Berhan Insurance S.C

ESTABLISHMENT

Berhan Insurance S.C. was established on October 30, 2010 with a paid up capital of Birr 9.7 Million, under proclamation No. 86/1994. Being initiated by Berhan Bank S.C., the key founding shareholders of the Company were, four hundred fifty five, which comprised influential and well-known investors in the country. The Company has started operation on June 1, 2011 and currently runs eighteen branches, of which twelve are in Addis Ababa, and the remaining six are in Hawassa, Wolaita Sodo, Mekelle, Bahir Dar, Adama and Dessie towns. Besides; 3 contact offices are operational in Shashemene, Hossaena and Arbaminch towns.

BOARD OF DIRECTORS

The members of the Board of Directors are renowned professional Ethiopians qualified and experienced in various fields too.

MANAGEMENT

The company's top management is composed of highly qualified and experienced insurance and management professionals.

VISION

Berhan Insurance S.C. has a vision to become an "Insurance Company of Popular Choice."

MISSION

The company's mission is to provide insurance service to the public in a professional way and satisfy all the stakeholders (customers, shareholders, employees and the community).

VALUES

Integrity, Honesty, Transparency, Efficiency, Good Governance, Result Oriented Service, and Non-Discrimination are the core values of the company.

MOTTO

Visible Protection Provider!!!

Berhan Insurance S.C

Annual Report 2018/19

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Notice of the Eighth Annual Ordinary General and Second Extra Ordinary Meeting

THIS IS TO NOTIFY AND INVITE ALL SHAREHOLDERS OF BERHAN INSURANCE S.C TO ATTEND THE EIGHTH ANNUAL ORDINARY GENERAL MEETING AND SECOND EXTRA ORDINARY MEETING TO BE HELD ON 14 DECEMBER 2019 AT 8:00A.M. AT INTERCONTINENTAL HOTEL, ADDIS ABABA. THIS NOTICE IS GIVEN IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 392,418,419, OF THE COMMERCIAL CODE OF ETHIOPIA, 1960 AND ARTICLE 3 OF THE COMPANY'S ARTICLES OF ASSOCIATION. THE AGENDA ITEMS ARE AS SHOWN BELOW: -

1. Agenda of the Eighth Annual Ordinary General Meetingare are to:

1.1 Approve the Agenda.
1.2 Approve sales and or transfers of shares.
1.3 Receive the Report of the Board of Directors for the year 2018/2019.
1.4 Consider the Company's accounts and receive the auditor's report for the year ended 30 June, 2019.
1.5 Appoint External Auditors of the company for the financial year 2019/2020 and fix their remuneration.
1.6 Receive the Report of the Board Election Committee and nomimate Members of the Board of Directors
1.7 Decide on the appropriation of the net profit of the company 2018/19
1.8 Decide on the Board of Directors yearly and monthly payments.
1.9 Approve the minutes of the meeting.

2. Agenda of the Second Extra Oridinary Meeting are to:

2.1 Approve the Agenda.
2.1 Increase Company's Capital.
2.3 Approve the minutes of the meeting.

3. By Order of the Board Notice to the Shareholders

NOTE

- A Shareholder who is not able to attend the Meeting may appoint a PROXY, by filling a complete proxy form and presented to the company's Head Office, Finance and Investment Department, Yeshitam building 4th floor, before the date of the General Meeting.

OR...

- A PROXY or a Delegate shall bring, original and a copy of valid power of authority or delegation authenticated by an authorized government organ.

BOARD OF DIRECTORS

Ato Daniel Wondimu
Chairperson of the Board

Ato Solomon Assefa
V/Chairman

Ato Abraham Alaro
Director

W/ro. Maaza Kitaw
Director

Ato Girum Tsegaye
Director

W/ro Melkrist Hailu
Director

Ato Endashaw Kassa,
Director

Ato Sebilu Bodja
Director

Ato Yosef Sulito
Director

MANAGEMENT TEAM

- **Ato Alemayehu Tefera**
Managing Director

- **Ato Adefres Wesene**
Deputy Managing Director, Operations

- **Ato Sibu Ayele**
Manager, Finance & Investment Department

- **W/t Rediet Baye**
Manager, Underwriting, Reinsurance & Branch Operations Department

- **Ato Abiy Melka**
Manager, Marketing & Business Development Department

- **Ato Admassu Zerihun**
Manager, Claims & Recovery Department

- **Ato Hunde Cherinet**
Manager, HR & Property Administration Department

- **Ato Girum Teferi**
Manager, Engineering Departments

- **Ato Daniel Defar**
Manager, Legal Service

- **Ato Biruk Alemayehu**
Manager, IT Service

- **Ato Eyoel Getachew**
Manager, Risk & Compliance Service

2. Message from the Chairperson of the Board of Directors

It gives me immense pleasure to present the financial statements of Berhan Insurance S.C. for the year ended June 30, 2019. During the year under review, Berhan Insurance has witnessed another successful year at the end of its eight years of operations in the Insurance sector.

The political and economic turmoil seen during the year under report was severe that, it has brought immense political instabilities and bold economic challenges all over the country. Albeit, this political chaos, Berhan Insurance has managed to cope up the challenges, and scored an astounding operational performance. Consequently, I am glad to proudly announce that Berhan Insurance has registered a profit before tax of Birr 25.5 million in 2018/19 fiscal year which is (24%) greater than last year same period.

The total asset of the company has grown to Birr 410 million as at June 30, 2019, showing an increase of 30 % over the previous year's same period, which was Birr 316.2 million.

The total liability of the company as at June 30, 2019 is Birr 280.5 million. On the other hand the company's total equity has reached Birr 129.6 million showcasing healthy financial stance and liquidity.

This remarkable achievement witnesses, Berhan Insurance is succeeding on a strong institutional track and positive operational progress through the unified efforts of the BOD, the Management, and the staff towards realizing the aspired vision, mission and objectives.

In the year under report, the company has succeeded in developing its own recovery yard, and finalized the fence construction project of the future recovery and investment site located in Akaki Kality Sub City. Implementation of IFRS reporting system, which was laid by the government through its Proclamation No. 847/2014, has continued to be challenging for the company due to continuous IFRS standard updating by IASB along with non-existence of an ICT system in its operational deeds.

Esteemed shareholders of Berhan Insurance S.C., I want to recall on this important occasion, the serious concern we raised in the past three years, to our valued shareholders to give us an opportunity serving your individual and corporate insurance coverage needs and strengthen our customer base for better achievement and mutual benefits.

Finally, I want to warmly convey my heartfelt gratitude and appreciation to all our Shareholders, the Supervisory body, Brokers, Sales Agents and Reinsurers and our dear customers who had helped us accomplish this solid performance. Last but not least, my special thanks to my fellow Board members, the Management and the entire staff of Berhan Insurance for their hard work and enthusiastic team spirit.

God Bless Ethiopia !

Daniel Wondimu

Chairperson, BOD and Annual General Meeting

3. Report of the Board of Directors

The Board of Directors of Berhan Insurance S.C. takes pleasure in presenting to you the Eighth Annual Report of the Board of Directors and the Accounts of the company for the year ended 30 June, 2019.

3.1. The Macro Economic Environment

3.1.1 Overview of Global Economic Performance

According to IMF's recent economic update, after strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. Global growth was projected to slow from 3.6 percent in 2018 to 3.3 percent in 2019, before returning to 3.6 percent in 2020. (IMF, World Economic Outlook, April 2019)

3.1.2 Overview of Ethiopian Economic Performance

Ethiopia's economy experienced strong, broad-based growth averaging 9.9% a year from 2007/08 to 2017/18, compared to a regional average of 5.4%. Ethiopia's real gross domestic product (GDP) growth decreased to 7.7% from 2017/18. Industry, mainly construction, and services accounted for most of the growth. Agriculture and manufacturing made lower contribution to the growth in 2017/18 compared to the previous year. Private consumption and public investment explain demand-side growth, the latter assuming an increasingly important role.
Higher economic growth brought with it 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. The government is implementing the second phase of its Growth and Transformation Plan (GTP II) which will run to 2019/20. GTP II aims to continue expanding physical infrastructure through public investments and to transform the country into a manufacturing hub. GTP II targets an average of 11% GDP growth annually, and in line with the manufacturing strategy, the industrial sector is set to expand by 20% on average, creating more jobs. (World Bank Report, Sep., 2019)

3.1.3 Overview of the Insurance Industry

Based on NBE's report, the number of insurance companies in Ethiopia was 17, of which 16 were private. During the third quarter of the year under review, the number of insurance branches increased to 558 from 524 a year ago, out of which about 54 percent were located in Addis Ababa. (NBE, 2018/19 Third Quarter Report)

Besides, the ratio of the number of population to insurance branches reached 181,396 : 1 by the end of 2017/18 which showed slight increase from a year ago which was 191,772 : 1 in 2016/17.

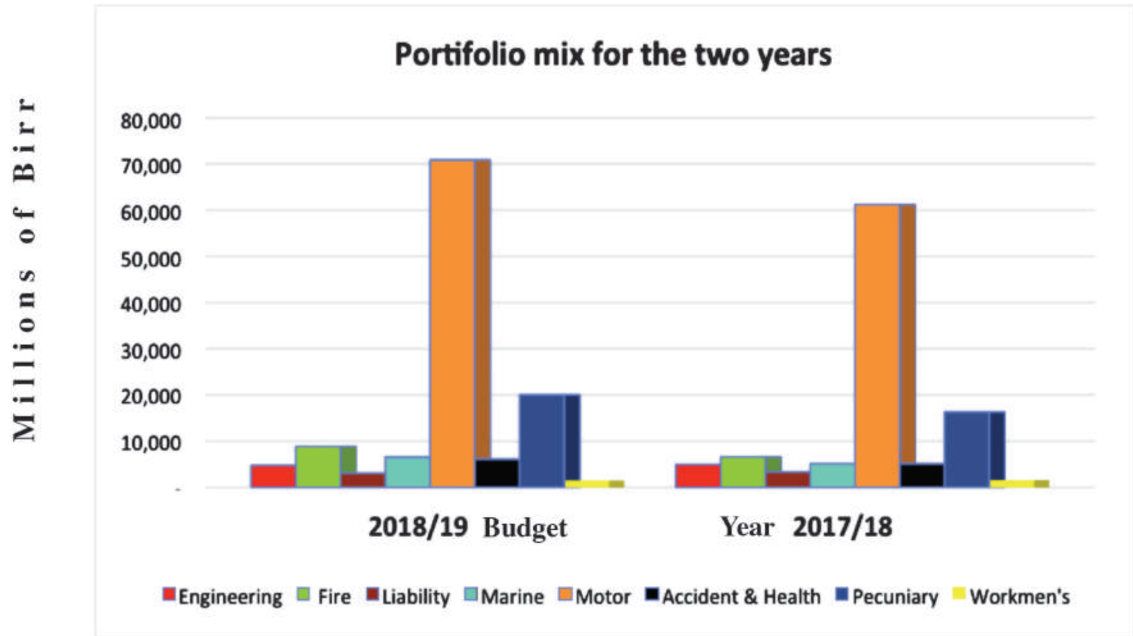
By the end of 2018/19 budget year, the total asset of the industry for the Non-Life Insurance providers was Birr 18.6 Billion and that of the Life Assurance reached Birr 2.2 Billion Furthermore, the total capital of Non-Life was Birr 7.4 Billion and Life Assurance was Birr 813.2 Million.

Generally speaking, the insurance industry is also affected by the political and economic disruptions in addition to other than the ever existing price war which is negatively affecting the industry actors for a long time, without craving any solution to this date.

4. Operational and Financial Performance

4.1 Gross Written Premium Income

In 2018/19, the Company generated a gross written premium income of Birr 121.7 million which is 17% more than the 2017/18 production of Birr 104.3 million.
The portfolio mixes of the different classes of business for two years are indicated in the following chart.



Motor class of business continued to produce the highest turnover with Birr 70.9 million representing 58% of total production as against Birr 61.3 million or 59% in 2017/18. This is followed by pecuniary class which stood at Birr 20.1 million or 16% of the total portfolio mix. The rest of the class of businesses share the remaining 26%.

4.2 Claims

Gross claims paid decreased from Birr 50.1 million in 2017/18 to Birr 44.2 million in 2018/19.

The Gross claims incurred are shown in the table and the table below.

Comparative Gross Claims Incurred

Class of Business	Gross Claims Incurred in '000 Birr		Variance	
	2018/19	2017/18	Amount/Birr	%Age
Motor	33,206	43,466	(10,260.16)	-24%
Pecuniary	60,278	12,294	47,984	390%
Engineering	3,112	6,305	(3,192.79)	-51%
Liability	47	2,404	(2,357.23)	-98%
Accident	1,767	1,675	92.28	6%
Fire	659	537	121.75	23%
Marine	3,872	38	3,833.62	10088%
Workmen's	302	-90	391.57	-435%
Total	**103,242**	**66,629**	**36,613**	**55%**

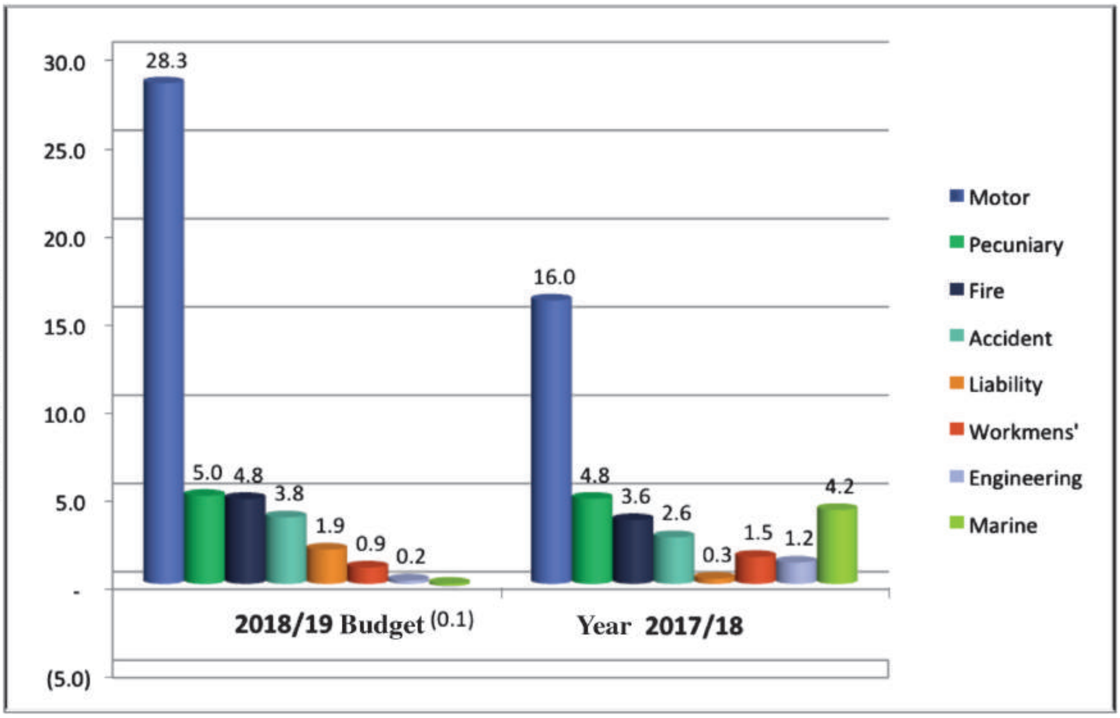
The company's gross claims incurred which includes movement in outstanding claims, ULAE and IBNR claims provisions during the year under review were higher than last years' same period by Birr 36.6 million or by 55%. This is due to high increase in claims incurred by pecuniary class of business. However the carefully designed reinsurance treaty helps to register the overall improved loss ratio of about 51% against 58% of the previous year.

4.3 Underwriting Result

The underwriting result registered by the company, during the year was a surplus of Birr 44.8 million, which is remarkably higher than the sum of Birr 34.3 million of the corresponding period of the previous year by Birr 10.5 million or 31%.

The underwriting result of the different classes of business for two years are indicated in the following chart (in millions of Birr).

Comparative Underwriting Result



4.4 Profit and Loss Account

During the year ended 30th June 2019, the company reported a profit before tax of Birr 25.5 million which was higher than the profit before tax of Birr 20.5 million registered during the same period last year. This is due to persistent effort that the management and staff of the company have shown towards improvement of the company's overall performance.

5. Statement of Financial Position

5.1 Assets

Total assets of the company as at 30 June 2019 stood at Birr 410 million. A growth of Birr 94 million or 30% was recorded as compared to the previous year same period balance of Birr 316.2 million.

5.2 Liabilities

Total liabilities of the Company at the end of the fiscal year amounted to Birr 280.5 million. It recorded a growth of Birr 73.7 million or 36% when compared with the preceding year of Birr 206.8 million.

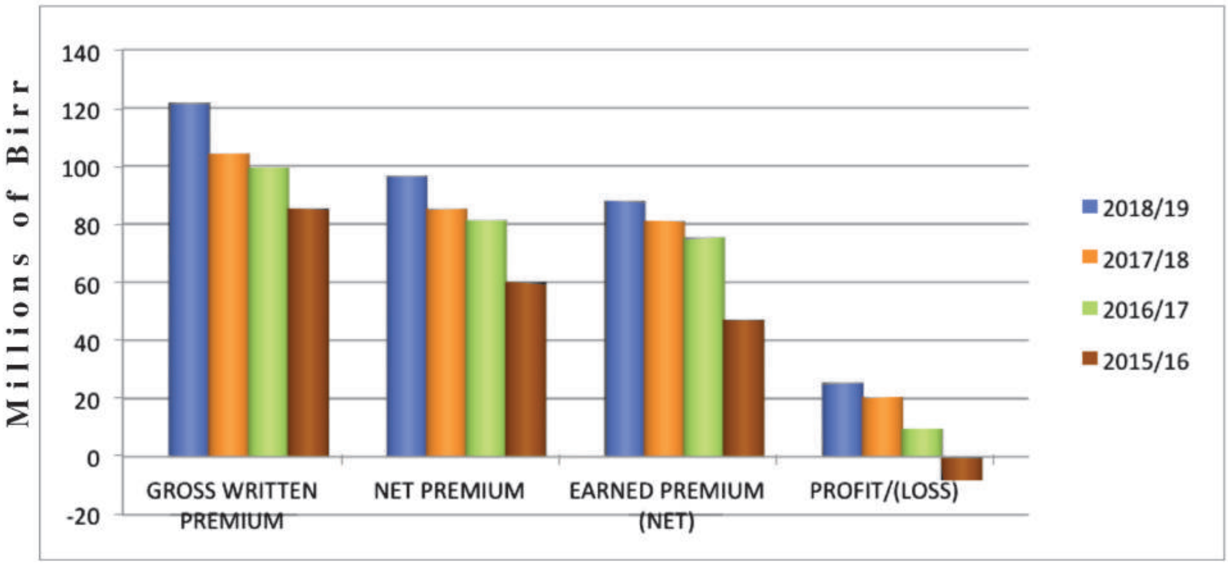
5.3. Equity Capital

The total equity capital of the company as of 30th June 2019 amounted to Birr 129.6 million. It grew by Birr 20.1 million or 18% when compared with the balance as at 30th June 2018 of Birr 109.4 million. Out of the total capital, Birr 100 million or 77% is the paid up capital.

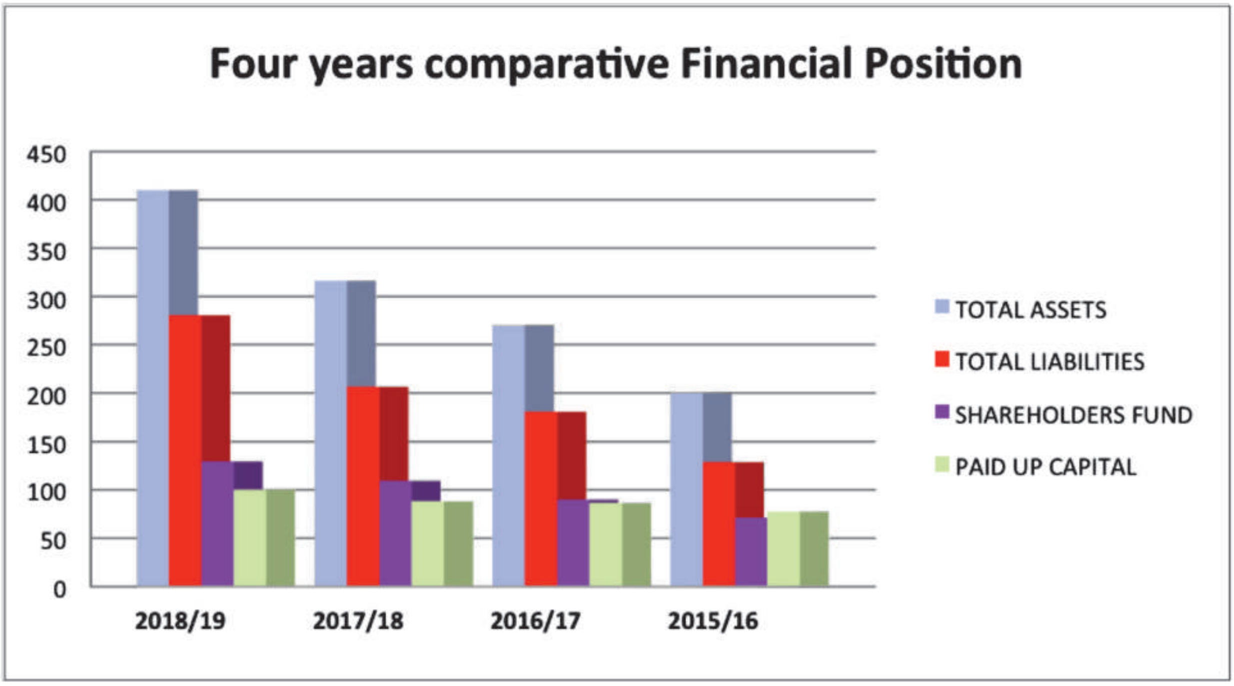
Four years Financial Highlights

In Birr '000	2018/19	2017/18	2016/17	2015/16
FINANCIAL RESULTS				
GROSS WRITTEN PREMIUM	121,860	104,284	99,322	85,457
NET PREMIUM	96,673	85,362	81,407	60,145
EARNED PREMIUM (NET)	88,039	81,129	75,511	47,143
PROFIT/(LOSS)	25,540	20,582	9,606	(8,180)
FINANCIAL POSITION				
PAID UP CAPITAL	100,000	88,196	86,548	77,614
SHAREHOLDERS FUND	129,567	109,445	90,025	71,340
TOTAL ASSETS	410,034	316,228	270,585	199,944
TOTAL LIABILITIES	280,468	206,783	180,560	128,604

Four years comparative financial performance



Four years comparative Financial Position



6. Branch Expansion

With the aim to attain one of its strategic objectives of being more accessible to its customers; by the end of 2018/19 budget year, our company has managed to expand its network to 15 branches and 3 contact offices. During the reporting period, the company had opened two additional branches which were found to be feasible. We have realized the opening of Olympia branch in Addis Ababa and an outlying branch in Adama town. Moreover, the branch expansion activities will be carried out in major towns and cities where the business opportunities are assessed to be lucrative for an insurance bussines.

7. Reinsurance Arrangements

The company has entered into reinsurance agreements with internationally renowned “A” rated and “B” rated Reinsurers including Ethiopian Reinsurance S.C. and has managed to give covers to high risks in various classes of businesses.

8. Human Resource Development

In the era of competitive business environment in service organizations such as insurance companies, customer satisfaction is a key factor contributing to organizational success. With this background, the company has adopted appropriate HR management policies that can increase the level of job satisfaction of staff with positive effects for the level of customer satisfaction.
At the end of the 2018/19 budget year, the number of employees of the company stood at 174 (100 male and 74 female). Regarding education, there are 7 second degree , 96 first degree and 34 diploma(TVET Level III-IV) holders and others are below diploma and high school certification.
During the year under review, various short term trainings have been given to a total of 120

employees(nearly 62% of total) on insurance operations (both underwriting and claims),finance, customer service ,leadership and in other relevant courses. A total of birr 720,023.00 was spent for the training and education of the employees, which is nearly within the limit of NBE's requirements.

Project

Fence construction project of future recovery and investment site of the company at Addis Ababa City Administration is successfully completed. The project to finalize the site for recovery yard and store has been commenced. In the budget year 2019/20, the company is planning to shift the recovery site to the company owned wreck yard thereby being able to save its rent expense.

9. Corporate Social Responsibility

In view of discharging our corporate social responsibility, we have supported and worked with different social groups and other stakeholders. Among them the Addis Ababa City Administration Education Bureau, Kolfe Keraniyo Sub City Education Office, Dagmawi Birhan Kindergarten & Primary School, Kenessa Second Level Public and Private Property Association, Hope University College, Safety Drivers Training School S.C., Ministry of Education, Gondar Relief Rehabilitation and Development Association, can be mentioned as testimonies of our social grant beneficeries.

10. Current and Future Endeavors

10.1 Implementing International Financial Reporting Standard (IFRS)

Following the execution of our financial reporting using IFRS standards in 2017/18 fiscal year for the first time, Berhan insurance will strictly coninue to present its financial reports in the future in compliance with Proclamation No. 847/2014 and updated new IFRS standards when ever it is found necessary .

10.2 Installation of Information Technology System

The Board of Directors and the Management of Berhan Insurance S.C are considering various possible options to tap the most cost effective and efficient ICT system adoption that enhances the operational efficiency and competitiveness of the Company in a progressive manner within five years time. This will be one of the key considerations of the next strategic plan.

10.3 Marketing and Business Development

Implementing a comprehensive marketing strategy has been considered as one of the core strides to be competent in the insurance sector. Thus, the Company is aspiring to solicit niche market like, strengthening our alliance with customers, trained sales agents and Berhan Bank.

Moreover, utmost effort will be exerted to enhance business relationship with insurance brokers. Inorder to ensure the accessibility of the Company's services to its existing and potential customers, the management will give due attention to streamline the expansion of new branches in different parts of the country. Inaddition, on the basis of a sound cost benefit analysis, a well-tailored branding, promotion and advertisement activities will be accomplished for the enhancement of the goodwill and brand image of the Company.

10.4 Operations Management

Setting amicable pricing strategies that will help us to be more competent in the insurance sector, especially on selected motor businesses along with sticking on minimization of claims cost by identifying and carefully working on the selection of garages and spare part suppliers are considered to be one of the major tasks to be addressed in the coming years.

In addition, identifying of claims leakage points in the claims process, designing better mitigation systems in the implementation of claims process standards, and enhancing claims handling efficiency and effectiveness, which will be followed by proper customer satisfaction deeds, will be the major focus areas of the operation for the coming fiscal year.

Some of the Marine claims handled during the budget year 2018/19

Some of the Motor Claims handled under Motor Insurane Policy

Some of the Motor Claims handled under Motor Insurane Policy

Fire & Lighting Insurance given to Commercial Buildings

Fire & Lighting Insurance given to Commercial Buildings

Fire & Lighting Insurance given to Various Manufacturing Companies

Fire & Lighting Insurance given to Various Manufacturing Companies

Fire & Lighting Insurance given to Various Manufacturing Companies

Fire & Lighting Insurance given to Various Manufacturing Companies

Berhan Insurance S.C.

AUDITOR'S REPORT

BERHAN INSURANCE S.C
AUDITOR'S REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

Berhan Insurance S. C
Contents
For the year ended 30 June 2019

Berhan Insurance S. C
Directors, professional advisors and registered office
For the year ended 30 June 2019

Company registration number: 020/2/9361/2003

Board Of Directors *(as of 30 June 2019)*		**Designation**	**Appointment Date**
1	Ato Daniel Wondmu	Chairman	30/Oct/10
2	Ato Solomon Asefa	D/chairman	24/May/17
3	W/ro Meaza Kitaw	Member	30/Oct/10
4	Ato Abraham Alaro (Berhan Int. Bank)	Member	30/Oct/10
5	Ato Yoseph Sulito	Member	24/May/17
6	Ato Girum Tsegaye	Member	24/May/17
7	Ato Sibilu Bodja	Member	24/May/17
8	W/ro Melkerist Hailu	Member	24/May/17
9	Ato Endashaw Kassa	Member	24/May/17

Executive Management Team *(as of 30 June 2019)*		**Designation**	**Appointment Date**
1	Ato Alemayehu Tefera	Chief Executive Officer (CEO)	21/Jun/15
2	Ato Adefres Wosene	D/Managing Director, Operations	1/Jan/17
3	Ato Sibu Ayele	Finance & Investment Dept. Manager	1/Oct/14
4	W/rt. Rediet Baye	Underwriting, Branch Operations & Reinsurance Department Manager	1/Jul/16
5	Ato Admassu Zerihun	Claims Department Manager	1/Jul/16
6	Ato Abiy Melka	Marketing & Business Development Department Manager	4/Oct/16
6	Ato Girum Teferi	Engineering Department Manager	12/Jun/17
7	Ato Hunde Cherinet	HR & Property Admininstration. Dept A/Manager	1/Jul/17
8	Ato Daniel Defar	Legal Service Manager	5/Sep/16
9	Ato Biruk Alemayehu	IT Service Manager	20/Feb/17

Independent auditor

Asrat, Gezahegn and Birberssa Audit General Partnership
Chartered Certified Accountants (UK) and Authorized Auditors (Eth.)
Addis Ababa,
Ethiopia

Corporate office

Berhan Insurance S.C
Yeshitam Building
Debrezit Road,
Infront of Ethiopian Revenue & Customs Authority
Addis Ababa,
Ethiopia

Consulting Actuaries

Actuarial Service (EA) Ltd
26th Floor, UAP Old Mutual Tower, Upper Hill Road
P.O.Box 10472 - 00100 Nairobi, Kenya

Nairobi City, Kenya

Principal bankers

Berhan International Bank
Bunna International Bank
NIB International Bank
Bank of Abysinnia
United Bank

Re-insurers

African Reinsurance Corporation
Ethiopian Reinsurance S.C
PTA Reinsurance Co.
Ghana Reinsurance Company
East Africa Reinsurance Co.

Berhan Insurance S. C
Report of the directors
For the year ended 30 June 2019

The directors submit their report together with the financial statements for the year ended 30 June 2019, to the members of Berhan Insurance S.C. This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

Berhan Insurance Company (S.C) was incorporated in Ethiopia on 1 October, 2010 as a share company, and is domiciled in Ethiopia.

Principal activities

The principal activity of the Company is to engage in general insurance business.

Results and dividends

The Company's results for the year ended 30 June 2019 are set out on page 9. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Gross premium written	121,860	104,284
Profit before income tax	25,540	20,582
Profit tax expense	(1,119)	-
Net Profit for the year	**24,421**	**20,582**

Directors

The directors who held office during the year and to the date of this report are set out on page 23.

Alemayehu Tefera
Company Secretary
Addis Ababa, Ethiopia

Berhan Insurance S. C
Statement of directors' responsibilities
For the year ended 30 June 2019

In accordance with the Financial Reporting Proclamation No. 847/2017, the Accounting and Auditing Board of Ethiopia (AABE) has directed the Company to prepare financial statements in accordance with International Financial Reporting Standards (IFRS).

The directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company is required to keep such records as are necessary to:

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

b) explain its transactions and financial position; and

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

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

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

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

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

Signed on behalf of the Directors by:

Daniel Wondimu
Board Chairman

Alemayehu Tefera
Managing Director

Berhan Insurance S. C
Independent auditors' report
For the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BERHAN INSURANCE SHARE OMPANY

Opinion

We have audited the accompanying financial statements of Berhan Insurance S.C, set out on pages 8 to 62, which comprise the statement of financial position as at 30 June 2019, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 30 June 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Commercial Code of Ethiopia 1960.

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, together with other ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Financial Statements

The Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, and for such internal controls as Directors determine are 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, the 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Berhan Insurance S. C
Independent auditors' report
For the year ended 30 June 2019

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of the directors so far as it relates to these financial statements and pursuant to Article 375 of the Commercial Code of the Empire of Ethiopia 1960, we recommend the financial statements for approval.

Asrat, Gezahegn and Birberssa Audit G.P.
Chartered Certified Accountants (UK) and Authorized Auditors (Eth.)
Addis Ababa, Ethiopia
14 October 2019

Berhan Insurance S. C
Statement of financial position
As at 30 June 2019

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
ASSETS			
Cash and cash equivalents	13	193,316	167,790
Investment securities			
- Available for sale	14.1	41,419	33,018
- Loans and receivables	14.2	11,500	11,500
Statutory Deposit in cash	21	2,662	1,608
Trade and other receivables	15	12,585	12,095
Reinsurance assets	16	112,264	62,715
Deferred acquisition cost	17	2,456	2,440
Other assets	18	7,682	8,769
Intangible assets	19	5	10
Property, plant and equipment	20	26,145	16,283
Total assets		**410,034**	**316,228**
LIABILITIES			
Insurance contract liabilities	22	237,287	169,162
Deferred tax liabilities	12.3	661	746
Current income tax liabilities	12.2	1,119	-
Insurance payables	23	25,015	24,154
Other liabilities	24	16,385	12,721
Total liabilities		**280,468**	**206,783**
EQUITY			
Share capital	27	100,000	88,196
Share premium	28	1,246	1,256
Retained earnings	30	22,063	16,177
Legal reserve	31	6,258	3,816
Total equity		**129,567**	**109,445**
Total equity and liabilities		**410,034**	**316,228**

The notes on pages 32 to 82 are an integral part of these financial statements.

The financial statements on pages 28 to 82 were approved and authorised for issue by the board of directors on 14 October 2019 and were signed on its behalf by:

Daniel Wondimu
Board Chairman

Alemayehu Tefera
Managing Director

Berhan Insurance S. C
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
Gross premium income	5.1	113,226	100,050
Reinsurance expenses	5.3	(25,188)	(18,922)
Net premium income		88,039	81,129
Fee and commission income	6	5,942	5,279
Net underwriting income		93,981	86,408
Claims expenses	7.1	103,242	66,629
Claims expenses recoverable from reinsurance	7.2	(58,635)	(19,626)
Net claims and loss adjustment expense		44,607	47,003
Underwriting expenses	8	4,553	5,088
Total underwriting expenses		49,160	52,091
Underwriting profit		44,821	34,317
Investment income	9	22,393	21,143
Other operating income	10	408	510
		22,801	21,653
Net income		67,622	55,970
Other operating and administrative expenses	11	(42,081)	(35,388)
Impairment on loans and receivables including insurance receivables	15.1	-	-
Profit before income tax		25,540	20,582
Income tax expense	12.1	(1,119)	-
Profit for the year		**24,421**	**20,582**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Deferred tax (liability)/asset on remeasurement gain or loss		-	-
Deferred tax (liability)/asset	12.3	84	(47)
		84	(47)
Total comprehensive income for the year		**24,505**	**20,535**
Basic & diluted earnings per share (Birr)	29	24%	22%

The notes on pages 32 to 82 are an integral part of these financial statements.

Berhan Insurance S. C
Statement of changes in equity
As at 30 June 2019

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Total Birr'000
As at 1 July 2017		86,548	1,238	(321)	1,757	89,222
Profit for the year	30	-	-	20,582	-	20,582
Dividend paid		-	-	(1,979)	-	(1,979)
Proceeds from issue of shares		1,648	19	-	-	1,667
Transfer to legal reserve	31	-	-	(2,058)	2,058	-
Other comprehensive income:						
Deferred tax (liability)/asset on remeasurement gain or loss		-	-	(47)	-	(47)
Total comprehensive income for the year		1,648	19	16,498	2,058	20,223
As at 30 June 2018		**88,196**	**1,256**	**16,177**	**3,816**	**109,445**
As at 1 July 2018		88,196	1,256	16,177	3,816	109,445
Profit for the year	30	-	-	24,421	-	24,421
Dividend paid		-	-	(16,177)	-	(16,177)
Proceeds from issue of shares		11,804	(10)	-	-	11,794
Transfer to legal reserve	31	-	-	(2,442)	2,442	-
Other comprehensive income:						
Deferred tax (liability)/asset on remeasurement gain or loss		-	-	84	-	84
						-
Total comprehensive income for the year		**11,804**	**(10)**	**5,886**	**2,442**	**20,122**
As at 30 June 2019		**100,000**	**1,246**	**22,063**	**6,258**	**129,567**

The notes on pages 32 to 82 are an integral part of these financial statements.

Berhan Insurance S. C
Statement of cash flows
For the year ended 30 June 2019

	Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
Cash flows from operating activities			
Cash generated from operations	32	12,539	1,695
Interest received		18,245	16,126
Interest paid		-	-
Income tax paid	12	-	-
Net cash inflow from operating activities		**30,784**	**17,821**
Cash flows from investing activities			
Purchase of investment securities	14	(8,401)	(6,018)
Purchase of property, plant and equipment	20	(11,738)	(1,914)
Purchase of intangible assets	19	-	-
Proceeds from sale of property, plant and equipment	32	-	515
Dividend received			
Net cash outflow from investing activities		(20,139)	(7,416)
Cash flows from financing activities			
Increase in statutory deposits	21	(1,054)	(258)
Proceeds from issues of shares	27	11,804	1,648
Increase in share premium	28	(10)	19
Dividends paid	30	(16,177)	(1,979)
Net cash outflow from financing activities		(5,437)	(570)
Net increase in cash and cash equivalents		**5,208**	**9,834**
Cash and cash equivalents at the beginning of the year	13.1	32,350	22,516
Cash and cash equivalents at the end of the year	13.1	**37,559**	**32,350**

The notes on pages 32 to 82 are an integral part of these financial statements.

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

1 General information

Berhan Insurance ("the Company) SC is a private commercial Insurance Company domiciled in Ethiopia. The Company was established on October 2010, in accordance with proclamation No. 86/1994 and the Commercial code of Ethiopia of 1960. The Company has been licensed by the National bank of Ethiopia, the licensing body of Banks, Insurance and other Financial Institutions as per the power vested to it through Proclamation No 591/2008, the National Bank of Ethiopia Establishment (as amended) Proclamation. The registered office is at:

Yeshitam Building
Debrezeit Road
P.O.Box 9266
Addis Ababa,
Ethiopia

The principal activities of the Company is to engage in general insurance business, annuity business, personal accident insurance business, and in the business of reinsurance; to invest in real estate business, including mortgage, bonds, shares and in any other business condusive for investment; and to engage in any other activity that may directly or indirectly enhance its business purposes as specified above.

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 2019 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 financial position, the statement of profit or loss and other comprehensive income, 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 available for sale financial assets which is measured at fair value. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

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

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

2.2.2 Changes in accounting policies and disclosures

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

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

IFRS 9 - Financial Instruments

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

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

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Early adoption of the standard is permitted.

IFRS 16 - Leases

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

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

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

IFRS 17 - Insurance contracts

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

This standard requires a company that issues insurance contracts to report insurance obligations and risks on the balance sheet as the total of:

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

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

The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

2.3 Foreign currency translation

a) *Functional and presentation currency*

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

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

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

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.

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

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	Depreciation Rate	Estimated Residual value
Motor vehicles	10	10%	5%
Computer and accessories	7	14%	1%
Office equipment	10	10%	1%
Furniture and fittings	10	10%	1%

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 Intangible assets

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

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

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

Assets class	Useful lives (years)
Computer software	8

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

2.5 Intangible assets (Contd)

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 of.

2.6 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.

2.7 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.

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

2.7.1 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

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

'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.

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

2.7.1 Financial assets (Contd)

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

(i) Financial assets carried at amortised cost

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

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

(i) Financial assets carried at amortised cost (Contd)

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.

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

2.7.2 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.

2.7.2 Financial liabilities (Contd)

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.

2.7.3 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 Other assets

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

(a) Prepayments

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

(b) Other receivables

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

2.9 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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For the year ended 30 June 2019

2.10 Insurance contracts

2.10.1 Classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

2.10.2 Recognition and measurement

The Company's insurance contracts are short term insurance contracts. This classification is based on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts.

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).

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income.

Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

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

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

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Notes to the financial statements
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2.10.3 Liability adequacy test

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

2.10.4 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.

2.10.5 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.

2.10.6 Salvage and subrogation reimbursements

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

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

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

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Notes to the financial statements
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2.11 Revenue recognition

a) *Gross premiums*

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy is effective. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

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

b) *Reinsurance premiums*

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

d) *Investment income*

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.

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.

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For the year ended 30 June 2019

2.14 Employee benefits

(a) *Wages, salaries and annual leave*

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

(b) *Defined contribution plan*

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

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

ii) provident fund contribution, funding under this scheme is also 7% and 11% by employees and the Company respectively based on the employees' salary.

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.

2.15 Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions Note 4.8.1 and Notes 3
- Quantitative disclosures of fair value measurement hierarchy Note 4.8.2

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

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

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

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

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

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2.15 Fair value measurement (Contd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

The IASB has issued an exposure which gave companies whose business model is predominantly to issue insurance contracts an option to deffer the effective date of IFRS 9 until 2021, and **Berhan Insurance s.c** is opted to deffer it. In this regard, for eligibility, management has assessed the following:

. **Berhan insurance s.c.** has not previously applied any version of IFRS 9.

. The total carrying amount of liabilities connected with insurance, which includes liabilities under IFRS 4 and investment contract liabilities measured at fair value under IAS 39, for the year ended 30 June 2019 is equivallent to 94% of total liabilities which is significant.

Fair value of financial instruments

Equity Investment	**30-Jun-19**	**30-Jun-18**
Investment in shares - Berhan Bank	42,340	24,856
Investment in shares - Ethio Re	5,000	5,000
Total	**47,340**	**29,856**

	30-Jun-19	**30-Jun-18**
Beginning Balance	29,856	27,000
Additions	8,401	6,018
Increase/(decrease) in fair value	9,083	(3,162)
Disposals	-	-
Closing fair value	**47,340**	**29,856**

This investment is unquoted equity instrument subsequently measured at fair vlue. The estimated fair value of the equity investment in Berhan bank share company is Birr 29,856,078 and Birr 47,340,491 for the year ended 30 june 2018 and 2019 respectively.This fair value has been determined by applying an appropriate valuation technique, *the dividend discount method*. This valuation has not been performed by an independent valuer.In applying this method management has assumed an estimated annual dividend income of birr 6,351,074 for the financial year ended June 30,2019 by reference to past trend and a minimum rate of return of 15%. The dividend earned from the bank is assumed to follow the same trend. So the average dividend earned for the past five years was used to determine the fair value.

The investment in equity instrument of Ethio-Re was reported at cost, due to the lack of relevant information.

2.16 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.

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2.17 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.

2.18 Earnings per share

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

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

2.19 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. Ethiopian legislation identifies the basis of distribution as the current year net profit.

2.20 Leases

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

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

2.21 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.

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3 Significant accounting judgements, estimates and assumptions

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

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

• Capital management Note 4.7
• Financial risk management and policies Note 4.3
• Sensitivity analyses disclosures Note 4.2

3.1 Judgements

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

Operating lease commitments -Company as lessee

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

3.2 Estimates and assumptions

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

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

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

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

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortised to the consolidated statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs to the consolidated statement of profit or loss. The main assumptions used relate to investment returns, expenses, lapse and surrender rates and discount rates.

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

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3.2 Estimates and assumptions (Contd)

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

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

Impairment losses on insurance receivables

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

The following impairment triggers have been set by the Company:
(a) significant financial difficulty of the premium debtor;
(b) significant financial difficulty of the broker;
(c) a breach of agreements, such as payment defaults or delinquency in premium payments;
(d) Economic, regulatory or legal reasons relating to the premium debtor's financial difficulty, granting to the premium debtor a concession that the Company would not otherwise consider;
(e) High probability that the premium debtor will enter bankruptcy or other financial reorganisation.

If any of the impairment triggers are identified, the Company specifically assess the premium debt for impairment. Where no impairment trigger is identified, or no objective evidence of impairment exists, the Company assesses its premium debts collectively for impairment using the historical loss rate model.

The historical loss rate model considers the historical recoveries (cash flows) on premium debts for policies written in prior years, in order to determine the loss given default ratio on outstanding premium as at the reporting date. The model also considers premium receipts subsequent to the reporting date. The loss ratio derived is used to determine the allowance for impairment on premium debts.

This model assumes that all premium debts will be paid until evidence to the contrary (a loss or trigger event) is identified. On the identification of an objective evidence of impairment, the premium debts are subject to specific impairment. Where there is no objective evidence of impairment, the premium debts are subjected to collective impairment.

Collective impairment incorporates the following:
• current and reliable data, management's experienced credit judgements, and all known relevant internal and external factors that may affect collectability;
• historical loss experience or where institutions have no loss experience of their own or insufficient experience, peer company experience for a comparable company's of financial instruments at amortized cost;
• adjustments to historical loss experiences on the basis of current observable data to reflect the effects of current conditions

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.

Impairment losses on available-for-sale equity financial assets

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

The Company's available-for-sale equity financial assets were assessed for impairment during the year and there was no identified objective evidence of impairment.

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Fair value measurement of financial instruments

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

Income taxes

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

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

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4 Insurance and financial risk management

4.1 Introduction

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

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

4.1.1 Risk management structure

The Board of Directors have the ultimate responsibility for establishing and ensuring the effective functioning of the risk management program of the Company.

The Risk committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and risk tolerance limits for the Board's approval. It is also responsible for reviewing and assessing the adequacy of risk management policies and framework in identifying , measuring, monitoring and controlling risk and the extent to which these are operating effectively including providing periodic reports on risk management activities.

The Chief Executive Officer (CEO) is responsible for establishing and maintaining a climate of risk awareness and intelligence, as well as, developing governance mechanisms that effectively monitor risks.

The Company’s policy is that risk management processes throughout the Company are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the Company.

4.1.2 Risk measurement and reporting systems

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

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

4.1.3 Risk mitigation

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

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

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4.2 Insurance risk

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

Non- life insurance contracts

The Company principally issues the following types of general insurance contracts: fire, accident and health, motor, Workmen compensation, marine cargo and goods in transit, pecuniary, general liability, engineering, others and all risks.

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

30 June 2019	**Gross liabilities Birr'000**	**Reinsurance liabilities Birr'000**	**Net liabilities Birr'000**
Motor	80,475	6,969	73,506
Marine	4,357	425	3,931
Fire	4,962	1,758	3,204
Accident and Health	2,742	266	2,476
Engineering	12,352	6,145	6,207
General Liability	5,157	980	4,177
Workmens'	1,491	53	1,438
Pecuniary	125,750	46,118	79,633
Total non-life insurance contract liabilities	237,286	62,715	174,571

30 June 2018	**Gross liabilities Birr'000**	**Reinsurance liabilities Birr'000**	**Net liabilities Birr'000**
Motor	74,757	6,969	67,788
Marine	3,151	425	2,726
Fire	10,857	1,758	9,098
Accident and Health	2,396	266	2,130
Engineering	5,486	6,145	(659)
General Liability	3,958	980	2,978
Workmens'	3,335	53	3,282
Pecuniary	65,222	46,118	19,104
Total non-life insurance contract liabilities	169,162	62,715	106,447

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Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear.

		Change in liability		
	Change in assumptions	**30 June 2019 Birr'000**	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**
Average claim cost	+10%	18,427	16,114	12,584
Average number of claims	+10%	18,427	16,114	12,584
Average claim settlement period	Reduce from 30 months to 24 months			

		Change in liability	
	Change in assumptions	**30 June 2019 Birr'000**	**30 June 2018 Birr'000**
Average claim cost	-10%	(18,499)	(13,202)
Average number of claims	-10%	(18,499)	(13,202)
Average claim settlement period	Reduce from 30 months to 24 months		

	30 June 2019 Birr'000	**30 June 2018 Birr'000**
IBNR	11,943	10,510
Outstanding Claims	155,889	97,807
Total Actuarial Liability	167,831	108,317

Claims development table

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

Gross non–life insurance contract outstanding claims provision for 2019:

Accident year	2016 Birr'000	2017 Birr'000	2018 Birr'000	2019 Birr'000	Total Birr'000
2016	40,535	64,106	64,673	128,284	297,597
2017	628	341	-	-	969
2018	-	-	-	-	-
2019	-	-	-	-	-
Cumulative Incurred	41,163	64,447	64,673	128,284	298,566
IBNR	-	2,546	3,065	6,331	11,943
Ultimate Claims Projected	41,163	66,992	67,738	134,615	310,509

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Claims development table (Contd)

Gross non–life insurance contract outstanding claims provision for 2019:

Accident year	2015 Birr'000	2016 Birr'000	2017 Birr'000	2018 Birr'000	Total Birr'000
2015	31,180	40,092	78,928	76,612	226,813
2016	5,775	610	983	-	7,369
2017	40	700	-	-	740
2018	(13)	-	-	-	(13)
Cumulative Incurred	36,983	41,403	79,911	76,612	234,909
IBNR	-	1,692	3,368	5,449	10,510
Ultimate Claims Projected	36,983	43,095	83,280	82,061	245,418

Gross non–life insurance contract outstanding claims provision for 2018:

Accident year	2014 Birr'000	2015 Birr'000	2016 Birr'000	2017 Birr'000	Total Birr'000
2014	26,662	31,208	55,462	83,251	196,583
2015	112	5,803	865	-	6,780
2016	-	30	-	-	30
2017	-	-	-	-	-
Cumulative Incurred	26,774	37,041	56,327	83,251	203,393
IBNR	-	328	3,609	4,358	8,295
Ultimate Claims Projected	26,774	37,369	59,936	87,609	211,688

4.3 Financial risk

Financial instruments by category

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

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

30 June 2019	**Notes**	**Available-For-Sale Birr'000**	**Loans and receivables Birr'000**	**Total Birr'000**
Cash and cash equivalents	13	-	193,316	193,316
Investment securities				-
- Available for sale	14.1	41,419	-	41,419
- Loans and receivables	14.2	-	11,500	11,500
Trade and other receivables	15	-	12,585	12,585
Reinsurance assets	16	-	112,264	112,264
Total financial assets		41,419	329,665	371,084

30 June 2018	**Notes**	**Available-For-Sale Birr'000**	**Loans and receivables Birr'000**	**Total Birr'000**
Cash and cash equivalents	13	-	167,790	167,790
Investment securities				-
- Available for sale	14.1	33,018	-	33,018
- Loans and receivables	14.2	-	11,500	11,500
Trade and other receivables	15	-	12,095	12,095
Reinsurance assets	16	-	62,715	62,715
Total financial assets		33,018	254,100	287,118

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4.4 Credit risk

Credit risk is the risk of financial loss, despite realization of collateral security or property, resulting from the failure of a debtor to honor its obligations to the company. It Includes investment activities (where the Company invests in bonds, debentures, or other credit instruments) and reinsurance arrangement of the Company.

4.4.1 Management of credit risk

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

4.4.2 Concentration of credit risk

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

(a) Investing/lending activities

The Company faces these risks when it extends bond policies without collateral Of course when making investments in any bonds, debentures or other evidences of indebtedness, the insurer is taking on a credit risk. Clearly, such investment area is a major source of credit risk.

(b) Trade debtors/Financing of premiums

There is a potential credit risk arising from the fact that policyholders may not remit premiums on a timely basis, whether or not there is a premium-financing program in place and whether or not the business is written through an intermediary.

(c) Reinsurance

Insurers, especially general insurers, often rely heavily on their reinsurers for claim reimbursement. The credit risk arising in the reinsurance area can be very significant, making it critically important for insurers to establish formal policies with regard to the selection of reinsurers.

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Cash and cash equivalents	193,316	167,790
Investment securities		
- Available for sale	41,419	33,018
- Loans and receivables	11,500	11,500
Trade and other receivables	12,585	12,095
Reinsurance assets	112,264	62,715
Total maximum exposure	371,084	287,118

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4.4.3 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired as at 30 June 2019 and 30 June 2018 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia.

(b) Credit quality of trade and other receivables

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
30 June 2019	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Insurance receivables				
Due from policy contract holders	359	-	(348)	11
Due from Co-insurers	-	-	-	-
Due from re-insurers	837	11,248	-	12,085
	1,196	11,248	(348)	12,096
Other loans and receivables				
Other receivables	7,677	-	-	7,677
Staff debtors	1,351	-	-	1,351
Gross amount	9,028	-	-	9,028
Less: Specific impairment allowance (note 15.1)	-			-
	9,028	-	-	9,028
	10,224	11,248	(348)	21,124

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
30 June 2018	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Insurance receivables				
Due from policy contract holders	358	-	(348)	10
Due from Co-insurers	-	-	-	-
Due from re-insurers	837	11,248	-	12,085
	1,195	11,248	(348)	12,095
Other loans and receivables				
Other receivables	7,677	-	-	7,677
Staff debtors	1,092	-	-	1,092
Gross amount	8,769	-	-	8,769
Less: Specific impairment allowance (note 15a)	-	-	-	-
	8,769	-	-	8,769
	9,964	11,248	(348)	20,864

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(b) Credit quality of trade and other receivables (Contd)

(i) Trade and other receivables - neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Receivables in this category are past due for less than 30 (thirty) days.

	30 June 2019 Birr'000	30 June 2018 Birr'000
Neither past due nor impaired	10,224.06	9,964
	10,224.06	9,964

(ii) Trade and other receivables - past due but not impaired

	30 June 2019 Birr'000	30 June 2018 Birr'000
Past due up to 30 days	603	-
Past due up to 30 - 60 days	8,104	7,258
Past due by 60 - 90 days	1,779	1,158
Past due by 90 - 180 days	2,088	2,832
	12,574	11,248
Collective impairment		
	12,574	11,248

(iii) Allowance for impairment

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Insurance receivables	(348)	(348)
Total allowance for impairment	(348)	(348)

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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 2019 and 30 June 2018. The Company concentrates all its financial assets in Ethiopia.

30 June 2019	Public enterprise Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
Cash and cash equivalents	1,730	191,586	-	193,316
Investment securities				-
- Available for sale	-	41,419	-	41,419
- Loans and receivables	11,500	-	-	11,500
Trade and other receivables	-	12,574	359	12,933
Reinsurance assets	-	112,264	-	112,264
	13,230	357,843	359	371,432

30 June 2018	Public enterprise Birr'000	Private Birr'000	Others Birr'000	Total Birr'000
Cash and cash equivalents	1,730	166,060	-	167,790
Investment securities:				-
- Available for sale	-	33,018	-	33,018
- Loans and receivables	11,500	-	-	11,500
Trade and other receivables	-	12,085	358	12,443
Reinsurance assets	-	62,715	-	62,715
	13,230	273,878	358	287,466

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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 debtor to pay his debts as and when they fall due. It is usually expressed as a ratio or a percentage of current liabilities to current assets. 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 Department 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 Department 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 not less than 65% of its admitted asset at bank deposits and treasury bills. Based on forecasted cash flow statement of the year, the Company may arrange appropriate form of bank loan facility such as bank overdraft to make funds available for those times where cash flow short falls are predicted.

4.5.3 Maturity analysis of financial liabilities

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

30 June 2019	0-1 year Birr'000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
Insurance contract liabilities	237,287	-	-	-	237,287
Insurance payables	25,015	-	-	-	25,015
Other liabilities	16,385	-	-	-	16,385
Total financial liabilities	**278,687**	**-**	**-**	**-**	**278,687**

30 June 2018	0-1 year Birr'000	1-3 years Birr'000	3-5 years Birr'000	Over 5 years Birr'000	Total Birr'000
Insurance contract liabilities	169,162	-	-	-	169,162
Insurance payables	24,154	-	-	-	24,154
Other liabilities	12,721	-	-	-	12,721
Total financial liabilities	**206,037**	**-**	**-**	**-**	**206,037**

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4.6 Market risk

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

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

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

4.6.1 Management of market risk

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

4.6.2 Measurement of market risk

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

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

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

4.6.3 Monitoring of market risk

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

a) Equity investments are made often by conducting a thorough study and assessment.
b) Equity investments are acquired from companies where the return is not less 10%.
c) Investment will not exceed in concentration more than 20% in one Company.
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.

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(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 2019	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	185,395	7,921	193,316
Investment securities			
- Loans and receivables	11,500	-	11,500
Trade and other receivables	-	12,585	12,585
Reinsurance assets	-	112,264	112,264
Total	196,895	132,770	329,665
Liabilities			
Insurance contract liabilities	-	-	-
Insurance payables	-	25,015	25,015
Other liabilities	-	16,385	16,385
Total	-	41,400	41,400

30 June 2018	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	160,314	7,476	167,790
Investment securities			
- Loans and receivables	11,500	-	11,500
Trade and other receivables	-	12,095	12,095
Reinsurance assets	-	62,715	62,715
Total	171,814	82,286	254,100
Liabilities			
Insurance contract liabilities	-	169,162	169,162
Insurance payables	-	24,154	24,154
Other liabilities	-	12,721	12,721
Total	-	206,038	206,038

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(ii) Foreign exchange risk

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

4.7 Capital management

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

4.7.1 Margin of Solvency ratio

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

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

		30 June 2019 Birr'000	30 June 2018 Birr'000
Admissible assets			
	A		
Cash and bank balances		193,316	167,790
Investment securities			
- Available for sale		41,419	33,018
- Loans and receivables		11,500	11,500
Trade and other receivables		12,585	12,095
Other assets		7,682	8,769
Property, plant and equipment		26,145	16,283
Statutory Deposit		2,662	1,608
		295,309	251,062
Admissible liabilities	B		
Insurance contract liabilities		237,287	169,162
Current income tax liabilities		1,119	-
Insurance payables		25,015	24,154
Other liabilities		16,385	12,721
		279,806	206,038
Excess (admitted capital)- (A-B)	C	15,502	45,025
Net premium		88,039	81,129
Technical provision		237,287	169,162
Solvency margin			
Limit of net premium i.e. 20% of net premium	D	17,608	16,226
Limit of technical provision i.e. 25% of technical provision	E	59,322	42,291
Since C>E - Positive Solvency	(C-E)	(43,820)	2,734
Solvency ratio		**26%**	**106%**

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4.8 Fair value of financial assets and liabilities

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

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

4.8.1 Valuation models

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

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

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

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

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

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

4.8.2 Financial instruments not measured at fair value

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

	30 June 2019		30 June 2018	
	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000
Financial assets				
Cash and bank balances	193,316	193,316	167,790	167,790
Investment securities				
- Available for sale	41,419	41,419	33,018	33,018
- Loans and receivables	11,500	11,500	11,500	11,500
Trade and other receivables	12,585	12,585	12,095	12,095
Reinsurance assets	112,264	112,264	62,715	62,715
Total	371,084	371,084	287,118	287,118
Financial liabilities				
Insurance contract liabilities	237,287	237,287	169,162	169,162
Insurance payables	25,015	25,015	24,154	24,154
Other liabilities	16,385	16,385	12,721	12,721
Total	278,687	278,687	206,038	206,038

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4.8.3 Fair value methods and assumptions

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

4.8.4 Valuation technique using significant unobservable inputs – Level 3

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

4.8.5 Transfers between the fair value hierarchy categories

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

4.9 Offsetting financial assets and financial liabilities

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

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		30 June 2019 Birr'000	30 June 2018 Birr'000
5	**Net premium income**		
5.1	**Short term insurance contracts:**		
	Gross premium written	121,860	104,284
	Movement in unearned premium	(8,634)	(4,234)
		113,226	100,050
5.2	**Long-term insurance contracts:**		
	Gross premium written	-	-
	Movement in unearned premium	-	-
		-	-
	Premium revenue arising from insurance contracts issued	113,226	100,050
5.3	**Short term insurance contracts:**		
	Reinsurance expense	(25,188)	(18,922)
5.4	**Long-term insurance contracts:**		
	Reinsurance expense	-	-
		(25,188)	(18,922)
	Total net premium	88,038	81,128

There were no events in the reporting periods that prompted losses of sufficient size to trigger a recovery from contracts.

		30 June 2019 Birr'000	30 June 2018 Birr'000
6	**Fee and commission income**		
	Reinsurance commission income	5,451	4,143
	Profit commision	1,208	761
	Changes in deferred Commission Income	(717)	375
	Total fees and commission income	5,942	5,279

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

		30 June 2019 Birr'000	30 June 2018 Birr'000
7	**Claims expenses**		
7.1	**Insurance claims and loss adjustment expenses:**		
	Gross benefits and claims paid	44,216	50,110
	Change in insurance contract outstanding claims provision	58,082	13,338
	Change in other technical provision (IBNR)	484	2,714
	Change in other technical provision (ULAE)	460	467
		103,242	66,629
7.2	**Recoverable from reinsurance:**		
	Claims paid recoverable	(9,550)	(8,441)
	Change in provision for outstanding claims recoverable	(49,328)	(10,311)
	Change in other technical provision (IBNR) recoverable	243	(874)
		(58,635)	(19,626)
	Net claims and loss adjustment expense	44,607	47,003

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		30 June 2019	30 June 2018
		Birr'000	Birr'000
8	**Underwriting expenses**		
	Commision paid	4,339	4,524
	Other acquisition cost	230	378
	Changes in deferred acquisition cost (DAC)	(16)	186
	Total Underwriting expenses	4,553	5,088

		30 June 2019	30 June 2018
		Birr'000	Birr'000
9	**Investment income**		
	Dividend income on equity investments	4,148	5,017
	Interest income on cash and short-term deposits	18,245	16,126
	Total investment income	22,393	21,143

		30 June 2019	30 June 2018
		Birr'000	Birr'000
10	**Other operating income**		
	Gain on disposal	-	50
	Interest income on staff loans	57	18
	Sundry income	351	442
	Total other operating income	408	510

		30 June 2019	30 June 2018
		Birr'000	Birr'000
11	**Other operating and administrative expenses**		
	Employee benefits expense (note 11.1)	24,440	19,850
	Rental expenses	6,359	5,378
	Repair and maintenance	863	1,215
	Advertising and publication	1,869	1,381
	Communication	633	705
	Printing and stationaries	1,200	637
	Entertainment	70	149
	Penality	6	11
	Travelling and transportation expenses	301	343
	Insurance	248	200
	Office cleaning and supplies	1,245	1,124
	Legal and professional fees	337	1,196
	Board fees	944	400
	Audit fees	99	58
	Lease Expense	104	104
	Interest Expense	99	74
	Subscription and membership fees	205	302
	Amortisation of intangible assets (note 19)	44	19
	Depreciation on property and equipment (note 20)	1,875	1,472
	Bank charges	205	186
	Sundry expenses	933	585
	Total Other Expenses	42,081	35,389

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		30 June 2019	30 June 2018
		Birr'000	Birr'000
11.1	**Employee benefits expense**		
	Salaries and wages	17,126	13,707
	Staff allowances	1,166	1,039
	Pension costs – Defined contribution plan	1,668	1,395
	Defined benefit plan expense (Note 26)	140	177
	Other staff expenses	4,342	3,532
		24,440	19,850

		30 June 2019	30 June 2018
		Birr'000	Birr'000
12	**Company income tax and deferred tax**		
12.1	**Current income tax**		
	IFRS Accounting profit	25,540	20,582
	Add : Disallowed expenses		
	Entertainment & Refreshment	256	299
	Penalty	6	11
	Provision for Severance expense	140	178
	Depreciation for IFRSaccounting purpose	1,875	1,472
	Amortization for IFRS accounting purpose	5	5
		27,821	**22,547**
	Less :		
	Depreciation for tax purpose	1,698	1,428
	Dividend income taxed at source	4,148	5,017
	Recovery from bad debts	-	-
	Interest income taxed at source-Local	18,245	16,126
		(24,091)	**(22,571)**
	Taxable profit	**3,730**	**(24)**
	Current tax at 30%	**1,119**	**-**

		30 June 2019	30 June 2018
12.2	**Current income tax liability**	Birr'000	Birr'000
	Balance at the beginning of the year	-	-
	Charge for the year:	1,119	-
	Capital gains tax	-	
	Income tax expense	-	-
	Prior year (over)/ under provision	-	-
	WHT Not utilised	(729)	(1,249)
	Payment during the year	-	-
	Profit tax payable/(receivable)	390	(1,249)

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12 Company income tax and deferred tax (Contd)

12.3 Deferred income tax

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

	30 June 2019	30 June 2018
	Birr'000	Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	-	-
To be recovered within 12 months	84	(47)
	84	(47)

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 2018 Birr'000	Credit/ (charge) to profit or loss Birr'000	Credit/ (charge) to equity Birr'000	30 June 2019 Birr'000
Property, plant and equipment	(746)	43	-	(703)
Provisions	-	42	-	42
Tax losses charged to profit or loss	-	-	-	-
Total deferred tax assets/(liabilities)	**(746)**	**84**	**-**	**(661)**

Deferred income tax assets/(liabilities):	At 1 July 2017 Birr'000	Credit/ (charge) to profit or loss Birr'000	Credit/ (charge) to equity Birr'000	30 June 2018 Birr'000
Property, plant and equipment	(698)	-	(101)	(799)
Provisions	-	-	53	53
Tax losses charged to profit or loss	-	-	-	-
Total deferred tax assets/(liabilities)	**(698)**	**-**	**(47)**	**(746)**

DEFERRED TAX LIABILITY	30 June 2019 Birr'000	30 June 2018 Birr'000
Deferred tax (liability) asset as per GAAP	-	-
Deferred tax (liability) asset brought	-	-
Add: Temporary difference	(661)	(746)
Deferred tax Liability as at June	**(661)**	**(746)**
Fixed assets - tax base	23,296	13,297
Fixed asset - carrying amount	26,150	16,293
Fixed assets - tempoarary differnce	(2,854)	(2,996)
Severance pay - tax base	-	-
Severance pay - carrying amount	(651)	(511)
Severance pay temporary difference	**(651)**	**(511)**
Deferred tax (liability) asset - @ 30%	**(661)**	**(746)**

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	30 June 2019 Birr'000	30 June 2018 Birr'000
13 Cash and Bank balances		
Cash in hand	7,921	7,476
Savings deposits with local banks	29,638	24,874
Fixed time deposits	155,757	135,440
	193,316	167,790

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	193,316	167,790
Non- current	-	-
	193,316	167,790

Restricted deposits with National Bank of Ethiopia represents deposits made with National Bank of Ethiopia (NBE) in accordance with Article 20 of Proclamation No 746/2012. The Company has a policy of maintaining the deposits at 15% of the paid up capital. The current balance represents the amount deposited up to June 30, 2019.

13.1 Cash and cash equivalents

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Cash in hand	7,921	7,476
Savings deposits with local banks	29,638	24,874
	37,559	32,350

	30 June 2019 Birr'000	30 June 2018 Birr'000
14 Investment securities		
14.1 Available for sale:		
Equity Investments in		
- Berhan Bank S.C.	36,419	28,018
- Ethiopian Reinsurance S.C.	5,000	5,000
	41,419	33,018
14.2 Loans and receivables:		
Ethiopian Government bonds	11,500	11,500
	11,500	11,500
	52,919	44,518

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	-	-
Non-Current	52,919	44,518
	52,919	44,518

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14 Investment securities (Contd)

The Company holds equity investments in the following entities;

	30 June 2019		30 June 2018	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Berhan Insurance S.C	36,419	1.82%	28,018	1.64%
Ethiopian Reinsurance S.C	500	0.96%	500	0.96%

These investments are unquoted equity securities measured at cost.

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

Ethiopian government bonds are classified as loans and receivables because management's intention is to hold these investments to maturity and they are not held for trading, managed on a fair value basis or quoted in an active market.

15 Trade and other receivables

	30 June 2019	30 June 2018
	Birr'000	Birr'000
Due from co-insurers	-	-
Due from re-insurers	12,574	12,085
Trade Debtors	359	358
Gross amount	12,933	12,443
Less: impairment allowance	(348)	(348)
	12,585	12,095
Gross amount	12,585	12,095

Maturity analysis	30 June 2019	30 June 2018
	Birr'000	Birr'000
Current	12,585	12,095
Non- current	-	-
	12,585	12,095

15.1 Impairment allowance on loans and receivables including insurance receivables

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

	30 June 2019	30 June 2018
	Birr'000	Birr'000
At 1 July	(348)	(348)
Charge for the year (note 15)	-	-
Recoveries	-	-
During the year	-	-
At 30 June	(348)	(348)

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	30 June 2019 Birr'000	30 June 2018 Birr'000
16 Reinsurance assets		
Recoverable on claims - Incurred but not yet reported	1,569	864
Reinsurance recoverable on outstanding claims (note 16.1)	110,695	61,851
Prepaid re-insurance (note 16.2)	-	-
Gross amount	112,264	62,715
Less: Specific impairment allowance (note 16.3)	-	-
Total reinsurance assets	112,264	62,715

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
16.1 Reinsurance recoverable on claims		
Recoverable on claims - Incurred but not yet reported	1,569	864
Recoverable on outstanding claims	99,958	50,630
Reinsurer's share of unearned premium (Note 0)	10,737	11,221
Recoverable on claims paid	12,574	12,085
Total reinsurance recoverable on claims	124,838	74,800

	30 June 2019 Birr'000	30 June 2018 Birr'000
The movement in claims recoverable is analysed as:		
Balance at beginning of the year	62,715	51,756
Recoveries during the year	49,549	10,959
Increase in recoverable during the year	12,574	12,085
Balance at end of year	124,838	74,800

	30 June 2019 Birr'000	30 June 2018 Birr'000
17 Deferred acquisition cost		
Motor	1,034	922
Marine Cargo and Goods in Transit	238	153
Fire	295	231
Accident and Health	133	165
Engineering	228	246
General Liability	77	109
W/C Ordinary	63	56
Pecuniary	387	560
Total Deferred acquisition cost	2,456	2,440

This represents insurance commission expense relating to the unexpired tenure of risk.

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		30 June 2019	30 June 2018
		Birr'000	Birr'000
18	**Other assets**		
	Financial assets		
	Staff Debtor	1,351	1,092
	Sundry Debtor	2,177	2,053
		3,528	3,145
	Non-Financial assets		
	Inventories:-		
	Office Supplies	722	528
	Recks of paid claims	235	1,660
	Prepayments	2,449	2,187
	Advance Withholding Receivable	748	1,249
		4,154	5,624
	Net amount	**7,682**	**8,769**

Maturity analysis	30 June 2019	30 June 2018
	Birr'000	Birr'000
Current	5,609	7,149
Non- current	2,073	1,620
	7,682	8,769

		Cost	Amortisation	Net book value
		Birr'000	Birr'000	Birr'000
19	**Intangible Assets**			
	As at 1 July 2017			
	Additions/(amortisation)	40	(25)	15
	As at 30 June 2018	40	(30)	10
	Additions/(amortisation)	-	(5)	(5)
	As at 30 June 2019	40	(35)	5

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	Buildings	Motor vehicles	Computer and accessories	Office furniture and equipment	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
20 Property, plant and equipment					
Cost					
As at 1 July 2017	7,210	9,307	1,269	3,508	21,294
Additions	-	734	395	785	1,914
Reclassifications	-	(850)	-	-	(850)
Disposals	-	-	-	-	-
As at 30 June 2018	7,210	9,191	1,664	4,293	22,357
As at 1 July 2018	7,210	9,191	1,664	4,293	22,357
Additions	1,448	9,057	563	670	11,738
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
As at 30 June 2019	8,657	18,248	2,227	4,962	34,096
Accumulated depreciation					
As at 1 July 2017	-	3,089	552	1,346	4,986
Charge for the year	-	888	208	377	1,472
Disposals	-	(385)	-	-	(384)
As at 30 June 2018	-	3,592	760	1,723	6,074
As at 1 July 2018	-	3,592	760	1,723	6,074
Charge for the year	-	1,153	256	466	1,875
Disposals	-	-	-	-	-
As at 30 June 2019	-	4,745	1,016	2,189	7,949
Net book value					
As at 1 July 2017	7,210	6,218	717	2,162	16,307
As at 30 June 2018	7,210	5,599	904	2,570	16,283
As at 30 June 2019	8,657	13,503	1,211	2,774	26,145

The company has acquired a leasehold land together with a building for the purpose of reck yard of the company. The total area of the land acquired is 5,000 Sq.meter. The building is under maintenance to make it ready for the company's use. The depreciation for the building will start when it is available for use.

21 Statutory deposit

This relates to the amount deposited with National Bank of Ethiopia in line with Article 20 of the Insurance Business Proclamation No. 746/2012. The law requires that in respect of each main class of insurance, the insurer carries an amount equal to 15% of the Company's paid up capital in cash or government securities.

The statutory deposit below includes (2019: Birr 11.5 million, 2018: Birr 11.5 million) that is transferred to Ethiopian Government Development Bank for the acqusition of Great Renaissance dam bond. The Bond bears interest income of 6% per annum.

	30 June 2019	30 June 2018
	Birr'000	Birr'000
In Cash	2,662	1,608
In Government Bond	11,500	11,500
Statutory deposit balance	**14,162**	**13,108**

	30 June 2019	30 June 2018
	Birr'000	Birr'000
Balance beginning of the year	13,108	12,850
Additions	1,054	258
Balance end of year	**14,162**	**13,108**

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		30 June 2019 Birr'000	30 June 2018 Birr'000
22	**Insurance contract liabilities**		
	Short-term insurance contracts		
	Gross		
	- Claims reported and loss adjustment expenses (note 22.1)	155,889	97,807
	- Claims incurred but not reported IBNR (note 22.2)	11,943	10,510
	- Un allocated loss adjustment expense ULAE (note 22.3)	3,709	3,249
	- Unearned premiums (note 22.4)	65,746	57,596
	Total insurance liabilities, gross	237,287	169,162
	Recoverable from reinsurers		
	- Claims reported and loss adjustment expenses	110,695	61,851
	- Claims incurred but not reported IBNR	1,569	864
	Total reinsurers' share of insurance liabilities	112,264	62,715
	Net		
	Outstanding claims provision:		
	- Claims reported and loss adjustment expenses	45,194	35,956
	- Claims incurred but not reported IBNR	10,374	9,646
	Total insurance contract liabilities, net	55,567	45,602

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	55,567	45,602
Non- current	-	-
	55,567	45,602

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

		30 June 2019 Birr'000	30 June 2018 Birr'000
22.1	**Gross Claims reported**		
	Motor	36,011	36,607
	Marine	811	683
	Fire	277	511
	Accident	439	184
	Engineering	7,738	7,406
	General Liability	1,847	2,666
	Workmens'	771	835
	Pecuinary	107,994	48,916
	Total Gross Claims reported	155,889	97,807

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22 Insurance contract liabilities (Contd)

	30 June 2019 Birr'000	30 June 2018 Birr'000
22.2 Gross Claims incurred but not reported - IBNR		
Motor	6,677	5,763
Marine	36	53
Fire	12	40
Accident and Health	19	14
Engineering	340	574
General Liability	81	207
Workmens'	34	65
Pecuniary	4,743	3,794
Total Gross Claims incurred but not reported - IBNR	11,943	10,510

	30 June 2019 Birr'000	30 June 2018 Birr'000
22.3 Un allocated loss adjustment expense - ULAE		
Motor	943	1,271
Marine	19	22
Fire	6	17
Accident and Health	10	6
Engineering	179	239
General Liability	43	86
Workmens'	18	27
Pecuniary	2,491	1,581
Total Un allocated loss adjustment expense - ULAE	3,709	3,249

	30 June 2019 Birr'000	30 June 2018 Birr'000
22.4 Gross Unearned premiums		
Motor	36,843	31,116
Marine	3,491	2,393
Fire	4,666	3,395
Accident and Health	2,273	2,192
Engineering	4,095	3,838
General Liability	3,187	3,154
Workmens'	668	578
Pecuniary	10,522	10,931
Total Gross Unearned premiums	65,746	57,596

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22 Insurance contract liabilities (Contd)

	30 June 2019	30 June 2018
	Birr'000	Birr'000
22.5 Deferred Commission Income		
Motor	226	186
Marine	125	92
Fire	884	562
Accident and Health	92	101
Engineering	150	197
General Liability	30	38
Workmens'	13	11
Pecuniary	1,134	750
Total Deferred Commission Income	2,653	1,936

These provisions represent the liability for commission income on premium ceded for which the Company's obligations are not expired at year-end.

	30 June 2019	30 June 2018
	Birr'000	Birr'000
23 Insurance payables		
Amounts payable on direct insurance business		
At 1 July	21,693	18,366
Arising during the year	24,434	17,648
Utilised during the year	(21,407)	(14,321)
At 30 June	24,721	21,693
Amounts payable on assumed reinsurance business		
At 1 July	2,461	3,162
Arising during the year	766	1,274
Utilised during the year	(2,932)	(1,975)
At 30 June	295	2,461
	25,015	24,154

The carrying amounts disclosed above approximate fair value at the reporting date. All amounts payable on direct insurance business and assumed reinsurance business are payable within one year.

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	30 June 2019 Birr'000	30 June 2018 Birr'000
24 Other liabilities		
Financial liabilities		
Trade Creditors	17	-
Sales Agents Payable	1,070	756
Brokers Payable	711	674
Claim payable to client	481	521
Provident fund Payable	486	362
Payroll Tax Payable	321	247
Withholding tax payable	69	93
VAT Payable	238	545
Petty Cash Payable	-	-
Payroll Fund Payable	-	-
Staff Pension payable	237	202
Severance pay (note 26a)	651	511
	4,281	3,911
Other non financial liabilities		
Other payables	1,376	2,781
Accruals	4,048	3,120
Deferred commission income	2,653	1,936
Dividend Payable	4,027	974
	12,104	8,811
Gross amount	**16,385**	**12,721**

Maturity analysis	30 June 2019 Birr'000	30 June 2018 Birr'000
Current	14,358	9,429
Non- current	2,027	3,292
	16,385	12,721

	30 June 2019 Birr'000	30 June 2018 Birr'000
25 Deferred revenue		
Motor	226	186
Marine Cargo and Goods in Transit	125	92
Fire	884	562
Accident and Health	92	(445)
Engineering	150	666
General Liability	30	104
W/C Ordinary	13	(779)
Pecuniary	1,134	1,551
Others	-	-
All Risk	-	-
	2,653	1,936

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

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	30 June 2019 Birr'000	30 June 2018 Birr'000
26 Retirement benefit obligations		
Defined benefits liabilities:		
– Severance pay (note 26a)	651	511
Liability in the statement of financial position	**651**	**511**
Income statement charge included in personnel expenses:		
– Severance pay (note 26a)	140	177
– Long service awards (note 26b)	-	-
Total defined benefit expenses	**140**	**177**
Remeasurements for:		
– Severance pay (note 26a)	(156)	(88)
`	**(156)**	**(88)**

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

Severance pay

The Company operates an unfunded severance pay plan for its employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary. The Severance Benefit Entitlement is provided under the Labour Proclamation No. 377/2003 and 494/2006.

Below are the details of movements and amounts recognised in the financial statements:

	30 June 2019 Birr'000	30 June 2018 Birr'000
A Liability recognised in the financial position	651	511

B Amount recognised in the profit or loss	30 June 2019 Birr'000	30 June 2018 Birr'000
Current service cost	222	211
Interest cost	74	54
	296	265
C Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from participant's movement	(74)	(56)
Benefits and expenses paid	(82)	(32)
	(156)	(88)

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26 Retirement benefit obligations (continued)

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
At the beginning of the year	511	333
Current service cost	222	211
Interest cost	74	54
Remeasurement (gains)/ losses	(74)	(56)
Benefits paid	(82)	(32)
At the end of the year	651	511

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2019 Birr'000	30 June 2018 Birr'000
Discount Rate (p.a)	12.75%	12.75%
Rate of Pension Increase(p.a)	7.00%	10.00%

	30 June 2019 Birr'000	30 June 2018 Birr'000
27 Share capital		
Authorised:		
Ordinary shares of Birr 1000 each	100,000	100,000
Issued and fully paid:		
Ordinary shares of Birr 1000 each	100,000	88,196

The subscribed capital of the Company is Birr 100,000,000 million divided into 100,000 shares of Birr 1,000 par value each. The current paid up capital is 100,000,000 (2018: Birr 88,196,000)

	30 June 2019 Birr'000	30 June 2018 Birr'000
28 Share premium		
At the beginning of the year	1,256	1,238
Additions through issuance of shares	(10)	19
	1,246	**1,256**

The share premium represents excess of share prices over the par value. This amount awaits the resolution of the General Assembly whether it can be distributed to the shareholders.

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29 Earnings per share

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Profit attributable to shareholders	24,421	20,582
Less: Board of directors annual remuneration (Note 33b)	(1,200)	(900)
: Prior Years' Adjustment (Note 30)	-	-
	23,221	**19,682**
Weighted average number of ordinary shares in issue	94,986	88,196
Basic & diluted earnings per share (Birr)	**24%**	**22%**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2019: nil, 30 June 2018: nil), hence the basic and diluted earning per share have the same value.

30 Retained earnings

	30 June 2019 Birr'000	30 June 2018 Birr'000
At the beginning of the year	16,177	(321)
Profit/ (loss) for the year	24,421	20,582
` Dividends paid	(16,177)	(1,979)
Deferred tax (liability)/asset on remeasurement gain or loss	84	(47)
Transfered to legal reserve	(2,442)	(2,058)
At the end of the year	**22,063**	**16,177**

31 Legal reserve

	30 June 2019 Birr'000	30 June 2018 Birr'000
At the beginning of the year	3,816	1,757
Transfer from profit or loss	2,442	2,058
At the end of the year	**6,258**	**3,816**

An amount equal to 10% of net profit for each year is set aside as a legal reserve in accordance with Article 12 of proclamation No. 86/1994, until the balance reaches the paid up capital.

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		Notes	30 June 2019 Birr'000	30 June 2018 Birr'000
32	**Cash generated from operating activities**			
	Profit before tax		25,540	20,582
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment	20	1,875	1,472
	Amortisation of intangible assets	19	5	5
	Gain/(Loss) on disposal of property, plant and equipment	20	-	(50)
	Interest Income	12	(18,245)	(16,126)
	Prior years' Adjustment		-	-
	Changes in working capital:			
	-Decrease/ (increase) in loans and receivables including insurance receivables	15	(490)	(5,154)
	-Decrease/ (Increase) in reinsurance assets	16	(49,549)	(10,959)
	-Decrease/ (increase) in deferred acquisition cost	17	(16)	186
	-Decrease/ (increase) in other assets	18	1,087	(2,713)
	-Decrease/ (Increase) in fixed time deposits	13	(20,317)	(10,922)
	-Increase/ (decrease) in Insurance contract liabilities	22	68,125	20,526
	-Increase/ (decrease) in insurance payables	23	861	2,627
	-Increase/ (decrease) in other liabilities	24	3,664	2,221
			12,539	1,695

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
Proceeds on disposal	-	515
Net book value of property, plant and equipment disposed (Note 20)	-	(465)
Gain/(loss) on sale of property, plant and equipment	-	50

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33 Related party transactions

The Licensing & Supervision of Insurance Business Directive No SIB/53/2012 of the National Bank of Ethiopia defined a related party as a shareholder, a director, a chief executive officer, or a senior officer of a Insurance Company and/or their spouse or relation in the first degree of consanguinity or affinity; and a partnership, a common enterprise, a private limited company, a share company, a joint venture, a corporation, or any other business in which officers of the Company and/or their spouse or relation in the first degree of consanguinity or affinity of the officers of the Company has business interest as shareholder, director, chief executive officer, senior officer, owner or partner . The directive stipulates that the identification of related parties shall be the responsibility of the Company.

From the above, only directors were identified to be related parties to the Company.

		30 June 2019 Birr'000	30 June 2018 Birr'000
33a	***Transactions with related parties***		
	Loans and advances to key management personnel	347	350
		347	350

Berhan Insurance S. C
Notes to the financial statements
For the year ended 30 June 2019

33 Related party transactions (Contd)

33b *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Senior Management team of the Company.

Directors are remunerated as per Directive No. SIB/46/2018 of National Bank of Ethiopia which limited payments to Directors to be Birr 150,000 per annum and Birr 10,000 allowance to be paid every month. The current balance is composed of monthly allowances paid during the year.

The compensation paid or payable to key management is shown below. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2019.

	30 June 2019	30 June 2018
	Birr'000	Birr'000
Directors allowance (non executive directors)	**944**	**400**
Directors remuneration (non executive directors)		
Salaries and other short-term employee benefits	4,100	3,734
Post-employment benefits	402	377
Representation allowance	174	172
	4,675	**4,283**
	5,619	**4,683**

34 Directors and employees

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

	30 June 2019	30 June 2018
	Number	Number
Professionals and High Level Supervisors	80	69
Semi-professional, Administrative and Clerical	53	48
Technician and Skilled	-	-
Manual and Custodian	30	18
	163	**135**

35 Contingent liabilities

35a *Claims and litigation*

The Company, like all other insurers, is subject to litigation in the normal course of its business. The Company does not believe that such litigation will have a material effect on its profit or loss and financial condition.

The Company, together with other industry members, will continue to litigate the broadening judicial interpretation of the insurance coverage contained in the casualty insurance contracts it issued. If the courts continue in the future to expand the intent and scope of coverage contained in the insurance contracts issued by the Company, as they have in the past, additional liabilities would emerge for amounts in excess of the carrying amount held. These additional liabilities cannot be reasonably estimated but could have a material impact on the Company's future results. The liabilities carried for these claims as at this year end are reported in Note 22 and are believed to be adequate based on known facts and current law.

36 Commitments

The Company has no additional commitments which are not provided in these financial statements for purchase of any other capital items.

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Notes to the financial statements
For the year ended 30 June 2019

37 Operating lease commitments - Company as lessee

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

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

	30 June 2019 Birr'000	30 June 2018 Birr'000
No later than 1 year	-	-
Later than 1 year and no later than 2 years	-	-
Later than 2 years but not later than 5 years	-	-
Total	-	-

38 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 30 June 2019 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

Partial View of the 7th Annual Share Holders Meeting

Partial View of the 7th Annual Share Holders Meeting

Partial View of the 7th Annual Share Holders Meeting

Partial View of the 7th Annual Share Holders Meeting

Partial View of the 7th Annual Share Holders Meeting

Berhan Insurance Head office Staffs

Branches & Contact Offices

Bole Branch

Main Branch

Kera Branch

Branches & Contact Offices

Megenagna Branch

Merkato Branch

Ras Branch

Branches & Contact Offices

Lideta Branch

Hayahulet Mazoria Branch

Goffa Branch

Olympia

Branches & Contact Offices

Hawassa Branch

Wolaita Sodo Branch

Bahir Dar Branch

Mekelle Branch

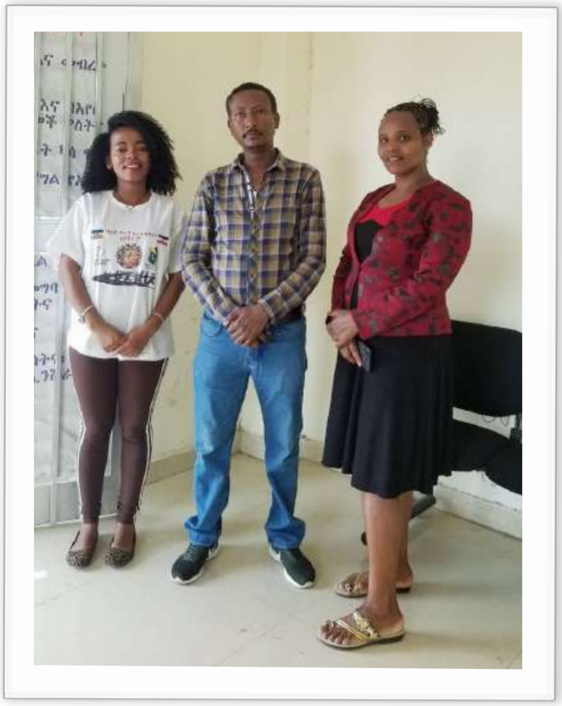
Dessie Branch

Adama Branch

Branches & Contact Offices

Hossaena Contact Office

Shashemene Contact Office



Arba Minch Contact Office