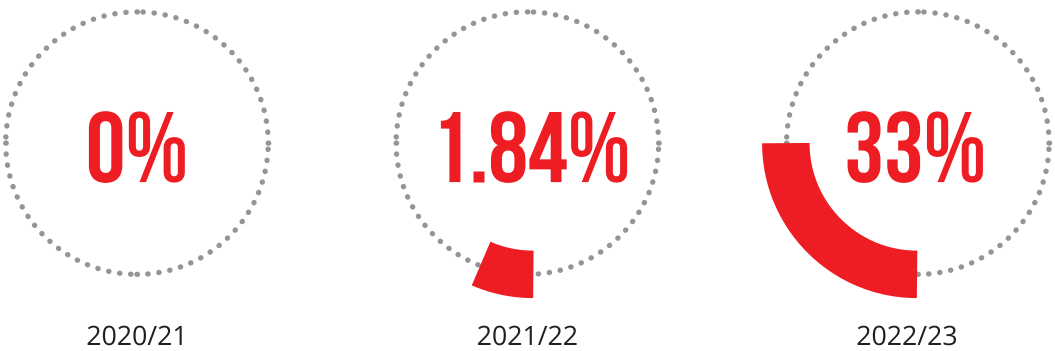




GROSS PROFIT



EARNINGS PER SHARE (IN BIRR)



2. BOARD CHAIRPERSON'S STATEMENT

DISTINGUISHED HONORABLE SHAREHOLDERS,

I am proud to offer the company's annual report and financial statement for the year ended June 30, 2023, on behalf of the Zemen Insurance S.C. board of directors and myself.

I'm happy to start by stating that, despite security challenges in many areas of the country and the unprecedented global and domestic challenges we faced, the year has proven to be fruitful for our company, which has recorded remarkable results.

This outstanding result was made possible by the Board's abilities to make sure that business operations are carried out responsibly and in accordance with relevant laws, rules, policies, and procedures as well as the efforts to oversee the company's annual plan's execution.

Additionally, a key factor in the success is the overall staff's cooperation in coming up with a solution and their agreement to support whatever decision is best for the company.

I am delighted to report that, during the period under review, the Company registered a profit before tax of Birr 45,905,089.42 whereas, the profit before tax of last year's corresponding period was Birr 2,539,724. The profit after tax for this budget year is Birr 40,149,184.54, a hefty increase over the previous one.

The asset of the company has increased by 110% to Birr 525,846,908.54 from Birr 250,095,623 during the same period last year. However, the Company's total liability increased by 137% during the reporting period, from Birr 97,013,107 to Birr 327,138,741.12, compared to the same period last year.

ZISC had a market share of 1.53% of the industry throughout the reporting period. Overall premium production for the sector increased by 39.10%, but ZISC had growth of 316%, which is higher than the sector average. The Board of Directors' main priority for the upcoming fiscal year will continue to be ensuring ZISC's pursuit of steady and sustainable growth in the upcoming fiscal year.

The domestic financial sector faced numerous difficulties and opportunities. The opening of Ethiopia's financial sector to the global market is one of the concerns that need constant attention. This presents both a risk and a chance at the same time. Particularly for freshly created businesses like ZISC, the opening of the market to established firms while local competitors are still in their infancy can be perceived as a danger. On the other side, the openness of the market might be viewed as a chance because it will allow the current local businesses to develop and work with established foreign businesses. Also, it presents a chance for the transfer of knowledge and technology. In addition to this, it is estimated that the presence of local businesses who are entering this industry may be a threat. However, I have no doubt that by working hard with the management and the entire staff, we can turn this threat into an opportunity.

Sincere shareholders,

I would like to convey my sincere gratitude to the National Bank of Ethiopia's Insurance Supervision Directorate for its ongoing support and leadership throughout the year. I also want to thank our intermediaries, reinsurers, and other business partners for their dedication to collaborating with ZISC.

For their confidence, ongoing participation, and support throughout the year, I owe a tremendous debt of appreciation to our shareholders, clients, customers, and all other stakeholders. Their audible contribution lifts up our company.

My sincere gratitude goes out to the board of directors, our executive management team, and all of our employees, whose everyday efforts jointly added value for our stakeholders. I appreciate their fidelity, dedication, and commitment.

Finally, I'd want to reassure you that the Board of Directors of Zemen Insurance Company and every employee will continue to work tirelessly to maximize value for our partners and shareholders.

Thank you!

Melaku Ezezew(Eng)
Board Chairman

3. CHIEF EXECUTIVE OFFICER STATEMENT

DEAR SHAREHOLDERS

It is my pleasure to present the summarized annual performance of the Company for the year 2022/23.

The year has been the one that has encountered incredible challenges, it was very stiff in particular for our company as new entrant to the market. The struggle at all aspect is still continues with hope of success and better achievement. However, with great delight the operation year was concluded with remarkable growth and profit.

The management believes that our core foundation of customer service and leading by uniqueness is the primary way out in this abnormally competitive and strenuous environment.

Year after year, Zemen Insurance SC, has delivered better performance and milestones to set exemplary standards in the industry. Within a short journey, we have enhanced our position in the market as the hopeful insurer in the Country. We have also made our utmost efforts for the growth of the industry as a whole. This has been our business philosophy since inception and we are proud to have sustained it immaculately.

We endeavor on customer to be a reliable and trustworthy insurance provider understanding that "a satisfied customer is the best business strategy of all". In light of this, we at ZEMEN strive to make sure our employees go that extra mile for customer service and satisfaction. Making customers the focus of our planning and execution, we design our strategy in line with our primary goal, providing the most rewarding financial solutions. This relentless pursuit of achieving a satisfied customer base has been the gateway to our success.

Our branch network and the e-commerce based Customer Relationship Management software are the ways and clear momentous of our relentless effort to the customer and all stakeholders.

Endalkachew Zelekew [illegible]
Chief Executive Officer

CEO

4. REPORT OF THE BOARD OF DIRECTORS

FOR THE 4TH ORDINARY ANNUAL GENERAL MEETING OF THE SHAREHOLDERS AND 3RD EXTRA ASSEMBLY

BUSINESS ENVIRONMENTS HIGHLIGHT

4.1 INTRODUCTION

The board of directors of Zemen Insurance share Company is delighted to present this annual report of the company to respected shareholders covering audited annual financial statement and non-financial report of the year 2022/23 ended June 30, 2023 of the company.

4.1.1. GLOBAL ECONOMY

According to International Monetary Fund (IMF) economic outlooks, Global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024. While the forecast for 2023 is modestly higher than predicted in the April 2023 World Economic Outlook (WEO), it remains weak by historical standards. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. Global headline inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024. Underlying (core) inflation is projected to decline more gradually, and forecasts for inflation in 2024 have been revised upward.

The recent resolution of the US debt ceiling standoff and, earlier this year, strong action by authorities to contain turbulence in US and Swiss banking reduced the immediate risks of financial sector turmoil. This moderated adverse risks to the outlook. However, the balance of risks to global growth remains tilted to the downside. Inflation could remain high and even rise if further shocks occur, including those from an intensification of the war in Ukraine and extreme weather-related events, triggering more restrictive monetary policy. Financial sector turbulence could resume as markets adjust to further policy tightening by central banks. China's recovery could slow, in part as a result of unresolved real estate problems, with negative cross-border spillovers. Sovereign debt distress could spread to a wider group of economies. On the upside, inflation could fall faster than expected, reducing the need for tight monetary policy, and domestic demand could again prove more resilient (International Monetary Fund (IMF) economic outlooks).

Furthermore the report the report elaborate the following; in most economies, the priority remains achieving sustained disinflation while ensuring financial stability. Therefore, central banks should remain focused on restoring price stability and strengthen financial supervision and risk monitoring. Should market strains materialize, countries should provide liquidity promptly while mitigating the possibility of moral hazard. They should also build fiscal buffers, with the composition of fiscal adjustment ensuring targeted support for the most vulnerable. Improvements to the supply side of the economy would facilitate fiscal consolidation and a smoother decline of inflation toward target levels.

4.1.2. AFRICAN ECONOMY

According to World bank African economic Last Updated on Apr 05, 2023review Sub-Saharan Africa, home to more than 1 billion people, half of whom will be under 25 years old by 2050, is a diverse continent offering human and natural resources that have the potential to yield inclusive growth and eradicate poverty in the region. With the world's largest free trade area and a 1.2-billion-person market, the continent is creating an entirely new development path, harnessing the potential of its resources and people.

The region is composed of low, lower-middle, upper-middle, and high-income countries, 22 of which are fragile or conflict-affected. Africa also has 13 small states, characterized by a small population, limited human capital, and a confined land area.

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

The economic growth in SSA is not uniform across subregions and countries. The GDP growth of Western and Central Africa is estimated to decline to 3.4% in 2023, from 3.7% in 2022, while that of Eastern and Southern Africa declines to 3.0% in 2023, from 3.5% in 2022. The region's performance is still dragged down by lower long-term growth in the largest countries on the continent. Economic activity in South Africa is set to weaken further in 2023 (0.5%) as the energy crisis deepens, while the growth recovery in Nigeria for 2023 (2.8%) is still fragile as oil production remains subdued. Among the 10 largest economies in SSA—which represent more than three-quarters of the region's GDP—eight are growing at rates that are below their long-term average growth, including Sudan, Nigeria, Angola, and Ethiopia.

African countries can leverage their resources to bring together gas and renewable energy to meet domestic needs. Prioritizing inward investments in newly discovered and underdeveloped natural gas reserves can mobilize export revenues and spur domestic energy production and access. In addition, regional integration and the implementation of a continental free trade area hold huge potential to spur economic transformation across SSA. A just transition for Africa will depend on successfully harnessing the economic benefits from oil, gas, and mineral resources, including good governance and sound macro-fiscal management of resource revenues, while also preparing for a low-carbon future. Effective management of natural resource wealth can unlock significant opportunities for job creation, value addition, and investments in human development. Given the extent of natural resource abundance, this wealth can play a central role in the transformation for Africa's economic future.

4.1.3. NATIONAL ECONOMY

With about 123 million people (2022), Ethiopia is the second most populous nation in Africa after Nigeria, and one of the fastest-growing economies in the region, with an estimated 6.4% growth in FY2021/22. However, it also remains one of the poorest, with a per capita gross national income of $1,020. Ethiopia aims to reach lower-middle-income status by 2025.

Ethiopia's strong growth rate builds on a longer-term record of growth over the past 15 years where the country's economy grew at an average of nearly 10% per year, one of the highest rates in the world. Among other factors, growth was led by capital accumulation, in particular through public infrastructure investments. Ethiopia's real gross domestic product (GDP) growth slowed down from FY2019/20 to FY2021/22 due to multiple shocks including COVID-19, with growth in industry and services easing to single digits. However, agriculture, where over 70% of the population is employed, was not significantly affected by the COVID-19 pandemic, and its contribution to growth slightly improved compared to previous years.

In addition the report explain the consistently high economic growth over the last decade resulted in positive trends in poverty reduction in both urban and rural areas. The share of the population living below the national poverty line decreased from 30% in 2011 to 24% in 2016 and human development indicators improved as well. However, gains are modest when compared to other countries that saw fast growth, and inequality has increased in recent years. Furthermore, conflicts in various parts of Ethiopia risk undermining the economic and social development progress the country has achieved.

The government has launched a 10-Year Development Plan, based on its 2019 Home-Grown Economic Reform Agenda, which runs from 2020/21 to 2029/30. The plan aims to sustain the high growth achieved under the Growth and Transformation Plans of the previous decade while facilitating the shift towards a more private-sector-driven economy. It also aims to foster efficiency and introduce competition in key growth-enabling sectors (energy, logistics, and telecom), improve the business climate, and address macroeconomic imbalances. (World Bank overview 2023,)

Inflation Headline inflation increased to 5.5 percent during the third quarter of 2022/23 from 5 percent a quarter earlier, while it has registered a marginal decline from the 5.6 percent inflation recorded last year same quarter. The rise in quarterly headline inflation was attributed to 2.2 percentage point increase in food & non-alcoholic beverages and 0.4 percentage point rise in non-food inflation. On the other hand, headline inflation has decreased annually by 0.1 percentage points on account of a 0.4 percentage point decline in food & non-alcoholic beverages inflation. Food & non-alcoholic beverages inflation and non-food inflation contributed 1.5 and 3.9 percent, respectively, to the headline inflation registered in the review quarter. (National bank of Ethiopia 2023 third quarter report)

4.1.4. ETHIOPIAN INSURANCE INDUSTRY

According to National bank of Ethiopia 22/23 third quarter report on Insurance Sector Insurance companies numbered 18, of which 17 were private and 1 state owned. While the number of insurance companies remained static, their branches went up to 732 from 673 a year ago showing an 8.8 percent annual expansion. From the total branches, about 56.4 percent were located at Addis Ababa. The total capital of insurance companies increased by 21% to 14.4 billion birrs, of which private insurance companies accounted for 75.3%. For the past three years, the insurance industry has experienced double-digit growth.

In 2022/23, Ethiopian insurance industry has produced a gross written premium (GWP) of Birr 21.32 Billion from general insurance business. The produced GWP has shown a growth of 39.10 % (Birr 6 Billion) compared from last year same period performance of birr 15.32 Billion. During the period under review, a GWP of around Birr 6.67 Billion (31.31% of industry production) was produced by the state owned insurance company (EIC). While the remaining amount of Birr 14.65 Billion (68.69 % of industry production) was produced by private insurance companies. In this year Zemen Insurance s.c has increased its GWP from last year 78,266,466.00 to325, 633, 195, 00 or 316.4 %. Market share of Zemen Insurance also increase from last year 0.51% to 1.53%.

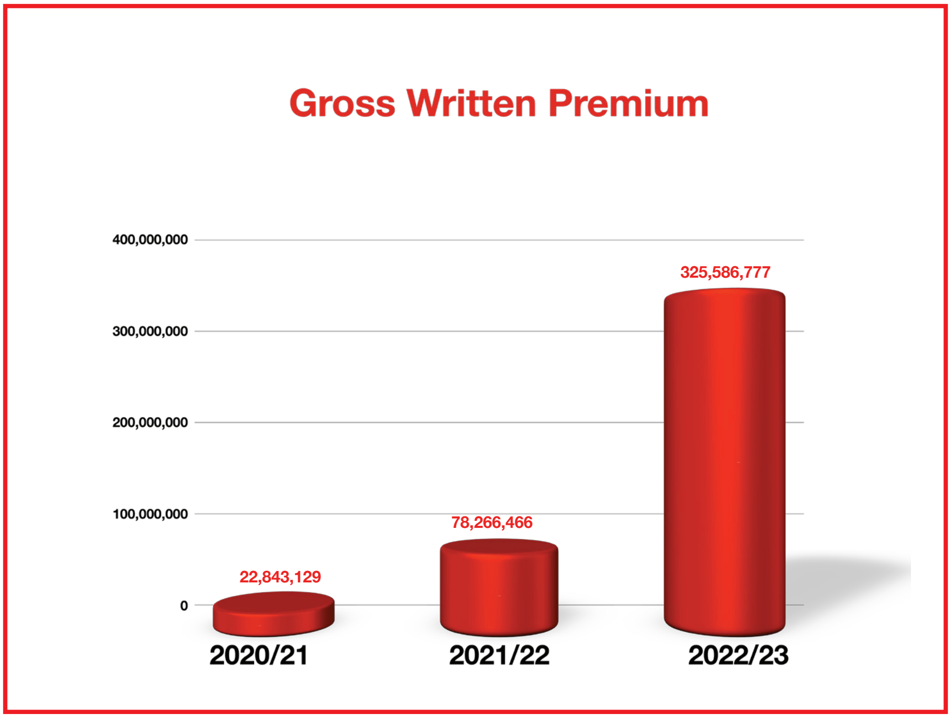
Meanwhile; National Bank of Ethiopia (NBE) announced their intention of allowing foreign insurers to operate in the country after the creation of an independent body.

4.2 COMPANY LEVEL PERFORMANCE

4.2.1 OPERATIONAL PERFORMANCE

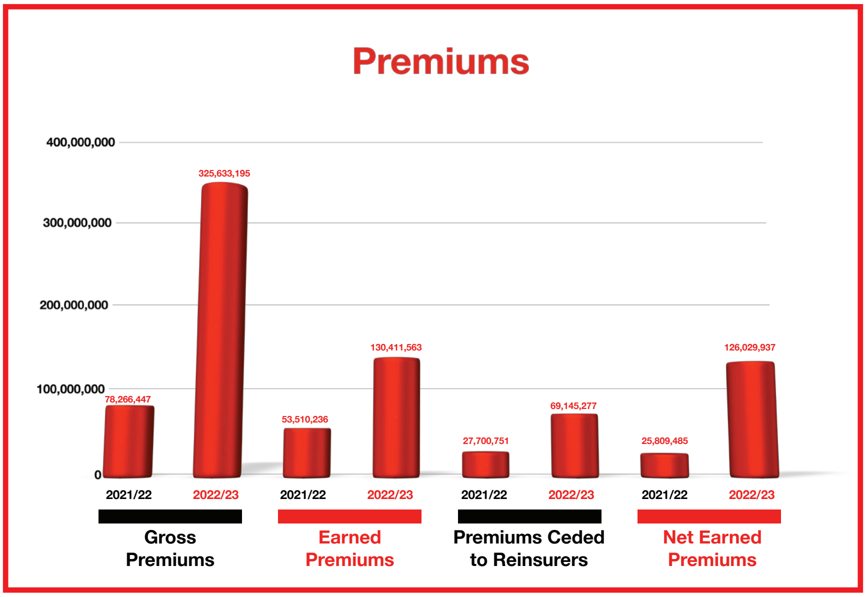
4.2.1.1 GROSS WRITTEN PREMIUM

It was remember that ZISC had been continued its market penetration journey with GWP of birr 78,266,446.68 in 2021/22. By continuing its journey birr 325, 633, 195 .00 is registered in 2022/23. This figure shows 316 % increment compared to last year the same period.



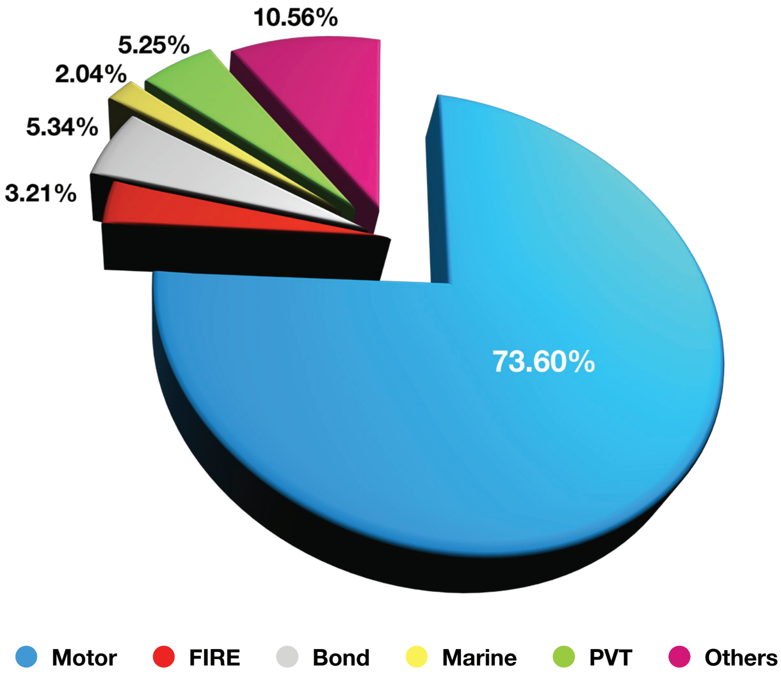
4.2.1.2 EARNED PREMIUM

During 2022/23 budget year, ZISC produced a gross premium of birr 325,586,777. 00, ceded an amount of birr 69,145,277.00 to reinsurers and net earned premium of Birr 126,029,937.00. Compared to last year's net earned premium has grown by 388%.



4.2.1.3 PORTFOLIO MIX

Out of the total premium income of the General Insurance Business, Motor class of business took the major share (73.60 %), followed by Bond (5.34%), Political violence and terrorism (5.25%) Fire 3.21%. Marine (2.04%) . All other classes of business combined constitute 10.56 % of the total premium income from General Insurance Business.

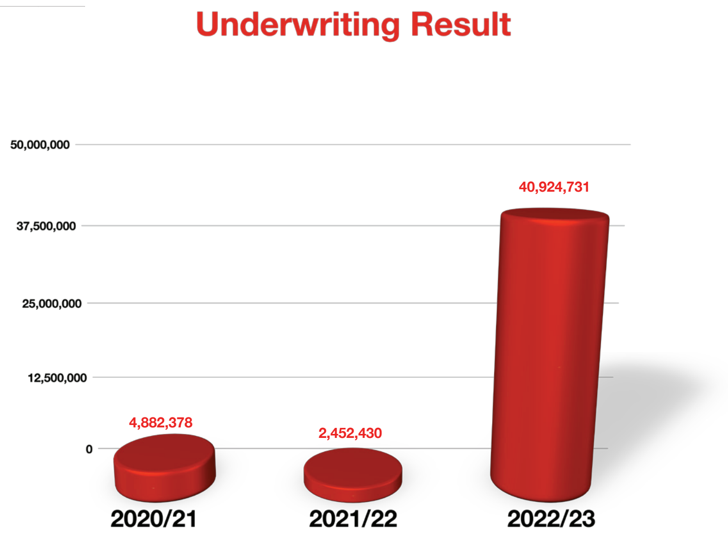


4.2.1.4 CLAIMS

In the Budget year claims incurred and policyholders' benefit payable stood at Birr 80,789,122.00 whilst claim recoverable from reinsurance is Birr 12,532,175.00. Therefore, net claims incurred for the period under review is Birr 68,256,947.00. The loss ratio which is a ratio of incurred claim as against net earned premium stood at 54.16%.

4.2.1.5 UNDERWRITING RESULT

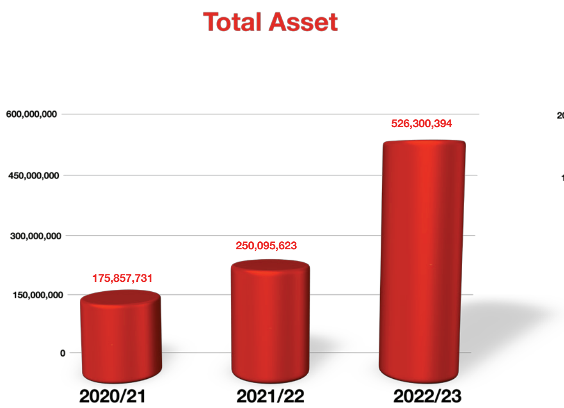
The Company registered an underwriting surplus of Birr 40,924,731.00 in 2022/23-fiscal year. As compared to last year's surplus of Birr 2,452,430.00, it is higher by Birr 38,472,301.00 (1668%).



4.2.2 FINANCIAL PERFORMANCE

4.2.2.1 TOTAL ASSETS AND EQUITY

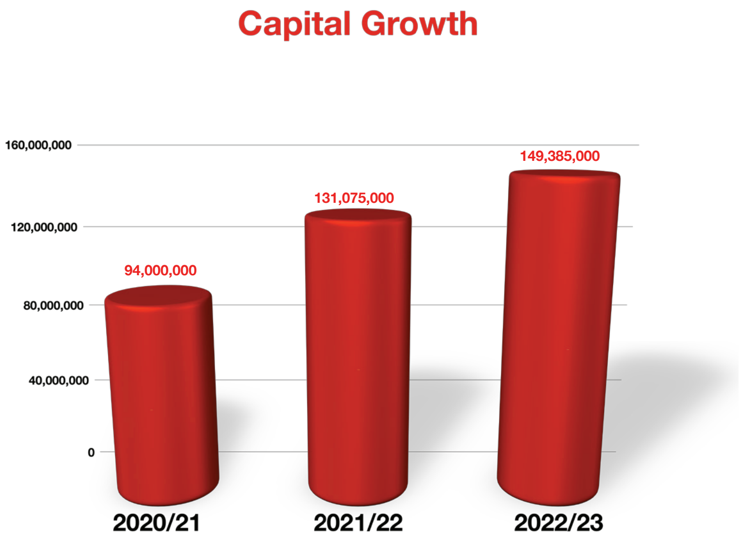
The company total asset and total equity, for the period under review, increased to Birr 526,300,394.00 and Birr 197, 806,548.00 which is an increase of 110 % and 29 % as against the preceding year that were recorded Birr 250,095, 623.00 and Birr 153,082,516 respectively. The total liability of the Company reached Birr 328,493,847.00 during the reporting period. When compared with that of last year corresponding period of Birr 97,013,107, the current year total liabilities increased by 239 %.



4.2.2.2 CAPITAL GROWTH

Zemen insurance S.C was established with a paid-up capital of birr 79 million. At closing of the budget year under review, the company's paid-up capital has reached to birr 149,385,000.00 million which grew by 14% when compared to the previous same period of birr 131,075,000.00

million. In the coming 2023/24 budget year ZISC planned to reach a paid-up capital of birr 275,000,000.00 million.



4.2.2.3 INVESTMENT AND OTHER INCOME

Apart from its insurance service delivery, ZISC is engaged in activities as it is stated in its mandate of establishment. As a result, in 2022/23 ZISC was able to register Birr 29,129,868.00 interest income from deposit of government saving Bond , Private Banks; and also Dividend income from Zemen and Global Ethiopia Bank.

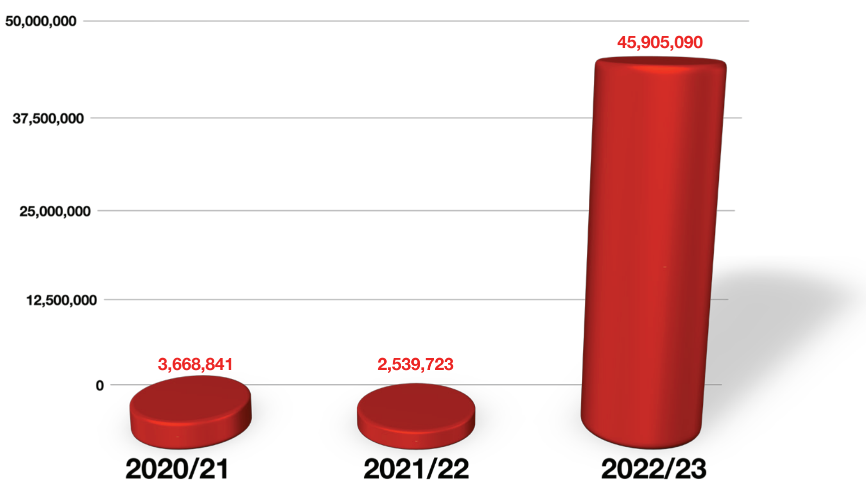
4.2.2.4 EXPENSES

Since the company is in a market penetration and branch expansion phase, the annual expense is expected to be higher than the normal expense ratio. On this regard in the year 2022/23, the total General and Administrative Expenses of our company stood at Birr 24,617,729.00 which shows an increase of Birr 9,387,450.00 (62%) from that of last year same period Birr 15,230,279.

4.2.2.5 PROFIT/LOSS STATEMENTS

During the period under review, the Company has managed to earn a profit before tax of Birr 45,905,090.00 which was higher by 1707% compared to last year same period of Birr 2,539,723.00.

Profit/Loss Statements



4.2.3 BUSINESS DEVELOPMENT & CAPACITY BUILDING

4.2.3.1 NEW PRODUCTS DEVELOPMENT

Zemen Insurance believe that our customers are the founding base to our success. Following to this ZISC have been developed customer focus product; such as daily cash allowance (i.e payment service for replacement vehicles rent or directly pay to any transport service giver company to our customer) for a week up to a month's period of time, flood, funeral expense for limited and agreed amount in case of death for insured employees by workmen's compensation or GPA policies with artificial physical appliance and tailor made combined policies "office insuran' based on the interest and need of the insured.

More over in order to attract new customers and increase competitive advantage; ZISC introduced a new product "Damage or loss of vehicle key replacement " as additional cover product to the market and as well to the entire insurance industry during the budget year under review.

4.2.3.2 BRANCH EXPANSION

In line with our strategic objectives and reaching out new markets to increase sales volume; ZISC embarked on expansion strategy via opening branches. Accordingly, in the year 2022/23 the we opened 4 new branches after undertaking a feasibility study and reached our total branches to 21 . The newly opened branches are one at Bahirdar and the other three in Addis Ababa namely Bahirdar, 22 wihalimat, Meskele flower and National branch respectively. Other expansion has been interrupted by the absence of peace and security.

4.2.3.3 HUMAN RESOURCE

A well-trained, competent and capable manpower are important for sustainable organizational performance. The company has kept on investing in its human capital to ensure that all employees are skilled enough to discharge their duties and responsibilities properly. Accordingly, the company has organized various training programs. Employees who got access to training during the budget year were 63 in number. Total number of ZISC reached 116 showing a growth of 80% from the preceding year (81). Composition of employees by gender and qualification is depicted as follows.

Percentage Share of Employees by Qualification

Masters **21%** Degree **64%** Others **15%**

Percentage Share of Employees by Gender

Females **46%** Males **54%**

4.2.4 CORPORATE SOCIAL RESPONSIBILITY

As part and parcel of discharging its corporate social responsibilities (CSR), the company has been sponsored the following social activities during the reporting year.

- For Gebeta Letweled project.
- For rehabilitation of displaced people.

4.2.5 CHALLENGES AND PROSPECTS

Even though ZISC achieved an outstanding performance during the budget year there were also a different challenges that deter the company performance. Beside Slowdown of Economy , Political and social instability other challenges like Market penetration problem, Low paid-up capital, sluggish branch networking , absence of skilled work force, inflation , shortage of hard currency , low product line, unfair competition within industry , were the major one.

As a prospects; the national bank of Ethiopia set a minimum motor insurance premium rate and this will make somehow stable the industry and serve as benchmark in future.

4.2.6 THE WAY FORWARD

In order to sustain achieved company performance and to synchronize the strategic management of the company in terms of premium production growth, market share and profit maximization; all shareholders, management and employees of the company should stand and strive together. From the lesson that we got on 2022/23 challenges and future prospects, the Board of Directors and Management are ready to take the following remedial actions to:

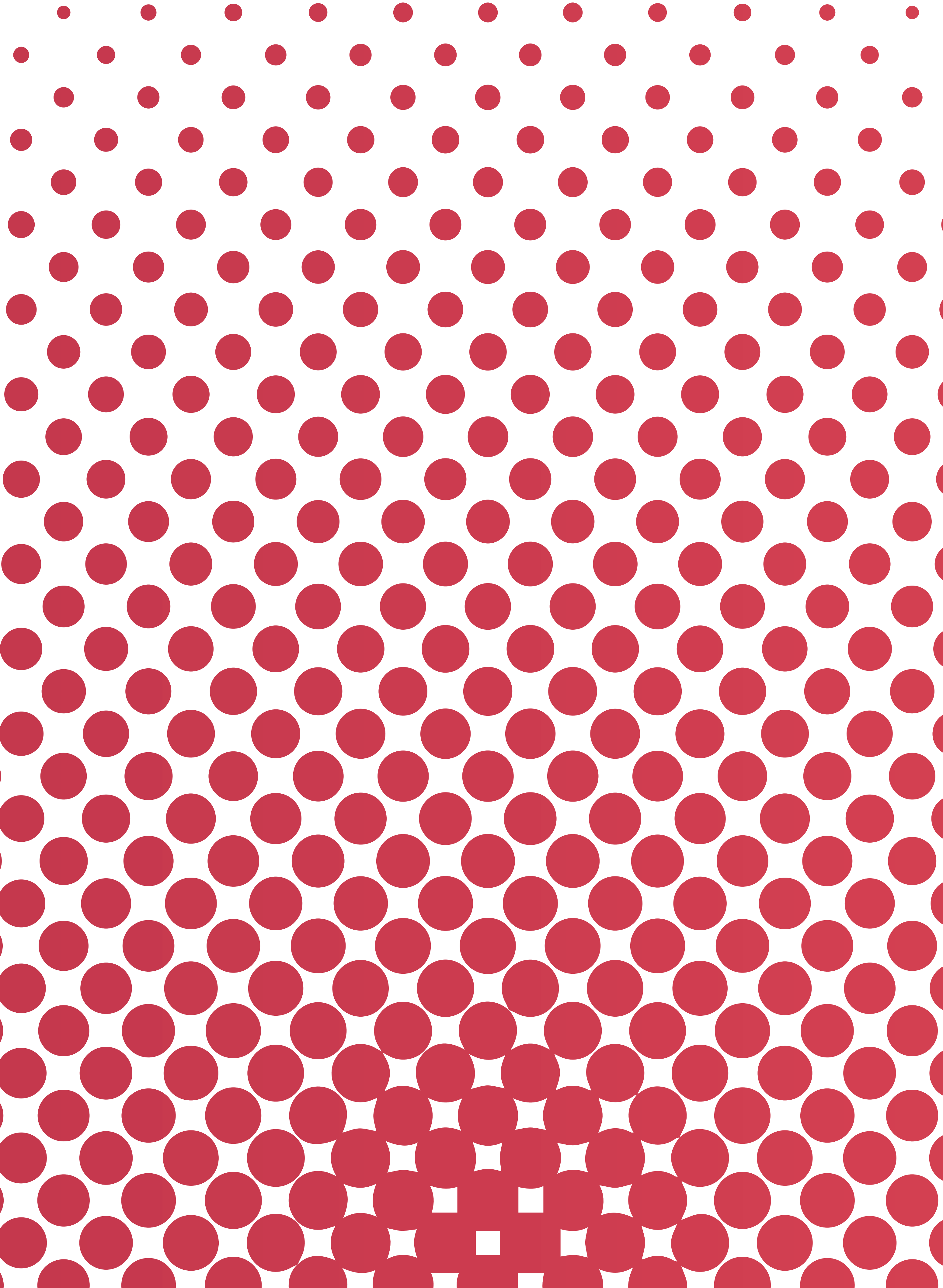
- Implement strategic plan.
- Develop new products line and diversified a product. that increase a portfolio mix, customer satisfaction and penetrate the market.
- Increase branches to maximize accessibility.
- Finalize customer relationship management (CRM) project.
- Strengthen all the departmental units.
- Conduct extensive training and development program, are the main one.

4.2.7 VOTE OF THANKS

On behalf of the shareholders, the board of Directors expresses its deepest gratitude; to esteemed clients, business partners, reinsurers, insurance intermediaries, external auditors etc. for their extended contribution and support redder to our company throughout the operational period .The Board of Directors also would like to give a special gratitude to its shareholders for their willingness and trust to invest in the company and build an institution to our beloved country.

Finally I would like to extend special thanks to National Bank of Ethiopia, Board, Management and staffs of the company for their continued supervision, Commitment, loyalty and dedication throughout the year.

Thank you



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Zemen Insurance S.C.

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5. THE AUDITORS' REPORT

Directors, professional advisers and registered office

Company registration number No. '08489

Directors *(as of 30 June, 2023)*

Engineer Melaku Ezezew	**Chair man**
Ato Girma Seifu	Deputy Chairperson
Ato Kollele Tessema	Member
W/O Meron Tadesse	Member
Ato Sileshe Tagabu	Member
Ato Solomon Mengisteabe	Member
Ato Mikre Ayalew	Member
Dr. Elias Berhanu	Member
Ato Ayele Tibebu	Member

Executive management *(as of 30 June 2023)*

Ato Endalkachew Zelekew	**Chief Executive Officer**
Ato Mengesha Tesfaye	Director, Finance
Ato Gashaw Ashalew	A/Director, Claims management
Ato Kassahun Tamene	Director, underwriting and customer services.
Ato Mesafent Asfaw	Director, Engineering and loss assessing

Independent auditor

TMS Plus Chartered Certified Accountants (UK) & Authorised Auditors (Ethiopia)
Addis Ababa
Ethiopia

Corporate office

Zemen Insurance Share Company
Addis Ababa,
Ethiopia

Principal bankers

Zemen Bank
Bole branch
BOLE ROAD, Yobdar building
Addis Ababa,
Ethiopia

Reinsurers

Africa Re-insurers
Afro Asian Reinsurance
Apex Reinsurance Share Company
Ethiopian Reinsurance Share company
Zep-Re (P.T.A. Reinsurance Co.)

Consulting Actuaries

Tafesse, Shisema & Ayalew Certified Audit Partnership TMS Plus

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30 June 2023, 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 on 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 year ended 30 June 2022 are set out on page 7. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2023 Birr	30 June 2022 Birr
Net earned premiums	126,029,937	25,809,485
Profit before income tax	45,905,090	2,539,723
Income tax expense	-	-
Profit for the year	45,905,090	2,539,723
Other comprehensive income net of taxes	-	-
Total comprehensive income for the year	**45,905,090**	**2,539,723**

Directors

The directors who held office during the year and to the date of this report are set out on page 1.

04/09/23

Board Chair man
Addis Ababa, Ethiopia

Melaku Ezezew(Eng)
Chairman

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 intrnational financial reporting standard and in the manner required by the Commercial Code of Ethiopia of 1960(As amended proclamation No 1243/ 2021), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Company is required 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(As amended under proclamation No 1243/2021 and the relevant Directives issued by the National Bank of Ethiopia.

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

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

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

Signed on behalf of the Directors by:

04/09/23

Director
[Date]

Melaku Ezezew(Eng)
Board Chairman

TMS Plus

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

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

6. INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZEMEN INSURANCE SHARE COMPANY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zemen Insurance Share Company, which comprise the statement of financial position as at 30 June 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Responsibilities of Directors and Management for the Financial Statements

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

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

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

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of the board of directors and the proposal for distribution of profit submitted by the directors so far as it related to these financial statements and pursuant to Article 349 of the Commercial Code of Ethiopia 1243/2021 and hence we recommend approval of the financial statements.

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

Addis Ababa
30 August 2023

7. STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

Currency: Ethiopian Birr

ASSETS	**Notes**		**30 June 2022**
Property plant and equipment	13	39,071,186	23,441,456
The right use of leased asset	13.1	4,871,425	9,035,245
Investments	14	324,471,945	140,041,436
Statutory Deposit	14.1	21,797,250	20,908,500
Receivables arising out of reinsurance arrangement:	15.1	14,443,940	6,504,212
Reinsurance share of technical reserves	15.2	43,664,083	18,029,564
Trade and other receivables and prepayments	16	9,194,427	5,561,929
Deferred acquisition costs	16.1	17,368,316	3,123,794
Withholding tax receivable		2,198,676	671,197
Deferred tax Asset	12c	3,872,672	9,255,200
Intangible asset	12d	88,600	88,600
Cash and cash equivalents	17	45,257,873	13,434,489
Total assets		**526,300,394**	**250,095,623**
LIABILITIES			
Insurance contract liabilities	18	249,427,601	60,384,624
Deferred commission income	18.1	8,160,127	4,601,026
Creditors arising from reinsurance arrangements	19	57,202,919	21,835,829
Trade and other payables	20	13,703,200	10,191,628
Total liabilities		328,493,847	97,013,107
EQUITY			
Share capital	21	149,385,000	143,355,000
Share premium	21	301,884	-
Retained earnings	22	38,104,419	6,598,034
Legal reserve	23	10,015,245	3,129,482
Total equity		197,806,548	153,082,516
Total equity and liabilities		**526,300,394**	**250,095,623**

The notes to the financial statements on page 10 to 41 are integral part of the financial statements.
The financial statements and the notes were approved and autorized for issue by the Board of Directors

04/09/23

Board Chairman

CEO

Melaku Ezezew(Eng)
Chairman

Tadesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership

Zelekew Tachbel
Chief Executive Officer

8. STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Currency: Ethiopian Birr

	Notes		30 June 2022
Gross written premiums	5.1	325,586,777	78,266,447
Premiums ceded to reinsurers	5.3	(69,145,277)	(27,700,751)
change in unearned premium	5.2	(130,411,563)	(24,756,211)
Net earned premiums		126,029,937	25,809,485
Fees and commission income	6	14,890,214	6,449,914
Net underwriting income		140,920,151	32,259,399
Claims incurred	7.1	80,789,122	16,960,239
Less : claims recoverable from reinsurers	7.2	12,532,175	1,489,423
Net claims and loss adjustment expense		68,256,947	15,470,816
Underwriting expense	8	31,738,473	14,336,154
Total underwriting expense		99,995,420	29,806,969
Underwriting profit		40,924,731	2,452,430
Investment income	9	29,129,868	15,235,029
Other operating income	10	468,218	82,544
Net income		70,522,818	17,770,002
Other operating and administrative expenses	11	24,617,729	15,230,279
Profit before income tax		45,905,090	2,539,723
Income tax expense	12a	-	-
Profit for the year		**45,905,090**	**2,539,723**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
obligations		-	-
Deferred tax (liability)/asset on remeasurement gain or loss		-	-
		-	-
Total comprehensive income for the year		**45,905,090**	**2,539,723**
Basic Earning Per Share(ETB)	12e	1,587	92

The notes to the financial statements on page 10 to 41 are integral part of the financial statements.

9. STATEMENTS OF CASH FLOW

Currency: Ethiopian Birr

	Notes		30-Jun-22
Cash flows from operating activities			
Cash generated from operations	24	227,316,456	44,282,213
Net cash (outflow)/inflow from operating activities		227,316,456	44,282,213
Cash flows from investing activities			
Purchase of investment securities- Shares	14	(5,539,706)	(46,000)
Right use of leased assets		4,163,820	3,613,624
Purchase of property, plant and equipment	13	(19,889,103)	(8,264,449)
Increase in statutory deposit	14.1	(888,750)	(3,717,750)
Purchase of intangible assets	12d	-	(50,600)
Increase in time deposit	14	(178,890,803)	(47,055,921)
Prior period adjustment	22	(780,414)	(484)
Net cash (outflow)/inflow from investing activities		(201,824,956)	(55,521,580)
Cash flows from financing activities			
Proceeds from issues of shares		6,030,000	12,280,000
Increase in share premium		301,884	-
Net cash (outflow)/inflow from financing activities		6,331,884	12,280,000
Net increase/(decrease) in cash and cash equivalents		31,823,384	1,040,632
Cash and cash equivalents at the beginning of the year		13,434,489	12,393,857
Cash and cash equivalents at the end of the year		**45,257,873**	**13,434,489**

The notes to the financial statements on page 10 to 41 are integral part of the financial statements.

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10. STATEMENTS OF CHANGES IN EQUITY

Currency: Ethiopian Birr

	Notes	Share capital	Share premium	Retained earnings	Legal reserve	Total
As at 01 July 2021		**131,075,000**	**-**	**1,104,175**	**2,748,524**	**134,927,699**
			-			-
Profit for the year		-	-	2,539,723		2,539,723
Transfer to legal reserve	23	-	-	(380,958)	380,958	-
Additional share issued		12,280,000	-	-	-	12,280,000
Treasury share		-	-	-	-	-
Prior period adjustment			-	(484)		(484)
Transfer to directors fees payable		-	-		-	-
Dividends declared and paid		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
Re-measurement gains on defined benefit plans (net of tax)		-	-	-	-	-
deferred tax asset		-	-	3,335,578		3,335,578
As at 30 June 2022		**143,355,000**	**-**	**6,598,034**	**3,129,482**	**153,082,516**
Profit for the year		-	-	45,905,090		45,905,090
Transfer to legal reserve	23	-	-	(6,885,763)	6,885,763	-
Additional share issued		6,030,000	-	-	-	6,030,000
Additional share premium		-	301,884	-	-	301,884
Prior period adjustment		-	-	(780,414)	-	(780,414)
Transfer to directors fees payable		-	-	(1,350,000)	-	(1,350,000)
Dividends declared and paid		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
Re-measurement gains on defined benefit plans (net of tax)		-	-	-	-	-
deferred tax asset	12c	-	-	(5,382,527)	-	(5,382,527)
As at 30 June 2023		**149,385,000**	**301,884**	**38,104,419**	**10,015,245**	**197,806,548**

The notes to the financial statements on page 10 to 41 are integral part of the financial statements.

11. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

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(As amended under proclamation no 1243/2021). 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 year ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations 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 accordance with IFRS 4 insurance contract modified as appropriate to comply with IFRS frame work. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in Ethiopian Birr.

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.

2.2.2 Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted 1 July 2022

a) New standards effective for adoption in the annual financial statements for the year ended 30 June 2023 but had no significant effect or impact on the company are:

Standard and Interprtation		Date issued By IASB	The company's planned implementation date begining or after
IAS 37	Onorus contract cost of fulfiling a contract	14-May-20	1-Jul-22
IAS 1	Disclosure of accounting polices(Amendment to IAS 1 and IFRS practice statement 2)	12-Feb-21	1-Jul-22
Amendment to IFRS 9 ,IFRS 16 , AND ias 41	Annual improvement to IFRS Standards 2018-2020	14-May-20	1-Jul-22
IAS 16	Property , plant and equipment. Proceed before intended use	14-May-20	1-Jul-22

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

The following are the new standards and interpretation that have been issued ,but are not mandatory for the financial year ended June 30,2023. They have not been adopted in preparing the financial statements for the year ended 30 June 2023. In terms of international financial reporting standards, the company is required to include in its financial statements disclosure about the future impact of standards and interpretation issued but not effective at reporting date.

At the authorization of the financial statement of Zemen Insurance Share Company for the year ended 30 June 2023, the following standards and interpretation were in issue but not yet effective.

Standard and Interprtation		Date issued By IASB	The company's planned implementation date begining or after
IAS 1	Classification of liabilities as current and non current	23 Jnuary 2020	1-Jul-23
IAS 1	Disclosure of accounting polices(Amendment to IAS 1 and IFRS practice statement 2)	12-Feb-21	1-Jul-23
IAS 1	Classification of liabiities as current and non current	23-Jan-20	1-Jul-23
IFRS 9	Finacial Instrument	1-Jul-14	1-Jul-23
IFRS 16	Lease liability in a sale and lease back	22-Sep-22	1-Jan-24
IFRS 17	contract establish the principles for the recognition,measurment, presentation and disclosure of insurance contracts with in the	Jun-20	1-Jul-23
IAS 8	Definition of accounting estimate	12-Feb-21	1-Jul-23
IAS 12	Assets and liabilities arising from a single transaction(Amendment to IAS 12)	7-May-21	1-Jul-23

All standards and Interpretations will be adopted at their effective date except for those standards and interpretations that are not applicable to the company

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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 recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are 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.

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 impro	50
Motor vehicles	10
Computer and accessorie	7
Intangible software	6
Furniture fitting and equi	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 National bank of Ethiopia in pursuant to Insurance proclamation 746/2012 Article 20.Statutory deposit is measured at cost

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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 amortization 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.

estimated useful lives, as follow:

Assets class	Useful lifes (years)
Computer software	6

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.

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

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.

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.

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.

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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.

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.

2.8.4 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.

2.8.5 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.

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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 statutory accounting principle .

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).

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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/38/2014. 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 retaintion 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.

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.

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

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post employment benefits.

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

Wages, salaries, bonuses, other contributions, paid annual leave 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.

(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 recognizes 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 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.

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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 right to use asset and the liabilities shall be recognized .However Zemin 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 250,000

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 judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, 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 Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, 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) 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 judgment is required in establishing fair values. Judgments 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 judgment 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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Insurance and financial risk management

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.

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.

.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.

.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.

Currency: Ethiopian Birr

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

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.

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

	Gross liabilities	Reinsurance liabilities	Net liabilities
30 June 2023			
Property insurance	287,786,971	51,375,808	236,411,163
Engineering insurance	4,490,269	1,856,362	2,633,907
Pecuniary insurance	18,108,508	14,600,158	3,508,350
Liability insurance	12,374,972	745,871	11,629,101
Accident & health	2,826,058	567,076	2,258,982
Total non life insurance	325,586,778	69,145,275	256,441,503

	Gross liabilities	Reinsurance liabilities	Net liabilities
30 June 2022			
Property insurance	65,289,999	18,707,107	46,582,892
Engineering insurance	948,230	560,117	388,113
Pecuniary insurance	8,128,823	7,699,419	429,404
Liability insurance	3,899,394	734,110	3,165,284
Total non life insurance	78,266,446	27,700,753	50,565,693

Currency: Ethiopian Birr

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 2023	Available-For-Sale	Loans and receivables	Total
Financial assets			
Government securities	-	403,706	403,706
Unquoted investments	6,464,000	-	6,464,000
Other receivables	-	65,455,068	65,455,068
Loans and receivables to staff	-	1,846,668	1,846,668
Receivables arising out of reinsurance arrangements	-	-	-
Receivables arising out of direct insurance arrangements	-	-	-
Statutory deposits	-	21,797,250	21,797,250
Deposits with financial institutions and cash and bank balances	-	362,862,112	362,862,112
Total financial assets	6,464,000	452,364,804	458,828,804
Financial liabilities			
Creditors arising from reinsurance arrangements	-	57,202,919	57,202,919
Creditors arising out of direct insurance arrangements	-	249,427,601	249,427,601
Other payables	-	13,703,200	13,703,200
Total financial liabilities	-	320,333,720	320,333,720

30 June 2022	Available-For-Sale	Loans and receivables	Total
Financial assets			
Government securities	-	-	-
Unquoted investments	1,328,000	-	1,328,000
Other receivables	-	29,884,913	29,884,913
Loans and receivables to staff	-	210,792	210,792
Receivables arising out of reinsurance arrangements	-	-	-
Receivables arising out of direct insurance arrangements	-	-	-
Statutory deposits	-	20,908,500	20,908,500
Deposits with financial institutions and cash and bank balances	-	152,147,925	152,147,925
Total financial assets	1,328,000	203,152,130	204,480,130
Financial liabilities			
Creditors arising from reinsurance arrangements	-	21,835,829	21,835,829
Creditors arising out of direct insurance arrangements	-	60,384,624	60,384,624
Other payables	-	10,191,628	10,191,628
Total financial liabilities	-	92,412,081	92,412,081

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.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 homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company risk division.

.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).

.4.2 Concentration of credit risk

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

ı) 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.

.4.3 Credit quality analysis

ı) Credit quality of cash and cash equivalents

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

) Credit quality of trade and other receivables

Currency: Ethiopian Birr

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 2023 presented as under. The Company concentrates all its financial assets in Ethiopia.

30 June 2023	enterprise	Private	Others	Total
Cash and bank balances	8,080,412	37,177,461	-	45,257,873
Investment securities				
- Available for sale	-	6,464,000	-	6,464,000
- Loans and receivables	-	317,604,239	-	317,604,239
Trade and other	-	9,193,713	-	9,193,713
Reinsurance assets	-	58,108,023	-	58,108,023
	8,080,412	428,547,436	-	436,627,848

30 June 2022	enterprise	Private	Others	Total
Cash and bank balances	1,109,839	12,324,650	-	13,434,489
Investment securities				
- Available for sale	-	1,328,000.00	-	1,328,000
- Loans and receivables	-	138,713,436.00	-	138,713,436
Trade and other	-	5,561,929	-	5,561,929
Reinsurance assets	-	24,533,776	-	24,533,776
	1,109,839	182,461,791	-	183,571,630

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 60% of admitted asset at bank deposits and treasury bills.

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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.

	0-1 year	1-3 years	3-5 years	Over 5 years	Total
30 June 2023					
Insurance contract liabilities	249,427,601	-	-	-	249,427,601
Insurance payables	57,202,919	-	-	-	57,202,919
Other liabilities	-	-	-	-	
Total financial	306,630,520	-	-	-	306,630,520

	0-1 year	1-3 years	3-5 years	Over 5 years	Total
30 June 2022					
Insurance contract liabilities	60,384,624	-	-	-	60,384,624
Insurance payables	21,835,829	-	-	-	21,835,829
Other liabilities	3,926,222	-	-	-	3,926,222
Total financial	86,146,675	-	-	-	86,146,675

.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.

.1 Management of market risk

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

.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 fulfill the above noted measurement factors. Investments is also made with special guidelines of the Board of Directors of the Company

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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.

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

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates.

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 2023	Fixed	Non-interest bearing	Total
Assets			
Cash and bank balances	45,257,873	-	45,257,873
Investment securities	324,471,945	-	324,471,945
Reinsurance assets	14,443,940	-	14,443,940
Total	384,173,758	-	384,173,758
Liabilities			
Insurance contract liabilities	-	249,427,601	249,427,601
Insurance payables	-	57,202,919	57,202,919
Other payables	-	-	-
Total	-	306,630,520	306,630,520

30 June 2022	Fixed	Non-interest bearing	Total
Assets			
Cash and bank balances	13,434,489	-	13,434,489
Investment securities	140,041,436	-	140,041,436
Reinsurance assets	6,504,212	-	6,504,212
Total	159,980,137	-	159,980,137
Liabilities			
Insurance contract liabilities	-	60,384,624	60,384,624
Insurance payables	-	21,835,829	21,835,829
Other payables	-	3,926,222	3,926,222
Total	-	86,146,675	86,146,675

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.

.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.

.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 are in accordance with the MOS Directives No. SIB/ 45/ 2016.

		30 June 2023	30 June 2022
(A)	**Admissible assets**		
	Cash and cash equivalents	45,257,873	13,434,489
	Investment securities	324,471,945	140,041,436
	– Available for sale	-	-
	- Loans and receivables	79,905,273	45,442,276
	Debtors and prepayments	26,562,742	8,685,723
	Property plant and equipment	31,629,919	19,965,963
		507,827,753	227,569,887
(B)	**Admissible liabilities**		
	Insurance contract liabilities	249,427,601	60,384,624
	Insurance payables	57,202,919	21,835,829
	Other payables	13,703,200	6,264,692
		320,333,720	88,485,145
(C)	**Excess (admitted capital)- (A-B)**	**187,494,033**	**139,084,742**
(D)	**Net premium**	50,565,696	10,057,919
(E)	**Technical provision**	205,763,518	42,355,059
	<u>Solvency Margin</u>		
(F)	Limit of net premium i.e. 20% of net premium	10,113,139	2,011,584
(G)	Limit of technical provision i.e. 25% of technical provision	51,440,879	10,588,765
('H)	Minimum paid up capital	60,000,000	60,000,000

Since C, admitted capital > H - Positive Solvency Margin

.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.

	30 June 2023		30 June 2022	
	amount	Fair value	amount	Fair value
Financial assets				
Cash and bank balances	45,257,873	45,257,873	13,434,489	13,434,489
Investment securities				
- Available for sale	6,464,000	6,464,000	1,328,000	1,328,000
- Loans and receivables	317,604,239	317,604,239	138,713,436	138,713,436
Trade and other receivables	23,638,367	23,638,367	12,066,141	12,066,141
Reinsurance assets	43,664,083	43,664,083	18,029,564	18,029,564
Total	436,628,562	436,628,562	183,571,630	183,571,630
Financial liabilities				
Insurance contract liabilities	249,427,601	249,427,601	60,384,624	60,384,624
Insurance payables	57,202,919	57,202,919	21,835,829	21,835,829
Other liabilities	13,703,200	13,703,200	10,191,628	10,191,628
Total	320,333,720	320,333,720	92,412,081	92,412,081

I.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.

I.9 Offsetting financial assets and financial liabilities

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

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5 Net premiums

5.1 Gross premiums on insurance contracts

		30 June 2022
Motor	252,327,670	45,861,635
Carriers Liability	4,594,483	572,656
Marine	6,659,245	4,603,985
Bond	17,385,884	7,968,943
Engineering	4,385,867	948,230
Worker Compensation	3,027,270	952,279
Fire	10,441,605	4,107,018
GPA	2,826,058	2,047,136
Cash	448,269	55,745
Fidelity	274,355	104,135
Plate glass	24,047	9,130
Professional indemnity	1,487,055	1,219,138
Burglary	697,276	193,367
Public liability	242,650	16,676
Product liability	25,000	17,251
Travel health	2,998,514	1,121,394
PVT	17,110,463	8,061,953
Horticulture	526,665	405,775
All risk	104,402	-
Total gross premiums	**325,586,777**	**78,266,447**

5.2 Change in unearned premium

Change in insurance contract unearned premium provision	(147,323,202)	(34,433,726)
Change in unearned premium provision reinsurance share	16,911,639	9,677,515
	(130,411,563)	**(24,756,211)**
Net earned premium	**195,175,214**	**53,510,236**

5.3 Premiums ceded to reinsurers

Motor ceded	24,036,469	4,409,170
Marine ceded	1,849,908	1,557,601
Bond ceded	14,502,488	7,686,386
Engineering ceded	1,784,362	560,117
Worker Compensation ceded	258,695	65737.38
Fire ceded	6,889,678	3,199,603
Cash ceded	45,819	6,331
Fidelity ceded	97,670	13,033
Plate glass ceded	1,202	456
Personal ceded	567,076	412,859
Professional indemnity ceded	274,852	641,139
Burglary ceded	370,446	97,951
liability ceded	212,324	27,234
PVT ceded	16,262,457	8,302,284
Travel ceded	1,919,829	720,852
All risk ceded	72,000	-
Total premiums ceded to reinsurers	69,145,277	27,700,751
Net premium	**126,029,937**	**25,809,485**

Currency: Ethiopian Birr

			30 June 2022
6	**Commission income**		
	Reinsurance fee and commission income	14,890,214	6,449,914
	Total commission income	**14,890,214**	**6,449,914**
7	**a, Claims expenses**		
7.1	**Insurance claims and loss adjustment expenses:**		
	Gross benefits and claims paid	39,069,346	7,843,733
	Change in insurance contract outstanding claims provision	31,688,914	6,824,954
	Change in other technical provision (IBNR)	10,030,862	2,291,552
		80,789,122	**16,960,239**
7.2	**Recoverable from reinsurance:**		
	Claims paid recoverable	3,809,295	1,116,916
	Change in outstanding claims provision reinsurance share	8,722,880	372,507
	Change in other technical provision (IBNR) reinsurance share	-	-
		12,532,175	**1,489,423**
	Net claims and loss adjustment expense	**68,256,947**	**15,470,816**
8	**Underwriting expenses**		
	Commission paid	11,528,495	2,992,905
	Other acquisition cost	20,209,978	11,343,248
		31,738,473	**14,336,154**
9	**Investment income**		
	Interest on saving account	509,278	601,029
	Interest on time deposit	26,494,957	12,925,649
	Dividend income	378,124	125,840
	Interest on government bond	1,747,509	1,582,511
	Total investment income	**29,129,868**	**15,235,029**
10	**Other operating income**		
	Other income from service charge	133,847	32,681
	Other income - others	155,333	49,863
	Interest Income from Staff Loan	179,039	-
		468,218	**82,544**
11	**Other operating and administrative expenses**		
	Employee benefits expense (Note 11.1)	8,524,879	4,853,097
	Rental expenses	279,280	229,160
	Repair and maintenance	1,520,987	391,922
	Advertising and publication	681,137	1,291,132
	Communication	155,874	138,031
	Printing and stationaries	416,545	510,196
	Entertainment	220,617	91,569
	Travelling and transportation expenses	402,324	37,558
	Insurance	527,720	180,835
	Office cleaning and supplies	145,508	174,950
	Legal and professional fees	269,145	101,305
	Board fees	1,050,000	945,000
	Audit fees	64,860	56,925
	Subscription and membership fees	288,447	262,668
	Amortisation expense	2,444,572	2,135,884
	Depreciation expense	3,623,980	2,378,404
	Bank charges	403,134	508,102
	Sundry expenses	3,223,720	943,541
	Board Nomination Committee Allowance	375,000	-
		24,617,729	**15,230,279**

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11.1 Employee benefits expense

		30 June 2022
Salaries and wages	5,829,891	3,455,975
Staff allowances	852,359	478,644
Pension costs – Defined contribution plan	616,852	367,322
Other staff expenses	1,225,777	551,156
	8,524,879	**4,853,097**

12 Company income and deferred tax

12a Provision for profit tax

Profit before tax	45,905,090	2,539,723
Add: Depreciation for reporting purpose	4,259,372	2,378,404
Severance	415,295	438,439
Share in excess of par	301,884	
penality	231,918	101,599
	5,208,469	2,918,442
Less: Depreciation for tax purpose	6,242,213	1,640,847
Interest income taxed at source (Note 9)	29,129,868	15,235,029
Amortization of preoperating expense	1,299,809	1,299,809
	36,671,890	18,175,685
Taxable profit	14,441,669	(12,717,520)
Loss brought forward	(29,516,069)	(16,798,549)
Loss carried forward	**(15,074,400)**	**(29,516,069)**

12b Current income tax liability

Charge for the year:	-	-
Prior period loss carried forward	-	-
Balance set off against withholding tax paid	-	-
Balance at the end of the year	-	-

12c Deferred income tax

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

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

To be recovered after more than 12 months	3,872,672	8,865,257
To be recovered within 12 months	-	389,943
	3,872,672	**9,255,200**

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

Deferred income tax assets/(liabilities):	**At 1 July 2022**	**Credit/ (charge) to profit or loss**	**30 June 2023**
Property, plant and equipment	(413,552)	(594,852)	(1,008,404)
Preoperating expense	620,329	(389,943)	230,386
Post employment benefit obligation	193,603	124,588	318,191
Tax losses charged to profit or loss	8,854,820	(4,522,320)	4,332,500
Total deferred tax assets/(liabilities)	**9,255,200**	(5,382,527)	**3,872,672**

12d Intangible asset	**88,600**	**88,600**

12e 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

Profit attributable to ordinary share holders(ETB)	45,905,090
Weighted average number of share out standing during the year	28,932
Basic and diluted earnings per ordinary share(ETB)	1,587

Currency: Ethiopian Birr

13 Property, plant and equipment

	Partition work	Motor vehicles	Furniture fittings and Equipment	Computer and accessories	Total
Cost					
As at 1 July 2022	1,441,943	18,806,527	3,961,082	3,318,347	27,527,898
Additions	178,977	14,864,677	4,435,359	410,090	19,889,103
As at 30 June 2023	1,620,920	33,671,203	8,396,441	3,728,437	47,417,001
Accumulated depreciation					
As at 1 July 2022	407,326	2,646,021	485,590	547,505	4,086,443
Charge for the year	635,392	2,636,842	469,584	517,554	4,259,372
As at 30 June 2023	1,042,719	5,282,863	955,174	1,065,059	8,345,815
Net book value as at 1 July 2022	**1,034,616**	**16,160,506**	**3,475,492**	**2,770,841**	**23,441,456**
Net book value as at 30 June 2023	**578,201**	**28,388,340**	**7,441,267**	**2,663,378**	**39,071,186**

13.1 The right use of asset

	NBV as at 1 July 2022	Amortization	NBV as at 30 June 2023
Leased asset rent Noah BLDG	4,060,000	2,354,640	1,705,360
Leased asset rent Alem BLDG	4,975,245	1,809,180	3,166,065
	9,035,245	**4,163,820**	**4,871,425**

		30 June 2022
14 Investment		
Zemen Bank	1,464,000	1,328,000
Investment in Debub Global Bank	5,000,000	-
Investment in DBE Bond	403,706	-
Time deposit	317,604,239	138,713,436
	324,471,945	**140,041,436**
14.1 Statutory deposits	**21,797,250**	**20,908,500**

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

15.1 Receivables arising out of reinsurance arrangements

Gross reinsurance receivables	**14,443,940**	**6,504,212**
15.2 Reinsurance share of technical reserves	**43,664,083**	**18,029,564**

At 30 June 2023, the Company conducted an impairment review of the reinsurance assets and recognised no impairment loss as the account perform well . The carrying amounts disclosed above in respect of the reinsurance contracts approximate fair value at the reporting date.

During the year, the Company entered into reinsurance arrangements that resulted in profits of (2023; 5,520,352.53) (2022: 1,809,821.00). This profit has been reflected in the statement of profit or loss.

16 Trade and other receivables and prepayments

Trade debtors	2,555,429	1,403,365
Staff debtors	1,845,640	210,792
Prepayments	3,896,356	3,068,810
Sundry receivables	31,564	25,695
Accrued Interest Receivable	864,724	852,553
Dividend tax receivable	714	714
Gross amount	**9,194,427**	**5,561,929**
Maturity analysis		
Current	8,297,425	4,682,967
Non- current	897,002	878,962
	9,194,427	**5,561,929**
16.1 Deferred acquisition cost	**17,368,316**	**3,123,794**

Currency: Ethiopian Birr

			30 June 2022
17	**Cash and cash equivalents**		
	Cash on hand	6,068,245	558,645
	Cash at bank	39,189,628	12,875,844
		45,257,873	**13,434,489**
	Maturity analysis		
	Current	45,257,873	13,434,489
	Non- current	-	-
		45,257,873	**13,434,489**

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

	Cash and cash equivalents	45,257,873	13,434,489
	Deposits with financial institutions	-	-
		45,257,873	**13,434,489**
18	**Insurance contract liabilities**		
	Outstanding claims	40,308,233	8,619,320
	Provision for unearned premium	196,507,557	49,184,355
	Other technical provision	12,611,811	2,580,949
	Total insurance liabilities, gross	**249,427,601**	**60,384,624**
	Maturity analysis		
	Current	249,427,601	60,384,624
	Non- current	-	-
		249,427,601	**60,384,624**

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expect from salvage and subrogation. The amounts for salvage and subrogation at the end of years are not material.
These provisions represent the liability for insurance contracts for which the Company's obligations are not expired at year-end.

18.1	Deferred commission income	**8,160,127**	**4,601,026**
19	**Creditors arising from reinsurance arrangements**		
	Due to re-insurers	**57,202,919**	**21,835,829**

The carrying amounts disclosed above approximate fair value at the reporting date. All amounts payable on direct insurance business

20	**Trade and other payables**		
	Other financial liabilities		
	Trade creditors	1,616,723	1,176,906
	Accruals	64,860	56,925
	Sundry payables	2,190,625	2,428,104
	Directors remuneration	-	90,000
	Dividend payable	273,643	300,987
	Tax payables	1,111,205	590,937
	Employee benefit	1,847,337	797,800
	Other payables	5,248,807	823,746
	Office rent(Lease payable)	(0)	3,926,222
	Directors current year profit sharing payable(9*150,000)	1,350,000	-
		13,703,200	**10,191,628**
	Maturity analysis		
	Current	13,429,556	9,890,640
	Non- current	273,643	300,987
		13,703,200	**10,191,628**

Talesse, Shiferaw & Ayalew Certified Audit Partnership
TMS Plus

Accounting and Auditing Board of Ethiopia
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Original Copy Submitted to the Board

Currency: Ethiopian Birr

21 Ordinary share capital

		30 June 2022
Authorized		
30,000 ordinary shares of Birr 5,000 each	150,000,000	150,000,000
Issued and fully paid:		
29,862 Ordinary shares of Birr 5000 each	149,385,000	143,355,000
Share premium	301,884	-

Share premium represents the excess of contributions received over the nominal value of shares issued.

22 Retained earnings

At the beginning of the year	6,598,034	1,104,175
Profit for the year	45,905,090	2,158,765
Transfer to legal reserve	(6,885,763)	-
Adjustment	(780,414)	(484)
Transfer to director remuneration(9*150,000)	(1,350,000)	-
Deferred tax asset	(5,382,527)	3,335,578
At the end of the Year	**38,104,419**	**6,598,034**

			30 June 2022
23	**Legal reserve**		
	At the beginning of the year	3,129,482	2,748,524
	Transfer from retained earnings(see note 23.1)	6,885,763	380,958
	At the end of the year	**10,015,245**	**3,129,482**
23.1	Profit for the year	45,905,090	
	Transfer to legal reserve (15%)	6,885,763	
24	**Cash generated from operating activities**		
	Profit before tax	45,905,090	2,539,723
	Change in fair value of equity investments		-
	Investment of equities	-	
	Gain from sale of fixed assets	-	
	Adjustments for non- cash items:		
	Depreciation of property, plant and equipment	4,259,372	2,705,108
	Depreciation of investment property	-	-
	Amortisation of intangible assets	-	-
	Provision for Staff cost	-	-
	Impairment on loans and advances to customers	-	-
	Other receivable on recognition of salvage property	-	-
	Directors remuneration	(1,350,000)	-
	Movements in statement of financial position items:		
	Increase in debtors and prepayments	(3,632,498)	(1,719,584)
	Withholding tax paid	(1,527,479)	(460,702)
	Increase (decrease) in deferred acquisition costs	(14,244,522)	(2,086,998)
	Decrease (increase) in amount due from reinsurer	(7,939,728)	(2,728,387)
	Increase in insurance contracts	189,042,977	11,373,555
	Increase(decrease) in defferred commission income	3,559,101	1,943,995
	Increase /Decrease/ in reinsurance asset	(25,634,519)	(10,050,022)
	Increase in retirement benefit obligation	-	-
	Increase in creditor arising from reinsurance arrangement	35,367,090	43,550,232
	Increase in trade and other payables	3,511,572	(784,707)
		227,316,456	**44,282,213**

Currency: Ethiopian Birr

25 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 2023.

		30 June 2022
Salaries and other short-term employee benefits	3,243,583	2,669,790
Post-employment benefits	-	-
Representation allowance	264,446	218,026
Other expenses(Board allwance)	1,050,000	945,000
	4,558,029	**3,832,816**

26 Directors and employees

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

	30 June 2023 Number	30 June 2022 Number
Permanent	113	80
Contract	2	10
Outsourced	-	4
	115	**94**

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

Birr		
Less than 10,000	64	57
10,000 - 30,000	44	32
30,001 - 50,000	6	4
50,001 - 100,000	1	1
Above 100,000	-	-
	115	**94**

27 The Company's contingent liabilities as at the date of this report. (30 June 2023) is nil.

28 Commitments

The company has no commitments, not provided for in these financial statements as at the date of this report. (30 June 2023).

29 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:

No later than 1 year	-	3,926,222
Later than 1 year and no later than 2 years	-	-
Later than 2 years but not later than 5 years	-	-

30 Events after reporting period

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

BRANCH NETWORK			
NO	BRANCHES	ADDRESS	TELEPHONE
1	**HEAD OFFICE**	**Bole, Noah Real State-Boston Building**	**0944173675 /0116686274**
2	**KASANCHISE**	Kazanchis,Genet Bld-Near to Zemen Bank	0966295960 /0115573683
3	**MEXICO**	Mexico, Kassa Grand Mall-In front of Genet Hotel	0964403660/ 0115584739
4	**MEGENAGNA**	Megenagna, Amare Abraham & Family Building, Ground Floor	0987015357 /0116686432
5	**KALITY**	Kality, Wehalimat Admas University College, Ground Floor	0987035657 /0114626391
6	**LIDETA**	Dashen Building, In front of St. Lideta Church	0988803127 /0115621022
7	**TEWODROS**	Piassa, Haron Tower 3rd Floor	0970076945/0111718180
8	**BEKELOBET**	Garad Commercial Building, Saris Road	0988803535 /0114705468
9	**JEMO**	Jemo Road, Afran Building	0988803043 /0114701293
10	**ADDISU GEBEYA**	Michael Building, NOC Gas Station	0988803557 /0111547336
11	**BOLE MEDHANIALM**	Bole Medhanialem Road, Abrams Building	0988803481 /0116687132
12	**CMC**	Luel Building, Near to Michael Church	0988803559 /0116671914
13	**MERKATO**	Dubai Tera Merkato, Meseret Hiwot Building	0988803472 /0112733789
14	**GOFA**	Ayalew Building, In front of Sofian Mall	0988803469 /0114702687
15	**22 WEHALIMAT**	Addis Ababa in front of karama police station	0988803470 /0116355051
16	**HAWASSA**	Hawassa Piazza Pina Hotel, Ground Floor, Next to Ker-Awud International Hotel	0987025657 /0462127365
17	**ADAMA**	German City Mall, Around Derartu Square	0228127645/088803389
18	**BAHIR DAR**	Bahiradr, New Building, In front of New Bus Station	0966856878/ 0583205615
19	**MESKEL FLOWER**	Addis Ababa Jemea Building Meskele Flower Ground	0988803431/0114629341
20	**NATIONAL**	Addis Ababa Bedelu building 4th floor Telephone	09164466992/011532123
21	**LAGHARE**	Addis Ababa ORDA Ethiopia building 2and floor	0115584880/088803496
22	**DEBERMARKOS**	Debermarkos city Ambasele Building 1ST floor	0581789032
23	**YOHANSE AREA**	Addis Ababa Around Sebarababure	0111267348/0988800063

LIST OF REINSURERS

Africa Re

ZEP-RE
(PTA Reinsurance Company)
Committed to Quality Service

Ethiopian Reinsurance

WAICA Re

GRC
Ghana Re

FINANCIAL PARTNERS

ዘመን ባንክ
Zemen
BANK

የኢትዮጵያ ንግድ ባንክ
Commercial Bank of Ethiopia

GLOBAL
BANK
ETHIOPIA

VISIONFUND
microfinance

MAJOR EVENTS

PARTIAL VIEW OF THE 3RD ANNUAL GENERAL MEETING


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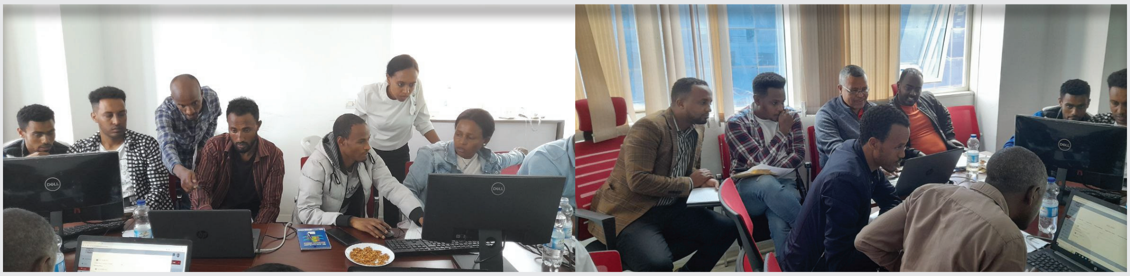
Zemen Insurance Share Company
ዘ ኢንሹራንስ
Z Insurance


ህዳር 10/2015 ዓ.ም


ETHIOPIAN REINSURANCE
SHARE COMPANY
Solidified partnership expressed
through Voluntary Cessions.
from Ethio-Re
Kudos to Zemen

5^{TH} ROUND SALES AGENT TRAINING GRADUATES

IT PROJECT TEAM ON PROGRESS



ANNUAL PERFORMANCE REWARDING

ZEMEN INSURANCE STAFF PARTICIPATING IN THE 2023 GREAT ETHIOPIAN RUN

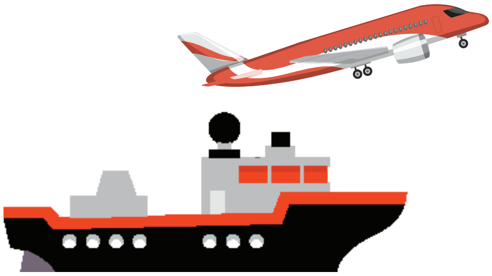
CLASSES OF INSURANCE UNDERWRITTEN BY ZISC

PROPERTY INSURANCES INCLUDES

- ✓ Motor Insurance with Additional Covers
- ✓ Fire Insurance with Allied (additional) covers
- ✓ Consequential Loss /BusinessInterruption/
- ✓ Burglary and House Breaking Insurance
- ✓ Plate Glass
- ✓ Other Tailor Made Policies based on your interest and demand

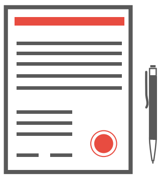
PERSONAL INSURANCE INCLUDES

- ✓ Personal Accident (Individual/ Group)
- ✓ Workmen's Compensation
- ✓ Travel Insurance
- ✓ Combined Accident Insurance (Personal accident and Workmen's Compensation)
- ✓ Other Tailor Made Policies based on your interest and demand



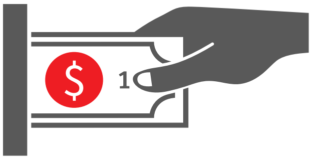
MARINE INSURANCE INCLUDES

- ✓ Marine Insurance for Sea and air carriage
- ✓ Inland Transit (Pure, Wider and All Risk)



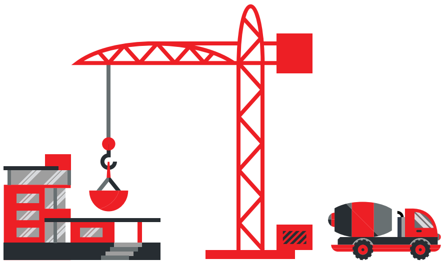
LIABILITY INSURANCES INCLUDES

- ✓ Professional Liability (PI)
- ✓ Public Liability
- ✓ Product Liability
- ✓ General Liability
- ✓ Commercial Liability
- ✓ Personal Liability
- ✓ Erection All Risk (EAR)
- ✓ Electronic Equipment Insurance (EEI)
- ✓ Machinery Breakdown (MB)
- ✓ Boiler and Other Pressure Vessels
- ✓ Consequential Losses
  - A) Machinery Loss of Profit
  - B) Deterioration of Stock
  - C) Advance Loss of Profit



PECUNIARY INSURANCE INCLUDES

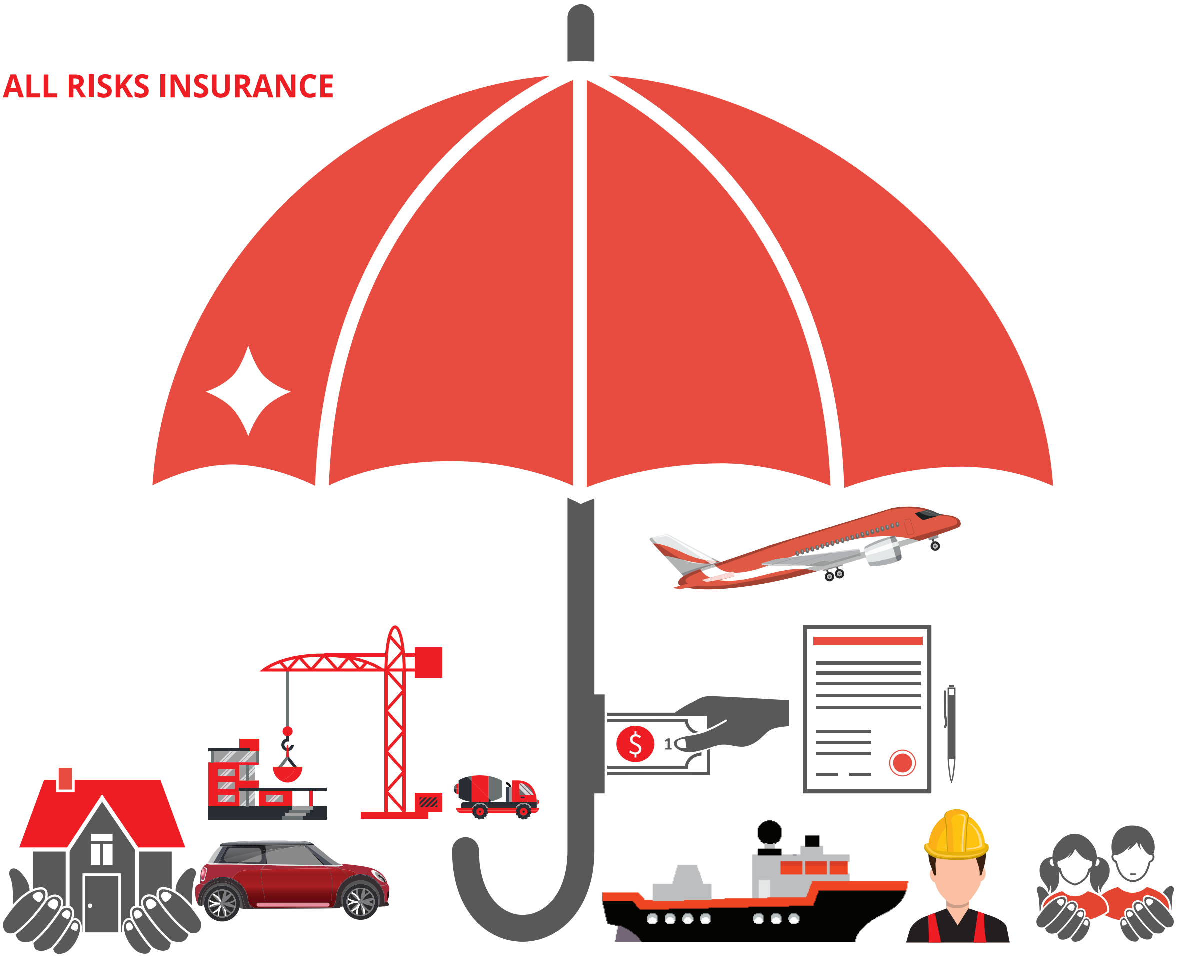
- ✓ Money
- ✓ Fidelity
- ✓ Combined (Money and Fidelity)
- ✓ Bonds
  - A) Performance bond
  - B) Advance bond
  - C) Supply bond
  - D) Maintenance bond
  - E) Retention bond
  - F) Bid bond
  - G) Customs bond



ENGINEERING INSURANCE

- ✓ Contractors Plant and Machinery (CPM)
- ✓ Contra**ctors All Risk (CAR)**

ALL RISKS INSURANCE



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Zemen Insurance S.C.

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