Ethiopian Reinsurance

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ANNUAL REPORT 2022/23

ETHIO RE FAMILY

COMMITTED TO SERVE OUR CUSTOMERS 24/7

CONTENTS

OUR MOTTO

“RISING WITH AFRICA!”

Africa Rising is a term coined to describe the rapid economic growth in Sub-Saharan Africa since 2000 and the belief in the inevitability of further, the rapid development of the continent. The continent is almost predestined to enjoy a long period of mid-to-high economic growth, rising incomes, and an emerging middle class. Several international business observers have also named Africa as the future economic growth engine of the world.

There are positive longer-term trends across Africa all buoyed by what appeared to be high economic growth rates sweeping the continent. Ethiopian Re, as the youngest reinsurance company stands to benefit immensely from the unprecedented business opportunities brought about by the bourgeoning economic performance of Africa, and hence the motto “Rising with Africa”. Basing itself in East Africa, the Company is committed to providing apposite reinsurance cover for the ever-rising and dynamic demand for protection.

NOTICE OF THE 8TH ANNUAL ORDINARY AND 4TH EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given to the Shareholders to attend the 8th Annual Ordinary and 4th Extraordinary Notice is hereby given to the Shareholders to attend the 8th Annual Ordinary and 4th Extraordinary General Meeting of Ethiopian Reinsurance S.C. that will be held in accordance with Articles 366,367,370,371, 372 , and 393 of the Commercial Code of Ethiopia, Proclamation Number 1243/2021 as well as the relevant Directives of the National Bank of Ethiopia.

» Ethiopian Reinsurance S.C. has a subscribed capital of Birr 2.5 Billion and paid up capital of Birr 1.6 Billion;
» Registration Number of the Company is MT/AA/3/0035454/2008;
» Its Headquarters is located at Bahiru Abraham Commercial Tower, Addis Ababa, Kirkos Subcity, Woreda 9;

The General meetings will be held on Thursday, December 21, 2023, at Addis Ababa Hilton starting from 2:30 p.m. to deliberate on the following agenda:

AGENDA FOR THE 8TH ANNUAL ORDINARY GENERAL MEETING:

1. Appointment of Vote Tellers;
2. Approval of the Meeting Agenda;
3. Approval of Share Transfers and New Shareholders who acquired shares in 2022/23;
4. Consideration and approval of the 2022/23 Annual Report of the Board of Directors;
5. Consideration and approval of the 2022/23 Annual Report of External Auditors;
6. Deliberation on and approval of the proposed appropriation of 2022/23 profits;
7. Approval of Auditors' fee for 2023/24;
8. Approval of Annual Compensation and a monthly allowance of the Board of Directors;
9. Approval of the Annual Compensation and Monthly allowance of the Board Nomination and Election Committee members;
10. Conducting election of the Board Nomination and Election Committee Members;
11. Approval of the minutes of the meeting.

AGENDA FOR THE 4TH ANNUAL EXTRAORDINARY GENERAL MEETING:

1. Appointment of Vote Tellers;
2. Approval of the Meeting Agenda;
3. Consideration and approval of the amendments on the Articles of Association of the Company;
4. Approval of the minutes of the meeting.

N.B.

Shareholders who are not able to attend in person at the meeting may appear in person to sign and return the proxy form to the Company's Head office, located on the 6th floor of Bahiru Abraham Towers, fifteen days before the meeting date.

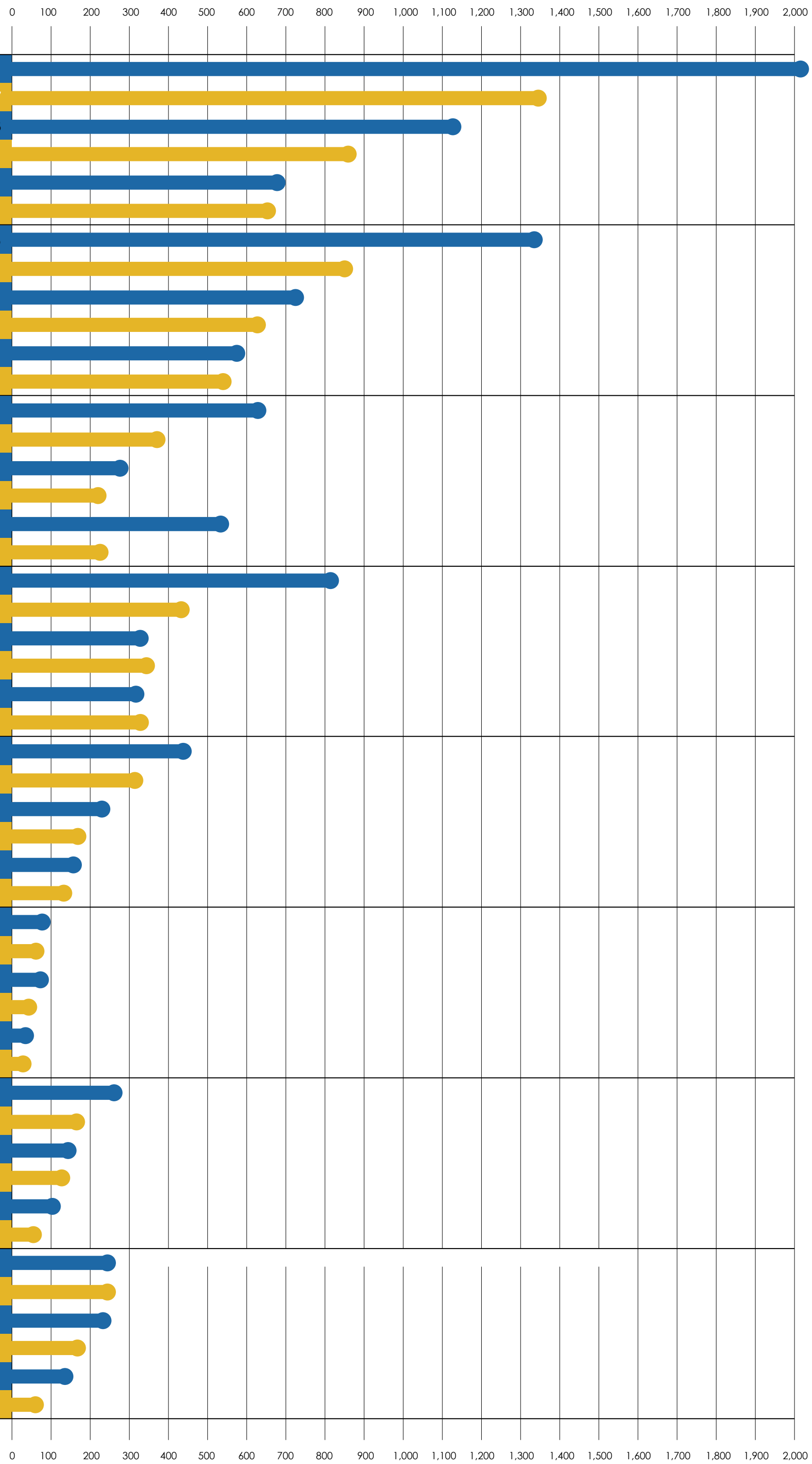
The proxy should be signed and submitted along with the original and copy of renewed identification card or passport of a shareholder to be submitted to the Company's Head office, attested by the respective government authority.

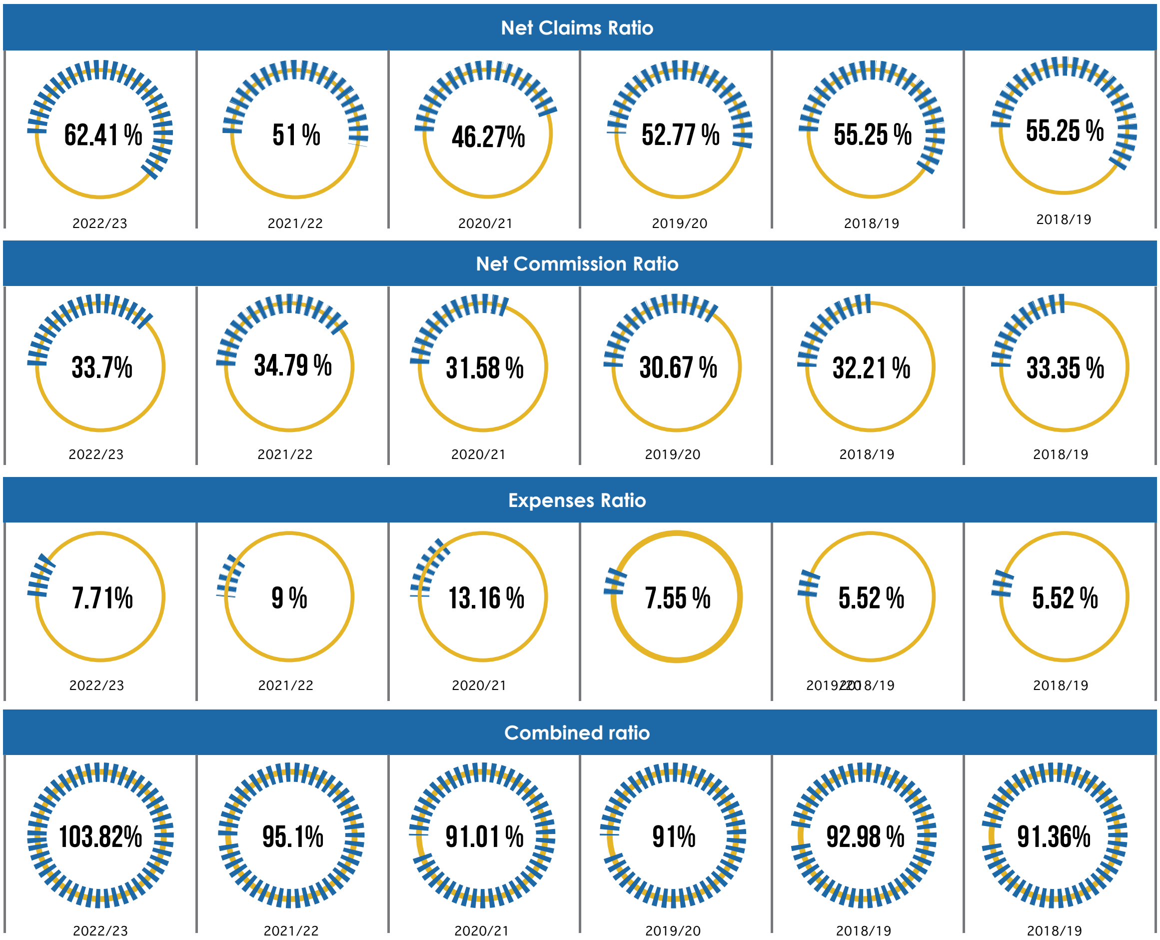
BY THE ORDER OF THE BOARD OF DIRECTORS
FIKRU TSEGAYE WORDOFA, COMPANY SECRETARY
DATED ON THE 21ST OF DECEMBER, 2023
ADDIS ABABA, ETHIOPIA

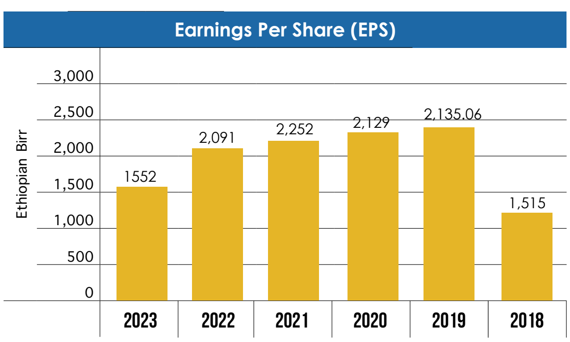
ETHIO-RE IN FIGURES (FINANCIAL HIGHLIGHTS)

Ethiopian Birr in Millions

PARTICULARS		
Gross Written Premium	2022/23	2,010.1
	2021/22	1,357.7
	2020/21	1,140.3
	2019/20	874.7
	2018/19	698.7
	2017/18	661.4
Net Earned premium	2022/23	1,312.6
	2021/22	865.6
	2020/21	722.9
	2019/20	636.1
	2018/19	595.1
	2017/18	553.2
Claims paid	2022/23	623.1
	2021/22	392.9
	2020/21	298.8
	2019/20	218.3
	2018/19	531.7
	2017/18	222.4
Net Claims Incurred	2022/23	819.2
	2021/22	443.1
	2020/21	334.4
	2019/20	335.7
	2018/19	328.8
	2017/18	334.8
Cedant Acquisition Cost	2022/23	442.3
	2021/22	301.1
	2020/21	228.2
	2019/20	195.1
	2018/19	191.7
	2017/18	184.5
Operating and other expenses	2022/23	101.2
	2021/22	78.9
	2020/21	95.1
	2019/20	48.0
	2018/19	32.8
	2017/18	22.0
Net investment income	2022/23	269.1
	2021/22	190.0
	2020/21	155.4
	2019/20	129.1
	2018/19	102.7
	2017/18	66.8
Profit before tax	2022/23	219.0
	2021/22	232.5
	2020/21	220.4
	2019/20	186.4
	2018/19	144.4
	2017/18	78.6




Net Claims Ratio
62.41 %
2022/23
51 %
2021/22
46.27%
2020/21
52.77 %
2019/20
55.25 %
2018/19
55.25 %
2018/19
Net Commission Ratio
33.7%
2022/23
34.79 %
2021/22
31.58 %
2020/21
30.67 %
2019/20
32.21 %
2018/19
33.35 %
2018/19
Expenses Ratio
7.71%
2022/23
9 %
2021/22
13.16 %
2020/21
7.55 %
5.52 %
2018/19
5.52 %
2018/19
Combined ratio
103.82%
2022/23
95.1%
2021/22
91.01 %
2020/21
91%
2019/20
92.98 %
2018/19
91.36%
2018/19


Earnings Per Share (EPS)
Ethiopian Birr
3,000
2,500
2,000
1,500
1,000
500
0
1552
2,091
2,252
2,129
2,135.06
1,515
2023
2022
2021
2020
2019
2018

WHO WE ARE
MISSION, VISION AND CORE VALUES

MISSION

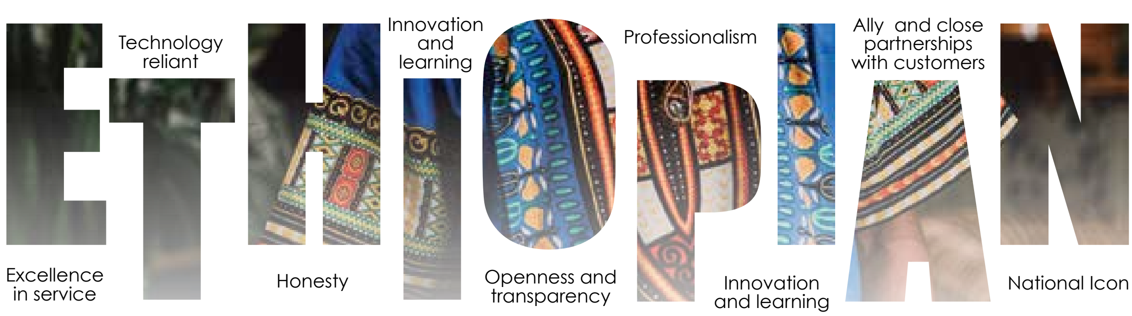
Provide dependable reinsurance services both locally and internationally through nurturing adequate risk capacity and using highly trained professionals and modern Information and Communication Technology systems. The Company endeavours to foster market stability, high professionalism, and advancing the business of insurance paying special attention to discharging its corporate social responsibility in the process.

VISION

"To be the reinsurer of choice in Ethiopia and our chosen market"

CORE VALUES

*To apprehend our corporate mission and vision, the Management and staff of Ethiopian Re stand for the mnemonic **"ETHIOPIAN":***



OUR CREDIT RATING

GCR RATINGS

Certifies that

Ethiopian Reinsurance Share Company

Has a

Financial Strength Rating of

International Scale	B-	/ Outlook: Stable
National Scale	$AA_{(ET)}$	/ Outlook: Stable

13-Nov-23

DATE

Group Head of Ratings

GCR's ratings are subject to change.
To confirm the latest rating or to learn more about GCR, visit www.GCRratings.com

CHAIRPERSON'S STATEMENT

MY FELLOW SHAREHOLDERS,

It is with great pleasure and delight that I welcome you to Ethio-Re's 2023 Annual General Meeting and present to you the Annual Report and Financial Statements for the financial year ended June, 30, 2023. I would like to sincerely thank you all for your unflinching loyalty, which has enabled the Company to contribute its part in the nation's financial industry. Indeed, your commitment to the Ethio-Re's progress is reflected in your continuous engagement, including your presence here today.

This year, the landscape of the reinsurance world has witnessed a claim experience, due to happenings at the global and national level. A report by rating agencies has also shown that the reinsurance industry will remain a hard market although the trajectory of the African insurance market is experiencing growth and the sector's great potential is untapped.

The macroeconomic environment remained very challenging in 2022/23 notwithstanding, we were able to adapt our strategies to leverage available opportunities and create value for all our stakeholders.

During the year, Ethio-Re has registered positive results in terms of the growth of Gross Written Premium(GWP) which has shown a 48% upsurge from the last year's figures.

It is commonly known that the reinsurance market operates in cycles. Accordingly, this year has witnessed a hard market for the reinsurance industry. This increase would be motivated not only by the weak 2022 results but also by a particularly unstable political and economic environment. The year 2022/23 has been particularly marked by the Russia-Ukraine war, which is weighing heavily on the insurance and reinsurance market. The resulting energy and grain crisis has profoundly disrupted the world economy and political balance. The resulting high inflation is a new phenomenon for mature markets used to a certain monetary stability. As a result, the cost of capital is rising, interest rates are tightening, and the retrocession market is shrinking.

At Ethio-Re our renewed focus will continue in delivering value to associates, customers, employees, community, and the industry as a whole over the upcoming strategic periods leveraging our culture, our technology, and our processes to further grow our market share, top-line, and bottom-line while doubling down on our cost reduction and customer satisfaction determinations.

Despite the Country's and the industry's challenges, we look to the future with hope because we've seen firsthand what's possible when all stakeholders of the Ethio-Re come together. I would like to congratulate the Board of Directors, shareholders, the Company's management team as well as the entire staff for the hard work and effort exerted toward this year's achievement. I would also like to take this opportunity to acknowledge the positive impacts and interventions made by the National Bank of Ethiopia in navigating the industry toward a stable and safe working environment.

Indeed, 2022/23 was challenging but relatively better year for Ethio-Re, except the earnings pershare results decreased due to claims incurred during the year. The performance we recorded was made possible by the collective efforts of all our staff, Management and Board. I am, therefore, very thankful to our customers for their unflinching loyalty; our staff and Management, and our Board for their contributions.

Finally, On behalf of the Board, I thank you most sincerely for your unqualified support and continued trust and confidence. The future though challenging, remains bright indeed for us all since we will work to fill the gaps identified during the year.

Thank you

Meseret B

Meseret Bezabih
Chairperson, Board of Directors

MESSAGE FROM THE CEO

DEAR SHAREHOLDERS,

It gives me immense pleasure to present Ethio-Re's 2022/23 Annual Report, including it's financial and non-financial performance over the year, its ambitions, and goals for the future.

During the year the claim experience has caused unprecedented challenges to businesses especially in our operating environment. However, the Company has continued to register positive results in most of its targets.

It's my pleasure to announce that the Company has reassured its credit rating for the third year from Global Credit Rating (GCR) as per the company's strategy. Accordingly, it has obtained a score, of B- (B minus) International Scale and a National Scale (ET) AA (Double A) with Outlook: Stable, for the third consecutive year.

We trust that the last seven years by no means are sufficient for a new reinsurance Company to secure a stronghold. However, it's with a robust sense of belongingness and dedication that my colleagues and I took our current duties and responsibilities of laying the foundation of Ethio-Re. The Company's voluntary cession received from the local market has also shown a growth and we would like to thank the market players for their support. In return, the company has also given market training to support the insurance industry and build the capacity of the work force.

As clearly indicated in our strategic plan "Vision 2030", we are working tirelessly to realize our vision – 'To be the reinsurer of choice in Ethiopia and our chosen markets. Hence, our strategic priorities would be "Horizon 1: Big Five" which covers the five initiatives that consider non-negotiable to the success of all other strategic initiatives as well as Ethio-Re's overall viability. These non-negotiable initiatives are: Enhance communication, stakeholder relationships, brand awareness, and reputation, obtain credit rating and increase foreign business inflows, ensure the extension of compulsory cessions, enhance leadership capabilities and implement technology to support business and operations.

We believe that the effective inter-departmental coordination and meaningful cooperation in the various Units of Ethio-Re has led to optimised solutions for challenges and created the potential for many mutual opportunities, perfectly aligning with our own 2022 /23 Annual plan contributing to the achievement of Vision 2030.

Our overriding goal for 2022/23 was to support our existing customers, attract new customers and secure more voluntary cessions and writing business from overseas markets on selective basis. Likewise, our strategic focus for 2023/34 is to diversify our business portfolio and enhance the profitability of the business. Ultimately, we will intensify the Ethio-Re's operations and consolidate our position. We have laid the foundations to not just meet but exceed our expectations.

In conclusion, we, at Ethio-Re have the honour to extend our deepest thanks and gratitude to all the stakeholders that helped us in realizing our targets We also extend our thanks and appreciation to the Members of the Board of Directors for their support; to our customers and cedants for their trust and loyalty; and to all employees for their dedication and performance during the year.

Thank you.

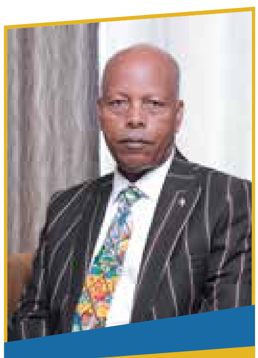
Dawit Gebreammnuel
Chief Executive Officer-Ethio-Re

BOARD OF DIRECTORS

Mrs. Meseret Bezabih
Representing Self
Chairperson

Mr. Netsanet Lemessa
Representing EIC
V/Chairperson

Mr. Hailemariam Assefa
Representing Self
Director



Mr. kelebessa Kera
Representing Self
Director

Mr. Kassahun Begashaw
Representing Africa Insurance SC
Director

Mr. Jibat Alemneh
Representing Self
Director

Mr. Eyuel Ewnetu
Representing Self
Director

Mrs. Zufan Abebe
Representing NIB Insurance
Director

Mr. Yonas Lidetu
Representing CBE
Director

Mr. Fikru Tsegaye
Company Secretary

EXECUTIVE MANAGEMENT

Mr. Dawit G/Ammanuel
(ACII)
Chief Executive Officer(CEO)

Ms. Meseret Tilahun
Executive Officer (EO), Operations

Mr. Fikru Tsegaye
(ARA, FLMI, ACS, CTP, CII, ExD-IB & F) Executive officer (EO), Strategy, Business Development and Company Secretary.

Mrs. Azeb Wogayehu
(FLMI)
Executive Officer (EO), Finance & Investment.

Mr. Sahlemariam Dejene
(ACCA)
Director Internal Audit

Mr. Bruk Alemayehu
Executive officer (EO), Information Technology

Mr. Abera Demissie
Director, HR & Corporate Services

Mr. Samuel Ademe *(CIA)*
Director, Enterprise Riks & Compliance

REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2023

The Directors of Ethiopian Reinsurance Share Company hereby present their report together with the audited Financial Statements for the year ended 30 June 2023 in accordance with Article 366,367,370,371 and 372 of the Commercial Code of Ethiopia as well as the relevant Directives of the National Bank of Ethiopia.

1. BACKGROUND INFORMATION

Ethiopian Reinsurance S.C (Ethio-Re) is the first reinsurance Company incorporated following the provisions of Article 5(8) of Insurance Business Proclamation No.746/2012, under license number RB/01/2016 issued by the National Bank of Ethiopia. It started operation on 1 July 2016 authorized to carry on both life and non-life businesses.

Ethio-Re is an organization born out of a long desire of stakeholders to have a national Reinsurance Company. The concept paper for Ethio- Re was written in 2012 initiated by a team of experts under the auspices of the Ethiopian Insurance Corporation (EIC) and later finalized by AEI. The establishment of Ethio Re finally was made possible through Directive No SRIB/1/2014 issued by the National Bank of Ethiopia. The objectives of Ethio Re are, among others, to:

» Measure and retain domestic insured risks thereby increasing the capacity of national insurers to take on risks within comfortable margin;

» Assist the growth of primary insurance business in the country by way of providing technical and advisory back up both in general and long-term insurance;

» Enhance professionalism in the insurance industry;

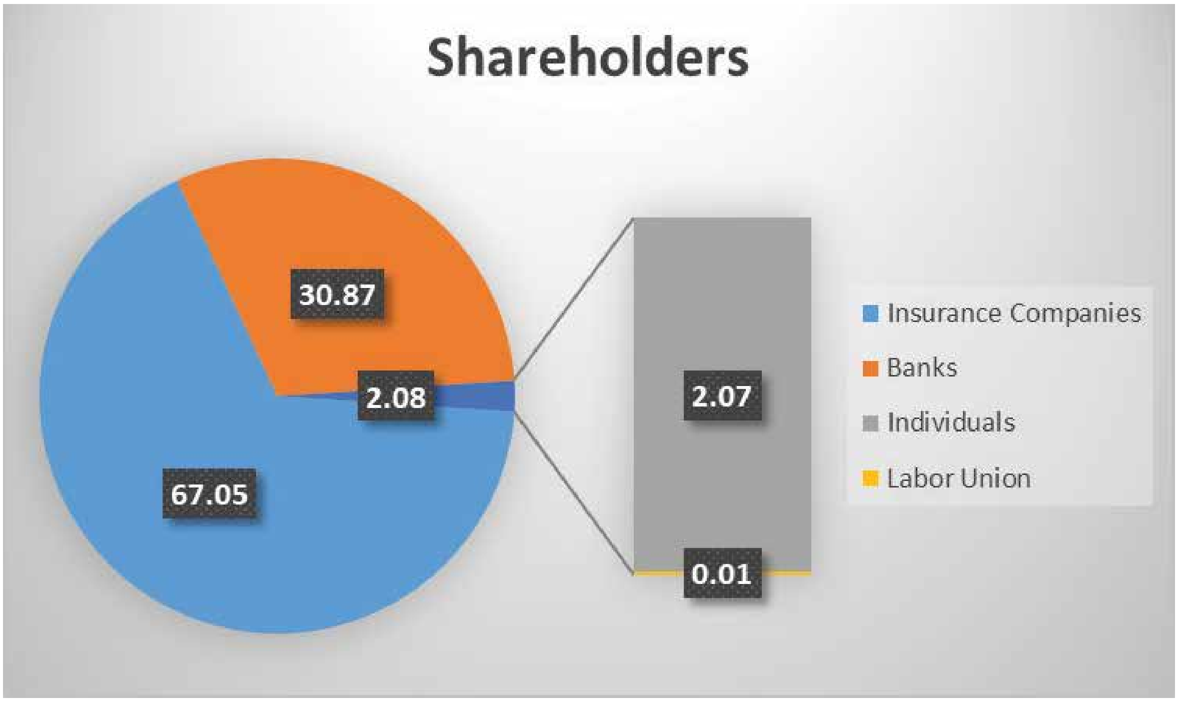
» Mobilize investment funds by making use of collected reinsurance premium;

» Prevent undue outflow of hard currency; and

» Generate foreign currency through inward reinsurance business.

2. SHAREHOLDING , OWNERSHIP AND CAPITAL STRUCTURE

» Ethiopian Re's capital structure is composed of a concoction of private and public financial institutions as well as individual investors, where government owns 40% through the state owned Commercial bank of Ethiopia (CBE) and Ethiopian Insurance Corporation (EIC). The Company's current shareholders comprise Seven Banks, Seventeen Insurance Companies, Ninety-Nine individual shareholders coming from different walks of life, and One Labor Union.



- The subscribed share capital of the Company is Birr 2.5 billion. The Company's paid-up capital at the end of the period under discussion has reached Birr 1.6 billion as of June 30, 2023.

3. GOVERNANCE STRUCTURE

- The Company's Board of Directors comprises of nine members representing individual shareholders and institutional investors appointed by the General meeting of the Company. The Board is responsible for providing strategic leadership and direction on the overall affairs of the Company.
- Relying on a relatively strong capital base, plus sound retrocession protection provided by world-renowned reinsurers, Ethiopian Re aims to provide a comprehensive range of reinsurance covers to domestic insurers, in addition to accepting international business on a selective basis. The Company strives to mobilize financial resources which would be invested to generate additional income, needless to mention the role it plays in reducing hard-earned foreign currency outflow and in earning foreign currency from other countries in the form of cross border reinsurance transactions.
- Moreover, as the first reinsurance company in the country, Ethiopian Re aspires to enhance the underwriting capacity and solvency of direct insurers through providing cover against large and complex risks and availing technical support to bolster underwriting skills. It also strives to simplify treaty negotiations, settlement of claims, and payment of premiums within the shortest time.

4. BOARD OF DIRECTORS

The roles and functions of the Board of Directors and the CEO of the Company are distinct and their respective responsibilities have been clearly defined in the Memorandum and Articles of Association of the Company. The Board comprises of nine directors appointed to serve in their capacity and as representatives of institutional investors. The Board, together with the executive management, defines the Company's strategies, objectives and exercises effective control over strategic, financial, operational, and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority to run the Company's day-to-day business to the Chief Executive Officer.

Corporate governance stands for a form of responsible company management and control geared to the long-term creation of value. Ethio-Re strictly complies with the corporate governance Directive set by the National bank of Ethiopia (NBE), Insurance Corporate Governance Directive No. SIB/48/2019 and Company Corporate Governance Guideline prepared and approved by Board of Directors of Ethiopian Re. The Company has the following governance structure:

- General Meeting of Shareholders;
- Board of Directors;
- Chief Executive Officer;
- Executive Management; and
- External Auditors

Board Meetings: The Board holds ordinary meetings to deliberate on institutional affairs, while special meetings are called whenever deemed necessary. The Board held twenty-Thee regular meetings during the year under review.

Committees of the Board: The Board has set up four principal committees, namely Human Resources Affairs Committee, Risk and Compliance Committee, Audit Committee, and Strategy and Investment Committee which prepared and adopted their respective charters to serve as a guide in the course of discharging their responsibilities. These Committees are intended to expedite efficient handling of and decision-making on matters that normally fall within the scope of the Board's responsibilities.

5. THE BUSINESS ENVIRONMENT

5.1 THE GLOBAL REINSURANCE LANDSCAPE

It is commonly known that the reinsurance market operates in cycles. Accordingly, this year has witnessed a hard market for the reinsurance industry. After years of renewals in favor of insurance companies, the negotiations at the end of 2022 marked a first turning point with more favorable conditions for reinsurers, particularly in terms of natural catastrophe risks.

The year 2022 has been particularly marked by the Russia-Ukraine war, which is weighing heavily on the insurance and reinsurance market. The resulting energy and grain crisis has profoundly disrupted the world economy and political balance.

The resulting high inflation is a new phenomenon for mature markets used to a certain monetary stability. As a result, the cost of capital is rising, interest rates are tightening, and the retrocession market is shrinking. Another notable event in 2022 is that global warming is leading to an increase in the number of natural catastrophes, which is penalizing reinsurers and limiting their margin of maneuver. It is therefore in a very deteriorated economic, political, and social environment that the treaty renewals for 2023 begin.

According to the broker AON, the economic losses generated by natural disasters occurring between 1 January and 30 September 2022 amount to 227 billion USD. Almost 44% of this amount is insured, that is, 99 billion USD. Half of the economic damages are listed in the United States, that is, about 114 billion USD.

According to all the forecasts, a strong evolution of the amounts of natural catastrophes claims is to be expected in 2022. This loss ratio deterioration will be seen at two levels :

» at the level of recent tropical events already reported, notably because of the assumption of inflation.

» at the level of future events not yet reported in 2022. The hurricane season not yet closed may be gaffe cited by other events that would aggravate the situation of insurers and reinsurers. This aggravation is all the more feared as inflationary pressures are particularly high.

Risk mapping: Cybercrime still in the lead in 2023

France Assureurs has published the 6th edition of the insurance and reinsurance industry’s risk mapping. Cybercrime and climate change are still the top two concerns for companies in 2023.

The deteriorating economic environment moved up from fifth to third place in 2023. In 2022, the third position was occupied by the risk of exceptional natural catastrophes, which has dropped to 6th place in 2023.

TABLE 1: TOP 5 RISKS IN 2023

Ranking		Risques
2023	**2022**	
1	1	Cyberattacks
2	2	Climate change
3	5	Deteriorating economic environment
4	-	Raw materials and energy shortages*
5	14	Global political risk

**new risk*

In 2022, African reinsurance accounted for 6.2% of the total African market, all activities combined (insurance and reinsurance), posting an increase of 21.3% during the period 2017-2021. The top ten companies account for 75.86% of reinsurance sales.

5.2: THE ETHIOPIAN INSURANCE INDUSTRY

As per data obtained from NBE, during the period under review, the number of insurers in Ethiopia had remained 18: one public and 17 private insurers operating throughout the country. Their branches increased to 690 from 605 a year ago. Of the total branches, about 54.4 percent were located in Addis Ababa. Similarly, their total capital and total assets reached Birr 16.3 billion, and 49.73 billion, respectively.

TABLE 6: INDUSTRY'S PERFORMANCE AS OF JUNE 30, 2023

		In '000 Birr		
		2022/23		2021/22
Item	**Non-Life**	**Life**	**Total**	**Total**
Gross Premium	21,459,674	1,462,714	22,922,388	16,665,406
Net Premium	14,587,698	1,198,414	15,786,112	10,310,303
Ret Ratio (%)	68	82	69	62
Net Earned Premium	11,692,646	1,136,898	12,829,544	9,212,955
Net Claims Incurred	6,823,961	717,393	7,541,354	5,127,770
Loss Ratio (%)	58	63	59	56
Total Asset	46,021,291	3,707,011	49,728,302	40,857,679
Total Capital	14,729,144	1,624,984	16,354,128	13,380,124
Profit after Tax	3,239,654	392,963	3,632,617	2,824,014

Gross written premiums of the industry reached Birr 22.9 billion revealing over 27.3% growth compared with last year's same period result. General Insurance (GI) dominates the sector claiming Birr 21.5 Billion or 93.6%, with motor vehicle insurance continuing to dominate earning – constituting 52.4% of total insurance premiums and 55.9% of the GWP of GI class of insurance. The total assets and total capital of insurers have reached Birr 49.7 billion and Birr 16.3 billion, respectively which showed an increase of 4.6% and 20.9% respectively. The major change witnessed during the reporting period in the industry was the motor rate revision which has brought growth to the industry and hence to Ethio-Re. Hence, during the reporting period, it was remarked that with a view to stabilize the dwindling premium price of the market, the Association of Ethiopian Insurers had worked with an international actuary to produce an economic premium rate. After conducting a rigorous evaluation of the industry data and premium adequacy test, the actuary has provided the minimum premium rate study for the Motor class of business hence the new economic premium rate has started implementation subtly in the month of November and afterwards and unquestionably has become a leap in the right direction for all stakeholders concerned.

Moreover, the new Bond rate and terms revision by Africa Re in the market has significantly affected the industry. It has to be recalled that Africa-Re, had introduced stringent requirements for domestic insurance firms as a market sanitization strategy, issuing advance payment guarantees and performance bonds to contractors. The decision came at the backdrop of growing claims against performance and advance payment guarantee bonds issued to grade-one contractors and many claims reported in the sector. This Sanitation strategy was adopted as a procedure of financial recovery from the business.

6. RESULTS: THE COMPANY'S PERFORMANCE

6.1. FINANCIAL PERFORMANCE

GROSS WRITTEN PREMIUM

- During the period under review, the Company has generated a gross premium income of Birr 2.01 Billion. The total premium generated was higher than last year's similar period figure and the budget projections by Birr 654 million or 48% and by Birr 465 million or 30%, respectively.
- Out of the total premium for the period, Birr 1.1 Billion, or 44.7% has been generated by way of Compulsory Treaty Cessions, whereas Birr 984.9 billion, or 49% has been generated through Compulsory Policy Cessions.
- Moreover, during the period under review, Birr 61.8 million or 3% facultative business has been written which solely came from the local market. The Facultative business has registered a 12% growth from last year.
- During the period under review, the Company has written businesses from selected African markets, the share of which amounted to Birr 73.66 million or 3.3%, which registered a growth of 91%.
- During the period under review, the ratio of Voluntary cessions has reached almost 10%. This amount has shown increase from the 3% ratio which was recorded at the beginning of the strategic period and 7%, which was achieved last year.

CLAIMS INCURRED

Claims incurred for the year is calculated as follows:

» Net outstanding claims of June ,2023 plus Net claims paid during the year less outstanding claims June,2022. In addition to the above, Change in IBNR (Incurred but not reported) was included to determine the final amount. Accordingly, the claims incurred for the year amounts to Birr 819.3million.

IBNR (INCURRED BUT NOT REPORTED)

» During the reporting period, Actuarial Valuation was made by an independent actuary (ActServ). The Actuary have estimated net IBNR reserve to be 112,554,720 and 7,340,675 for General and Life businesses respectively. However, the amount determined by the actuaries is less than the requirement set by NBE direction no SRB/2/2022 article 5.1.3 A (III) which states, IBNR claims shall be 10% of net earned premium or the amount determined by an actuary or the method proposed in writing by an actuary whichever is higher. As a result, we have taken 10% of Net earned premium Birr 123,784,915 and 7,460,867 for General and Life Businesses respectively. Accordingly, the IBNR of the year amounts to Birr 131.2 million.

OUTSTANDING CLAIMS RESERVE

Outstanding claims are computed on the basis of preliminary loss advice from ceding companies and outstanding claims reports sent by cedants. They are also determined on the basis of historical expenses and actuarial analysis. Accordingly, the outstanding claims resrve amounts to Birr 629.3 Million.

Out of the above total outstanding claim, the major losses were reported by cedants in respect of Bond classes of businesses from the following insured: Tekleberhan Ambaye Birr 115.3 million, Afro Tsion construction Birr 96.1 million, Orchid Business Group Birr 21.8 million and AKIR Construction Birr 65.7 million with total amount of Birr 298.9. million.

CEDANT ACQUISITION COST

» The Company's cedant acquisition cost for the year has reached Birr 444.4 million which is higher than the last year's same period experience by Birr 141.9 million or 47% .

GENERAL & ADMINISTRATIVE EXPENSES

» During the reporting period, Birr 101.2 million has been outlaid for general and administrative expenses. This amount has shown a decrease from the projected amount by Birr 31 million or 31% but an increase from last year's similar period performance by Birr 22 million or 28%.

INVESTMENT & OTHER INCOME

» During the period under review, the Company has earned Birr 269.2 million from investment and other income which is higher than the projection as well as the last year's same period performance by Birr 24.4 million or 9.95% and Birr 79 million or 41.39%, respectively.The increase in investment income is explained by smart cash flow management as well as extra cash available following the decision by most shareholders to re-plough their dividends.

- The increase in investment income is explained by smart cash flow management as well as extra cash available following the decision by most shareholders to re-plough their dividends.
- So far, the Company has invested a total of Birr 194 million on equity investment in United Bank SC, Addis-Africa International Convention & Exhibition Center (AAICEC), Awash Wegagen bank, and BOA which requires diversification and entering into different investment portfolio considering the investible fund of the company. Accordingly, Ethio-Re should strengthen its investment portfolio and give due focus to strengthening investment in the coming years, especially in real-estate and acquisition of its headquarters, equity investment, and strengthening strategic partnerships.

UNDERWRITING RESULT

- During the reporting period, the company's underwriting result has reached 51.0 million.
- The major reason for the limited result in UW is mainly due to new reported claims in Bond and Motor class of business.

PROFIT AND LOSS

- During the period under review, the Company registered Birr 234.1 million profit after tax. The registered profit is higher than last year's similar period by birr 10.6 million or 4.7%.

6.2. NON-FINANCIAL PERFORMANCE

IT PROJECT

- As part of its strategy, the Company has paid special attention to the adoption of technology to enhance its competitiveness and improve the quality of products and services to be delivered to its customers. To this end, it has started the implementation of the reinsurance and accounting software with SAP East Africa Limited and msg Global Solutions. It is believed that the full-scale implementation and go-live of integrated reinsurance management and general ledger software will soon be completed;

INVESTMENT

- As per the investment policy manual of the Company and wwithin the limits set by the National Bank of Ethiopia (NBE) directives, Ethio Re needs to look at how to get a high return by investing its excess funds in other areas of investment. Accordingly, during the year under review, the company has purchased an equity share from Abyssinia bank with an amount of Birr 85.1 million and an additional share from Awash Bank with Birr 8.3 million.

HUMAN RESOURCE DEVELOPMENT, STRATEGY AND PROFILE

- Our corporate and leadership culture strongly geared to performance and business requirements has a major positive impact on the way our staff approach change, performance, and training. There were currently 32 people working at Ethio-Re (figures from 30 June 2023), Of which the share of female employees accounts to 53%. All of them contribute to our success through their skill, performance, and dedication.
- During the year, the Company has organized leadership and employees trainings with Munich Re and GIC Re of INDIA;

RETRO- PROGRAM ARRANGEMENT

- Retro program arrangement for the year 2023/24 has been finalized during the reporting period. A comprehensive retro program with wider geographical coverage, covering work in the African markets has been arranged.

BUSINESS DEVELOPMENT, PROMOTION, AND COMMUNICATION

- **Participation in the African Insurance Organization (AIO) Annual Conference and General Assembly, the federation of Afro-Asian Insurers and Reinsurers (FAIR), and Organization of African Insurers and Reinsurers(OESAI), to promote Ethio-Re's brand.** These conferences and General Assemblies are annual events that bring together insurance professionals from all over the continent and beyond to discuss insurance issues in addition to creating a forum to establish and/or reinforce business relationships. Throughout the year, representatives and delegates of Ethio-Re have attended all the forums and the events presented the unmatched platform to introduce our newly formed Company to the continental reinsurance arena.
- **Ethio-Re hosted trainings and forums for the insurance industry:** As part of its strategic effort, Ethio-Re hosted forums and trainings to foster the development of the insurance business in Ethiopia. So far, Ethio-Re. has organized and conducted local training in collaboration with Munich Re on the topic of reinsurance accounting and treaties, in which participants drawn from all local insurance companies took part. The other trainings were organized on the topic of Contractors Plant and Machinery, Fire Insurance, Risk Management and Internal Audit, Life Insurance. Moreover, the company has also organized dedicated training for the CEOs and board of Directors of insurance companies in Ethiopia. Ethio-Re would continue to organize similar training on topical industry issues in the future to develop the capacity of cedants in the future.
- **Corporate Social Responsibility (CSR):** Ethio-Re sponsored the costs of the CII program for the insurance industry with the Bruh Finance and the Association of ethiopian insurers. The city administration built the feeding centers to provide a meal for the most vulnerable members of society. Ethio-Re has also donated for the School feeding for the deaf children, Mekodonia house of the elderly and others to discharge its corporate social responsibility.

- Ethio-Re is also participating in a School feeding program designed for the Ethiopian National Association of the Deaf (ENAD), Co-Action Learning Centre for Deaf Children- Under the auspices of the City Government of Addis Ababa Education Bureau. ETHIO-RE as a corporate social responsibility believes in funding acutely vulnerable children to access basic education each year through engaging itself in national school feeding programs organized by the government. The children who benefit from the Programme are disabled children structured by the Ethiopian National Association of the Deaf (ENAD) Co-action school- Under the auspices of the City Government of Addis Ababa Education Bureau. They are from extremely impoverished, broken families who would be unable to send them to school without support from outside sources.
- **Market Visits**
  - Domestic: A senior management team led by the CEO has visited all local insurance companies to establish smooth business relationships and to explore ways on how to boost business opportunities. Moreover, Finance and investment team has visited all insurance companies to expedite collection performance and create a smooth business relationship.
  - International: During the year market visit has been made to solicit business from the Djibouti and Kenyan markets;
- Membership of continental and local institutions: Ethio-Re is an institutional member of the Organization for Eastern and Southern African Insurers (OESAI) in addition to its established membership in African Insurance Organization (AIO), Federation of Afro-Asian Insurers and Reinsurers (FAIR), and Association of Ethiopian Insurers (AEI).

APPOINTMENT OF ACTUARY AND CONTACTING RATING AGENCIES

- Credit rating: The Company has reassured its credit rating for the Third year from Global Credit Rating (GCR) as per the company's strategy. Accordingly, it has obtained a score, of B- (B minus) International Scale and a National Scale (ET) AA (Double A) with Outlook: Stable
- Actuarial services: Ethiopian Re. envisages developing its actuarial knowledge in the long run. However, in the short run, the Company has selected and engaged ACTSERV, a Kenyan-based actuarial firm to perform the required actuarial services.

7. MAJOR CHALLENGES ENCOUNTERED DURING THE YEAR

During the period under review, the achievements made had been tempered by the following challenges that the Company strived to overcome in close collaboration with stakeholders and partners. Some of these challenges were chronic, and the Board and Management undertook measures to adjust and refine relevant policies and strategies, to bring the performance of the company back on track and minimize their adverse impact.

- » Shortage of FOREX has an adverse impact on the operation of the company especially in in meeting its obligations and settling retrocession premiums in due course;
- » During the period under review, there have been notable changes in the political landscape in the Country. Global and national war and political insanity in the region. These circumstances have affected the economic well-being of the citizens, and have also compromised the infrastructural developments and overall economy in the country and has an adverse impact on the claim settlement of the company;
- » The claim experience encountered during the year has also affected the company's results;
- » Shortage of quality and timely data and information. Due to less utilization of information technology in the industry for insurance purposes, data and information shortage is affecting the underwriting and timely availability of information for operational purposes;

8. FUTURE PLAN

- » The Board in consultation with Deloitte international consultants, the expatriate advisor, and through engaging management and other stakeholders has prepared and approved Ethiopian Re's Vision -2030: Take off for Ethio-Re, 5-year comprehensive strategy and 10-year roadmap which is the second strategic plan covering the years 2021/22-2024/25. Accordingly, the implementation started as planned in July 2021, the strategic plan was later presented to the National Bank of Ethiopia and communicated to all concerned stakeholders to create ownership- buy-in, and engagement. The strategic plan is in its Third year of implementation and the subsequent years would enable Ethio-Re to become competitive and earn sustainable growth.
- » Hence, having incorporated learnings from the current state assessment, we have asserted our refreshed vision – 'To be the reinsurer of choice in Ethiopia and our chosen markets.
- » On top of the above, through a process of studying the company's internal configuration, the SP has developed three distinct 'horizons' of strategic initiatives that are key to the new strategy:
    - • Horizon 1: Big Five – Five initiatives that consider non-negotiable to the success of all other strategic initiatives as well as Ethio-Re's overall viability. These non-negotiable initiatives are:
        - o Enhance communication, stakeholder relationships, brand awareness, and reputation;
        - o Obtain credit rating and increase foreign business inflows;
        - o Ensure extension of compulsory cessions; and
        - o Enhance leadership capabilities
        - o Implement technology to support business and operations
    - • Horizon 2: Quick wins – High impact initiatives that are less complex to implement, meaning that they can be initiated in the current financial year.
    - • Horizon 3: Other Priority – Other key initiatives that are more complex to implement or longer-term in nature, still being essential to Ethio-Re's long term success

- In the years ahead, the Company should also gear up all its efforts towards the successful implementation of all prioritized strategic initiatives to significantly sharpen its competitive edge in view of the changing business environment. Furthermore, in order to ensure a leading role in offering reinsurance services as stated in its mission and vision statements; the Company will step up the efforts directed at developing the capacity of its workforce, work on Company Rating, strengthening relationships with cedants and implementing state of the art information technology.
- The company has envisaged supporting the market in its efforts for the development of inclusive insurance, agricultural insurance, life insurance, micro-insurance, and other new products that could contribute to the development of the industry. Hence, the company has a plan to provide a due focus for inclusive insurance and organize national forums on the importance of insurance and give support for the development of insurance, as a national reinsurance company.
- The company would also work on strengthening strategic partnership with identified reinsurance companies that have experience in the market;
- Work on the acquisition of building for Ethio-Re's headquarters come into fruition, and improve its investment income.

9. APPROPRIATION OF RETAINED EARNINGS

- During the financial year 2022/23, the Company has obtained an after-tax profit of Birr 234.1 million. The Board of Directors, therefore, recommends that Birr 209,602,249 be distributed to shareholders in proportion to their respective shares after deducting legal reserve and the remuneration of the Board of Directors.

10. AUDITORS

- The Audit Services Corporation is responsible for auditing the Company's books of accounts in accordance with the resolution of the General Meeting that sanctioned the Corporation as External Auditors to carry out the audit for the year ended 30 June 2023.

11. VOTE OF THANKS

- The Board of Directors, the Executive Management, and employees would like to express their deepest gratitude to all insurers carrying on insurance business in Ethiopia and other stakeholders for their unreserved support and willingness to continue to do business with the Company.

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Meseret Bezabih
Chairperson of the Board of Directors

Dawit G/Ammanuel
Chief Executive Officer

PROMOTION & NETWORK AIO FORUM 2023

Ethiopian Reinsurance

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FINANCIAL STATEMENTS

REGISTERED ADDRESS, EXECUTIVE MANAGEMENT, INDEPENDENT AUDITORS

REGISTERED ADDRESS

Ethiopian Reinsurance S.C.

Africa Avenue, Kirkos Sub city, Wereda 9

Telephone :- +251 115 575757, +251 115 582790/92/93

P.O. Box 12687,

Addis Ababa, Ethiopia

Email: info@ethiopianre.com; Website: www.ethiopianre.com,

EXECUTIVE MANAGEMENT

S.No	Full Name	Position	Appointment Date
1	Dawit G/Ammanuel Gorfneh	CEO	June 1,2021
2	Azeb Wogayehu Tura	EO,Finance & Investment	August 16,2016
3	Fikru Tsegaye Wordofa	EO,Strategy & Business Dev't	Novemebr 1,2016
4	Meseret Tilahun Manyazewal	EO,Operations	August 12,2019
5	Samuel Ademe Alaba	Director,Risk & Compliance	January 10,2018
6	Abera Demissie Boriya	Director,HR&CS	October 27,2021
7	Ato Sahlemariam Dejene Wuletaw	Director,Audit	October 1,2020
8	Bruk Alemayehu Urgessa	Acting EO,Infromation Technology	May 10,2023

INDEPENDENT AUDITORS

Audit Service Corporation

Addis Ababa, Ethiopia

CORPORATE OFFICE

Awash Tower

Ras Abebe Aregay Street

P.O. Box 12638,

Addis Ababa, Ethiopia

PRINCIPAL BANKERS

Commercial Bank of Ethiopia

Awash Bank

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ETHIOPIAN REINSURANCE SHARE COMPANY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Reinsurance Share Company (the Company), which comprise the statement of financial position as at 30 June 2023, and the 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 present fairly, in all material respects, the financial position of the Company as at 30 June 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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The Federal Democratic Republic Of Ethiopia
Audit Services Corporation

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ETHIOPIAN REINSURANCE SHARE COMPANY (continued)

Key Audit Matters (continued)

Gross premiums written

There is a risk that gross premiums written are understated. In our response to this risk, we verified that the correct periodical reports had been received and recorded in the correct accounting period; we ascertained that confirmation reports had been received from customers; we verified that gross premiums had been computed based on the agreements, the periods covered and on other covenants; and we reviewed annual audit reports of customers. Overall, our assessment is that the basis for incorporating gross premiums written was appropriate.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements, our auditor's report thereon and the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), 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.

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

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

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The Federal Democratic Republic Of Ethiopia ★ Audit Services Corporation ★

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ETHIOPIAN REINSURANCE SHARE COMPANY** (continued)

Auditors' 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:

- 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 management.

- Conclude on the appropriateness of management's 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.

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The Federal Democratic Republic Of Ethiopia * Audit Services Corporation *

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ETHIOPIAN REINSURANCE SHARE COMPANY (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Other Legal and Regulatory Requirements

As required by the Commercial Code of Ethiopia of 2021, we must report to you in accordance with

Article 349 (1) that we have no comments to make on the report of the Board of Directors; and

Article 349 (2) that we recommend approval of the financial statements.

The engagement director on the audit resulting in this independent auditor's report is Woizero Banchiayehu Tamrat.

audit services corporation

Addis Ababa
8 December 2023

Audit Services Corporation
Auditors of
Ethiopian Reinsurance Share Company

The Federal Democratic Republic Of Ethiopia ★ Audit Services Corporation ★

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Report of the Management

This management report discloses summary of the financial performance and state of affairs of the Company.

Incorporation and address

Ethiopian Reinsurance Share Company was incorporated in Ethiopia in 2016 as the first Reinsurance Company and is domiciled in Ethiopia.

Ethiopian Reinsurance Share Company was established by 103 founding Ethiopian shareholders with a paid-up capital of ETB 506,150,000 and started operations on July 1, 2016. As of 30 June 2023, the number of shareholders and its paid-up capital increased to 125 and ETB 1,617,680,000 respectively.

Principal activities

The Company provides dependable reinsurance protection locally and internationally by making available adequate risk capacity by means of highly trained professionals and modern ICT. The Company endeavours to foster market stability, high professionalism and advancing the business of insurance through engaging all players.

Results from Operation

The Company's results for the period ended 30 June 2023 are set out on the Statement of profit or loss and other comprehensive income. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2023 ETB	30 June 2022 ETB
Net Underwriting Result	51,054,540	121,326,895
Profit before tax	219,014,151	232,599,481
Tax Expense	(15,141,126)	9,075,941
Profit for the year after tax	234,155,277	223,523,541
Other Comprehensive income, net of tax	9,945,819	2,424,685
Total comprehensive income for the year	244,101,096	225,948,226

Dawit Gebreammanuel
(ACII, Chartered Insurer)
Chief Executive Officer

The Federal Democratic Republic Of Ethiopia ★ Audit Services Corporation ★

ETHIOPIAN REINSURANCE S.C
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The commercial Code of Ethiopia 2021 and the insurance business proclamation number 746/2012 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the financial year and its financial performance for the year then ended. The Board of directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of directors accept responsibility for the preparation and presentation of these financial statements in accordance with the Financial Reporting Proclamation No. 847/2014 and in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They also accept responsibility for:

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then apply them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Nothing has come to the attention of the Board of Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement. The Board of directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of directors on December 08, 2023 and signed on its behalf by;

Meseret Bezabih
Chairperson, Board of Directors

Dawit G/Ammanuel
Chief Executive Officer

ETHIOPIAN REINSURANCE SHARE COMPANY

STATEMENT OF THE FINANCIAL POSITION AS AT JUNE 30, 2023

AS AT JUNE 30, 2023

	Note	General Insurance 2022-23 ETB	Long-Term Insurance 2022-23 ETB	Total 2022-23 ETB	Total 2021-22 ETB
Assets					
Cash	**5**	567,196,101	862,361	568,058,462	356,976,883
Other Receivables	**6**	45,900,026	328,826	46,228,852	12,515,900
Due from ceding companies	**7**	610,821,133	44,249,896	655,071,029	465,261,747
Due from retrocessionaires		53,678,277	-	53,678,277	1,368,805
Deferred acquisition costs	**8**	221,259,598.0	7,019,519	228,279,117	158,370,288
Time deposits	**9**	1,689,317,713	244,591,854	1,933,909,567	1,720,913,273
Equity Investment	**10**	188,588,797	6,000,000	194,588,797	93,055,271
Government Bonds	**11**	242,363,957	42,770,110	285,134,067	207,979,538
Right of use asset	**12**	7,146,371	-	7,146,371	9,175,103
Deferred tax Asset	**25.2**	24,893,657		24,893,657	3,702,212
Property Plant & Equipment	**13**	12,331,406	-	12,331,406	14,921,986
Intangible Asset in progress	**13**	24,875,108	-	24,875,108	25,011,727
Total assets		**3,688,372,144**	**345,822,566**	**4,034,194,710**	**3,069,252,734**
Liabilities					
Provision for unearned premiums	**14**	647,007,670	44,291,549	691,299,219	446,629,330
Interbranch Business		1,877,956	(1,877,956)	(0)	-
Other payables	**15**	13,698,630		13,698,630	15,155,154
Due to ceding companies	**16**	117,912,737	1,892,621	119,805,358	61,461,903
Due to retrocessionaires		472,920,816	-	472,920,816	384,065,530
Employee benefits liability	**17**	755,434	4,192	759,626	531,798
Lease Liability	**12**	6,945,095		6,945,095	8,269,331
Prov for incurred but not reported claims	**18**	123,784,915	7,460,867	131,245,783	87,423,182
Outstanding claims reserve	**18.1**	629,338,400	-	629,338,400	366,044,926
Deferred tax liability	**25.2**	7,505,864	4,990,457	12,496,321	2,196,722
Provision for income tax	**25.1**				11,638,753
Total Liabilities		**2,021,747,518**	**56,761,730**	**2,078,509,248**	**1,383,416,630**
Equity					
Capital: Paid up	**19**	1,375,029,909	242,652,337	1,617,682,246	1,390,600,347
Share premium		406,492	71,734	478,226	478,226
Formation fund	**19**	9,973,000	-	9,973,000	9,973,000
Retained earnings		177,262,094	33,477,655	210,739,749	201,333,687
Legal reserve		90,110,586	12,859,109	102,969,695	79,554,168
Other Comprehensive Income		13,842,546	-	13,842,546	3,896,677
Total equity		**1,666,624,627**	**289,060,835**	**1,955,685,462**	**1,685,836,104**
Total liabilities and equity		**3,688,372,144**	**345,822,565**	**4,034,194,710**	**3,069,252,734**

The accompanying notes on page 11 to 66 to the accountant are an integral paert of the financial statements

Meseret B

Meseret Bezabih
Chairperson of the Board of Directors

The Federal Democratic Republic Of Ethiopia ★ Audit Services Corporation ★

Dawit G/Ammanuel
Chief Executive Officer

ETHIOPIAN REINSURANCE SHARE COMPANY
STATEMENT OF THE FINANCIAL POSITION AS AT JUNE 30, 2023
AS AT JUNE 30, 2023

	Note	General Insurance 2023	Long-Term Insurance 2023	Total 2023	Total 2022
Income					
Gross premiums written	20	1,921,821,990	88,318,534	2,010,140,524	1,357,705,282
Retrocession Premium		(452,784,839)	-	(452,784,839)	(374,633,050)
Change in net unearned premium	14	(230,960,029)	(13,709,860)	(244,669,889)	(117,461,866)
Net Earned premium		1,238,077,122	74,608,674	1,312,685,796	865,610,366
Reinsurance commission income		130,675,003	-	130,675,003	96,543,033
Total Income		1,368,752,125	74,608,674	1,443,360,799	962,153,399
Re-Insurance Expenses					
Net claims incurred	21	781,441,086	37,836,892	819,277,979	443,169,660
Cedant Acquisition Cost	22	432,178,112	12,243,094	444,421,206	302,469,884
Profit commission Exp.		122,976,926	5,630,149	128,607,075	95,186,960
Total outgo		1,336,596,124	55,710,135	1,392,306,259	840,826,504
Underwriting profit		32,156,001	18,898,539	51,054,540	121,326,895
Net Investment Income	23	240,157,174	29,040,598	269,197,772	190,029,512
Other Income		18,439	-	18,439	157,300
Operating and other expenses	24	(95,505,315)	(5,751,285)	(101,256,600)	(78,914,225)
Profit before tax		176,826,299	42,187,852	219,014,151	232,599,481
Tax Expense	25.3	(20,131,583)	4,990,457	(15,141,126)	9,075,941
Profit for the year after tax		196,957,882	37,197,395	234,155,277	223,523,541
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurement gains on defined benefit plan		30,833.00	-	30,833	(74,912)
Deferred tax liability/asset on remeasurement gain or loss		-	-	-	-
Remeasurement gains on defined benefit plan net of tax		30,833	-	30,833	(74,912)
Remeasurement of fair value gain on equity investment		14,164,265	-	14,164,265	3,570,853
Deferred tax liability/asset on remeasurement fair value		(4,249,280)	-	(4,249,280)	(1,071,256)
Remeasurement of fair value gain on equity investment Net of tax		9,914,986	-	9,914,986	2,499,597
Other Comprehensive income ,net of tax		9,945,819	-	9,945,819	2,424,685
Total comprehensive income for the year		206,903,701	37,197,395	244,101,096	225,948,226

The Federal Democratic Republic Of Ethiopia ★ Audit Services Corporation ★

ETHIOPIAN REINSURANCE SHARE COMPANY

STATEMENT OF THE FINANCIAL POSITION AS AT JUNE 30, 2023

AS AT JUNE 30, 2023

	Capital	Formation fund	Retained Earnings	Legal Reserve	Share premium	Other comprehensive Income	Total Equity
Balance at 1 July 2021	**996,020,000**	**9,973,000**	**175,417,108**	**57,201,814**	**-**	**1,471,991**	**1,240,083,913**
Profit for the year	-	-	223,523,541	-		-	223,523,541
Share premium					478,226	-	478,226
Dividend Declared			(174,067,108)		-	-	(174,067,108)
Directors compensation			(1,350,000)		-	-	(1,350,000)
Transfer to legal reserve	-	-	(22,352,354)	22,352,354	-	-	-
Capital contribution	394,580,347	-	-	-	-	-	394,580,347
Deferred tax expense	-	-	-	-	-		-
Remeasurement of Defined benefit Liability net of tax	-	-	-	-	-	(74,912)	(74,912)
Equity investment Fair value measurement net of tax	-	-	-	-	-	2,499,597	2,499,597
Reversal of Directors share	-	-	162,500	-	-	-	162,500
Balance at 30 June 2022	**1,390,600,347**	**9,973,000**	**201,333,687**	**79,554,168**	**478,226**	**3,896,676**	**1,685,836,104**
Balance at 1 July 2022	**1,390,600,347**	**9,973,000**	**201,333,687**	**79,554,168**	**478,226**	**3,896,676**	**1,685,836,104**
Profit for the year	-	-	234,155,277	-		-	234,155,277
Share premium						-	-
Dividend Declared			(200,196,187)		-	-	(200,196,187)
Directors compensation			(1,137,500)		-	-	(1,137,500)
Transfer to legal reserve	-	-	(23,415,528)	23,415,528	-	-	-
Capital contribution	227,081,899	-	-	-	-	-	227,081,899
Deferred tax expense	-	-					-
Remeasurement of Defined benefit Liability net of tax	-	-	-	-	-	30,883	30,883
Equity investment Fair value measurement net of tax	-	-	-	-	-	9,914,986	9,914,986
Reversal of Directors share	-	-		-	-	-	-
Balance at 30 June 2023	**1,617,682,246**	**9,973,000**	**210,739,749**	**102,969,696**	**478,226**	**13,842,545**	**1,955,685,462**

The Federal Democratic Republic Of Ethiopia ★ Audit Services Corporation ★

ETHIOPIAN REINSURANCE SHARE COMPANY

STATEMENT OF THE FINANCIAL POSITION AS AT JUNE 30, 2023

AS AT JUNE 30, 2023

	2023	2022
	ETB	ETB
Cash flows from operating activities:		
Profit for the year	**219,014,151**	**232,599,481**
Depreciation and Amortization	5,129,147	5,327,599
Interest on employer liability	580,755	379,635
Interest on lease liability	1,043,014	492,919
Interest on staff loan	(492,807)	(352,675)
Unrealized exchange gains	(1,192,132)	(1,416,857)
Interest income	(269,077,705)	(188,387,723)
	(44,995,578)	**48,642,379**
Movement in Working Capital		
Change in Receivables and prepayments	(33,712,952)	(6,670,919)
Change in Due from ceding companies and retrocessionaires	(312,027,583)	(96,730,386)
Change in Insurance provisions	551,785,963	196,602,529
Change in Other provision	227,828	250,581
Change in Payables	(1,272,904)	4,525,356
Payment to Directors	(1,137,500)	(1,312,500)
Change in Due to ceding companies	147,198,741	140,985,423
Net cash flows from operating activities	**306,066,015**	**286,292,464**
Payment for provision for tax	(11,638,753)	(25,486,676)
Cash flows from investing activities		
Payment for investment in the Grand Renaissance Dam Bond	(75,325,000)	(51,200,000)
Payment for time deposits	(201,289,289)	(375,457,959)
Payment for Equity investment	(87,369,260)	(6,056,640)
Interest received	256,372,315	173,269,523
Acquisition of property, plant and equipment	(406,335)	(2,534,926)
Payment of finance lease liability	(2,367,249)	(2,367,249)
Dividend paid	(6,633,629)	(149,047)
Net cash used in investing activities	**(117,018,446)**	**(264,496,298)**
Cash flows from financing activities:		
Capital received	33,672,764	220,662,284
Share premium received	-	478,226
Net cash from financing activities	**33,672,764**	**221,140,510**
Increase in cash and cash equivalents	**211,081,579**	**217,450,000**
Cash and cash equivalents:		
At beginning of the period	356,976,883	139,526,883
At end of the period	**568,058,462**	**356,976,883**

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Ethiopian Reinsurance

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1. REPORTING ENTITY

Ethiopian Reinsurance Share Company ("The Company") is a reinsurance company established on 7 July 2016 with the objective of engaging in the business of rendering general and long-term re-insurance services. The Company's registered office is located in the Federal Democratic Republic of Ethiopia, Addis Ababa City, Kirkos Sub City, Woreda 9, and House No. New.

The registered office is the same as the principal place of business.

2. BASIS OF ACCOUNTING

(A) STATEMENT OF COMPLIANCE

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(B) FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Ethiopian Birr, which is the Company's functional and presentation currency. Except when otherwise stated, all amounts have been rounded to the nearest unit.

(C) USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively in the financial statements.

JUDGMENTS

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following note.

NOTE 3 (F) – LEASES: WHETHER AN ARRANGEMENT CONTAINS A LEASE

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(D) USE OF JUDGMENTS AND ESTIMATES(CONTINUED)

ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Information on assumptions and uncertainty of estimates posing a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the year ending 30 June 2023 is included in the following notes

Note 3 (b) – measurement of insurance liabilities: Key actuarial assumptions

Note 17 (c) – measurement of employee benefits liability: Key actuarial assumptions

Note 3 (c) (viii) – identification and measurement of impairment for financial instruments;

Note 3 (e) (iii) – useful lives and salvage value of tangible assets;

Note 3 (i) (n),

Note 3 (m), Note 25 – recognition of deferred taxes: availability of future profits against which tax losses carried forward can be used.

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(3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

(A) FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(B) REINSURANCE CONTRACT

Reinsurance contracts are those contracts that transfer significant reinsurance risk. Ethiopian Re defines reinsurance risk as the risk that it has to settle claims arising from reinsurance contracts held with cedant companies either from treaty reinsurance or facultative reinsurance.

The reinsurance contracts are classified into two main categories:

(i) General reinsurance business - This is for contract durations typically running for one year. The main classes covered in general insurance business are accident, aviation, burglary, engineering, employer liability, fire, goods in transit, liability, marine, medical, motor, and pecuniary.

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) REINSURANCE CONTRACTS (CONTINUED)

(ii) Long term business - This is for other business not considered as non-life business. The main classes covered in long term insurance business are term, endowment, whole life, permanent health and others.

RECOGNITION AND MEASUREMENT

The results of the reinsurance business are determined on an annual basis as follows:

PREMIUM INCOME

Premiums and related expenses are accounted for in profit or loss when earned or incurred. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period and are calculated using the one-over-eight methods. Gross written premiums are recognized based upon reports from ceding companies. Statements of account are received on a quarterly basis where the statements of account are not received by the year-end, the estimates will be computed through the pipeline method.

CLAIMS INCURRED

Claims incurred comprise claims paid in the period and changes in the provision for outstanding claims. Claims paid represent all payments made during the period. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of preliminary loss advice from ceding companies and outstanding claims reports sent by cedants. They are also determined on the basis of historical expenses and actuarial analysis.

CEDANT ACQUISITION COSTS AND DEFERRED ACQUISITION COSTS

A proportion of cedant acquisition costs is deferred and amortized over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of cedant acquisition costs and other acquisition costs that relate to the unexpired term of the policies that are in force at the year end.

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) REINSURANCE CONTRACTS (CONTINUED)

LIABILITY ADEQUACY TEST

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. 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 by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Long-term reassurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

RETROCESSION CONTRACTS HELD

Contracts entered into by the Company with retrocessionaires under which it is compensated for losses on one or more contracts issued by it and that meet the classification requirements for retrocession contracts are classified as retrocession contracts held. Retrocession premiums payable are recognized in the period in which the related premium income and claims are earned /incurred, respectively.

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

Ethiopian Re assesses its retrocession assets for impairment annually. If there is objective evidence that the retrocession assets are impaired, the Company reduces the carrying amounts of the retrocession assets to its recoverable amount and recognizes that impairment loss in profit or loss.

RECEIVABLE AND PAYABLES RELATED TO REINSURANCE CONTRACTS

Receivables and payables are recognized when due. These include amounts due to and from cedants and brokers.

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) REINSURANCE CONTRACTS (CONTINUED)

Receivable and payables related to reinsurance contracts (continued)

If there is objective evidence that the reinsurance receivable is impaired, Ethio-Re reduces the carrying amount of the reinsurance receivable accordingly and recognizes the impairment loss in profit or loss. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due.

Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(I) CLASSIFICATION

FINANCIAL ASSETS

The Company classifies its financial assets into one of the following categories:

- Amortized cost;
- Fair value through comprehensive income; and
- At fair value through profit or loss.

AMORTIZED COST

A financial asset is classified as subsequently measured at amortized cost if it:

- meets the SPPI criterion (whether the contractual terms of the financial assets give rise, on specified dates, to cash flows that are Solely for Payment of Principal and Interest); and
- is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

Fair value through Other Comprehensive Income (FVOCI)

A financial asset is classified as subsequently measured at FVOCI if it:

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(I) CLASSIFICATION – CONTINUED

» meets the SPPI criterion (whether the contractual terms of the financial assets give rise, on specified dates, to cash flows that are Solely for Payment of Principal and Interest); and

» is held within a business model in which assets are managed both in order to collect contractual cash flows and for sale.

FAIR VALUE THROUGH PROFIT OR LOSS

All other financial assets i.e., financial assets that do not meet the criteria for classification as subsequently measured at amortized cost or FVOCI are subsequently measured at fair value through profit or loss, with changes in fair value recognized in profit or loss.

FINANCIAL LIABILITIES

The Company classifies its financial liabilities as measured at amortized cost or fair value through profit or loss. Financial liabilities can be designated at FVTPL if managed on a fair value basis or it is eliminated or reduced if an accounting mismatch.

(II) RECOGNITION

The Company recognizes financial instruments when the Company becomes a party to the contractual provisions of the instrument

All financial instruments are initially measured at fair value plus or minus transaction costs, in the case of a financial asset or financial liability not at fair value through profit or loss.

(III) DERECOGNITION

FINANCIAL ASSETS

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(III) DERECOGNITION (CONTINUED)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of:

a) the consideration received (including any new asset obtained less any new liability assumed) and
b) any cumulative gain or loss that had been recognized in OCI

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

FINANCIAL LIABILITIES

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(IV) MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value. If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre-modification interest rate.

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(IV) MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES - CONTINUED

FINANCIAL LIABILITIES

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

(V) OFFSETTING

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

(VI) AMORTIZED COST MEASUREMENT

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(VII) FAIR VALUE MEASUREMENT

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(VII) FAIR VALUE MEASUREMENT - CONTINUED

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

If there is no active market or no observable prices to measure the Company's financial assets or financial liabilities at fair value, the fair value of financial assets and financial liabilities is determined at each reporting date for disclosure in the financial statement purposes only.

(VIII) IMPAIRMENT

The Company recognizes loss allowances for Expected Credit Losses (ECLs) on

» Financial assets measured at amortized cost;

Lifetime expected credit losses are the losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that results from default events that are possible within the 12 months after the reporting date.

In all cases, the maximum period considered when estimating expected credit loss is the maximum contractual period over which the Company is exposed to credit risk.

MEASUREMENT OF EXPECTED CREDIT LOSSES

Expected credit losses are a probability-weighed estimate of credit losses and are measures as follows:

» Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls- i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive; and

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(VIII) IMPAIRMENT – CONTINUED

» Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

CREDIT-IMPAIRED FINANCIAL ASSETS

At each reporting date, the Company assesses whether financial assets measured at amortized cost and debt investments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

» Significant financial difficulty of the borrower or issuer;

» A breach of contract such as a default or past-due date;

» The restructuring of an amount due to the Company on terms that the Company would not otherwise consider;

» It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

» The disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:

» The market's assessment of creditworthiness as reflected in the bond yields;

» The rating agencies' assessments of creditworthiness;

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(VIII) IMPAIRMENT – CONTINUED

- » The country's ability to access the capital markets for new debt insurance;
- » The probability of debt being restricted, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- » The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and; irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

PRESENTATION OF LOSS ALLOWANCES IN THE STATEMENT OF FINANCIAL POSITION

Loss allowances for expected credit losses are presented as follows:

- » Financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- » Debt investments measured at FVOCI: the loss allowance is recognized in OCI.

WRITE-OFF

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedure for recovery of amounts due.

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash at banks in current and deposit accounts and short term, highly liquid investments with maturity periods of three months or less.

According to IAS 1 – Presentation of Financial Statements, cash funds, that for some reason are restricted and may not be exchanged or used to settle a liability for a period of at least twelve months are excluded from the balance of cash and cash equivalents and classified as restricted cash in the separate statements of financial position for each of the periods presented.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(E) PROPERTY, PLANT AND EQUIPMENT (PPE)

(I) RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and cumulative impairment losses.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating and administrative expenses in profit or loss.

(II) SUBSEQUENT COSTS

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(I) DEPRECIATION

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment are as follows:

PPE Class	Depreciation rates	Residual value (% on cost)
Building	5%	25%
Computer equipment	25%	1%
Office equipment	20%	1%
Office furniture	10%	1%
Motor vehicles	14%	25%
Office partitions	20%	1%
Intangible Asset	10%	

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Since all property and equipment of the Company are relatively new and in good conditions, the assets' carrying amount is assumed to be equivalent to the recoverable amount, thus the items are not impaired during the year.

Minor repairs and maintenance costs are expensed as incurred.

(F) LEASES

(I) COMPANY ACTING AS A LESSEE

At inception, the Company determines whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) LEASES (CONTINUED)

(I) COMPANY ACTING AS A LESSEE – CONTINUED

At the commencement date, the Company recognizes a right-of-use asset at cost and a lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company uses the incremental borrowing rate.

After the commencement date, the Company measures the right-of-use asset applying the cost model (cost less any cumulative depreciation and any cumulative impairment). In the case of the lease liability, the Company measures it by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

(II) COMPANY ACTING AS A LESSOR – FINANCE LEASES

Where the Company is the lessor, the Company classifies each of its leases as either an operating lease or a finance lease.

FINANCE LEASE

If a lease agreement transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within receivable.

At the commencement date, the Company recognizes assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. After the initial measurement, the Company recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

OPERATING LEASE

The Company recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Company applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) INTANGIBLE ASSETS

(I) SOFTWARE

Software acquired by the Company is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software is 10 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The Company amortizes only the cost Microsoft office which is purchased during the year ended 30th June 2023.

(H) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets namely Cash Generating Units (CGU's).

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

The Company's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(I) PROVISIONS

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation

(J) EMPLOYEE BENEFITS

(I) DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan at the termination of the employment relationship, other than a defined contribution plan. The Company accounts not only for its legal obligation under the formal term describe above, but also for any constructive obligation that arise from the Company´s customary practices. A customary practice give arise to a constructive obligation where the Company has no realistic alternatives but to pay employee benefits.

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets is deducted. The discount rate to be used is normally based on the yield on long-term corporate bonds, or in the absence of that, the yield on long-term Government bonds. Due to lack of a liquid market for long term bonds in Ethiopia, including government bonds, the discount rate used in the current year was based on the rate of return of one-year fixed term deposits as determined by an independent actuary.

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) EMPLOYEE BENEFITS (CONTINUED)

(I) DEFINED BENEFIT PLANS

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income in the period in which they arise.

(II) DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution plans are expensed as the related services is provided. Prepaid contributions are regarded as an asset to the extent that a cash refund or a reduction in future payments is available.

(III) SHORT-TERM BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided, considering current wages.

Liability is recognized for the amount expected to be paid under short-term cash and include mainly wages and salaries, bonuses, leave benefits and other allowances to pay this amount as a result of past services provided by the employees, and the obligation can be estimated reliably.

(IV) OTHER LONG-TERM BENEFITS

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

The Company's net obligation in terms of long-term benefits employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized in the profit or loss in the period in which they arise.

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) EMPLOYEE BENEFITS (CONTINUED)

(V) TERMINATION BENEFITS

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(K) LEGAL RESERVE

According to the National Bank of Ethiopia Directive No. SRB/2/2022, any insurer shall, at the end of the financial year, transfer to its legal reserve an amount not less than 10% of its net profit until such reserves equals its paid-up capital. The Company's policy is to transfer 10% of its net profit to the legal reserve.

(L) STATUTORY DEPOSIT

A statutory deposit amounting to 15% of the paid-up capital must be maintained with the National Bank of Ethiopia. This deposit or part thereof may not be withdrawn or be used as a pledge or security for any loan except with the written permission of the National Bank of Ethiopia.

The National Bank of Ethiopia allows a re-insurer to maintain statutory deposits either in cash or in the form of government securities. (Article 5.1.1 of National Bank of Ethiopia Directive No. SRB/2/2022). For this purpose, the Company has acquired GERD Bond from the government and placed the original certificates at the National Bank of Ethiopia.

ETHIO RE HAS CLASSIFIED THE STATUTORY DEPOSIT AS A FINANCIAL ASSET AT AMORTIZED COST.

(M) INCOME TAX

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

(I) CURRENT TAX

The current income tax is the expected tax payable on the taxable income for the year. The amount of current tax payable is the best estimate of tax expected to be paid and that reflects the uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) INCOME TAX (CONTINUED)

(II) DEFERRED TAX

Deferred tax is measured under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between such values. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to temporary differences when recovered or settled based on laws enacted or substantially enacted as of the reporting date.

No deferred taxes are recognized for the initial recognition of an asset or a liability in a transaction that is not a business combination and that affects neither accounting nor taxable income.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority and to the same fiscal entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which such can be reversed. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(N) CONTINGENCIES

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the financial statements. Contingent revenues, earnings or assets are not recognized until realization is assured.

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(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) FINANCE INCOME AND FINANCE COSTS

The Company's financial income and finance cost include interest income, interest expense, dividend income, foreign exchange gains or losses and impairment losses on investments. Interest income or expense is recognized using the effective interest rate method. Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

(P) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other costs are expensed when incurred. The Company did not have any borrowings as at 30 June 2023.

(Q) SHARE BASED PAYMENTS

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The Company did not have any share-based payments as at 30 June 2023.

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Impact of new and amended standards and interpretations on the financial statements for the year commencing 1st January 2023 and future annual periods:

New standards and Amendments to standards	Effective for annual periods beginning on or after
Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements	1 January 2023
Presentation of Financial Statements to clarify requirements for classifying liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Definition of Accounting Estimates –Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023

Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 making materiality judgements .

The amendments to accounting policy disclosures seek to assist preparers in deciding on which accounting policies to disclose in the financial statements. Emphasis was placed over materiality above all other considerations. The definition of Materiality was refined to align across IFRS standards and Conceptual Framework.

The key amendments to IAS 1 are:

» requiring companies to disclose their material accounting policies rather than their significant accounting policies

» clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed

» clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments apply to the Company and will be fully implemented when they become effective. Presentation of Financial Statements to clarify requirements for classifying liabilities as current or non-current (Amendments to IAS 1)

The amendment is to clarify the requirements for classifying liabilities as current or noncurrent.

More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant; and
- The amendments clarify the situations that are considered settlement of a liability.

The amendments are not expected to have any material impact on the financial position of the Company.

IFRS 17 INSURANCE CONTRACTS

IFRS 17 supersedes IFRS 4 Insurance Contracts. It aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model applicable in certain circumstances and to specific contracts. There is also the variable fee approach for contracts with direct participation features.

The new standard will bring in changes in the financial statements when it is initially applied which will include changes to the measurement of insurance contracts issued and the presentation and disclosure.

The Company is on course of the implementation of the standard. The company does not envisage a major impact on equities as most of the contracts are within one year.

Definition of Accounting Estimates – Amendments to IAS 8

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

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The focus of the amendment is solely on the clarifications regarding accounting estimates rather than accounting policies.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences in cases like leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Early adoption of standards

The Company did not early-adopt any new or amended standards during the period ended 30th June 2023.

4. FINANCIAL RISK REVIEW

Ethio-Re underwrites risks that natural persons, corporate or other entities wish to transfer to an insurer. Such risks may relate to engineering, aviation, fire, pecuniary, accident (PA & GPA), motor, liability, marine, and other perils which may arise from an insured event. As such, the Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under reinsurance contracts.

Furthermore, the Company is also exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk, market risk, etc. Market risk, in turn, comprises of currency risk, interest rate risk and other price risks.

This report is, therefore, presents information about the Company's risk exposure, and the Company's objectives, policies and processes for measuring and managing risk and capital.

4.1. RISK MANAGEMENT FRAMEWORK

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors oversee that the risk management process is designed and implemented in line with the Company's corporate strategy. The Board Risk and Compliance Committee (BRCC) is responsible for monitoring the Company's risk management policies and reports regularly to the board of directors on its activities.

The BRCC has direct access to all of the Company's information and receives regular reports from management.

The Company has also an independent unit called Enterprise Risk and Compliance Directorate, which is accountable to the Board of Directors – BRCC. There is also a Risk Management Committee of the management who develops and monitors an Enterprise wide risk management practices on corporate level.

4.2. KEY RISKS ARISING FROM REINSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS:

- Underwriting risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

4.2.1. UNDERWRITING RISK

Underwriting risk comprises; insurance risk, retro-cession risk and technical reserve risk.

- Insurance risk: Insurance risk is the risk of loss on underwriting activities that may arise from acceptance of business that is not in the scope of Ethio-Re's acceptable business.
- Retrocession risk: Retrocession risk is a risk of loss that emanates from failure to arrange appropriate retrocession program.
- Technical reserves risk: Technical reserves risk is the risk of holding insufficient technical reserves by the Company.

4.2.1.1. MANAGEMENT OF UNDERWRITING RISK

The Company retrocedes all classes of insurance business exceeding its retention limit that include; engineering, aviation, fire, pecuniary, accident (PA & GPA), motor, liability, marine and other perils. The bulk of the business written is short-tail in nature. There is no retrocession program arranged for Long Term Insurance, as it all are under our retention limits.

The risk under any one insurance contract is two-fold: underwriting – the possibility that the insured event occurs, and reserving – the uncertainty of the amount of the resulting claim.

The Company has developed a detailed underwriting manual covering risk acceptance criteria, pricing, accumulation control, authority levels, and reinsurance protection, among others. It guides the underwriters in their acceptances, on the principles of prudence and professionalism within the overall objective of diversifying the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The priority is to ensure adherence to criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff.

An independent unit, Internal Audit, ensures adherence to these guidelines through periodic review of the activities of operations. The reports of the review are submitted to management and the Audit Committee.

The Company enters into retrocession arrangements with reputable Reinsurance Company (retrocessionaires) to diversify its risks and reduce the risk of catastrophic loss on reinsurance assumed. The retrocession does not relieve the Company of its obligations to the ceding companies. As part of its annual renewals, the financial condition of retrocessionaires is reviewed. As a result, retrocession is placed with a selected group of financially secured and experienced companies in the industry.

The Company has existing retrocession arrangements as at 30 September 2024, which are renewed for one-year time.

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4.2.1.2. CONCENTRATION OF UNDERWRITING RISK

The Company's concentration of reinsurance risk is determined by class of business. The shared characteristic that identifies each concentration is the insured event and the key indicator is the gross premium as indicated in Note 20.

As can be observed on Note number 20 from the share of motor class of business as compared to all other general insurance is raised to 33.42% from its last year position of 29.6%. This upward movement was observed as a result of rate adjustment made in the insurance industry of Ethiopia.

4.2.2. MARKET RISK

Market risk is the risk that changes in the market prices – e.g. foreign exchange rates and interest rate fluctuations; real-state and equity prices volatility will affect the fulfilment of cash flows of insurance and reinsurance contracts as well as the fair value of future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

- » Exchange rate risk principally arises on the change of Company's interest bearing financial assets and financial liabilities denoted in foreign currencies.
- » Interest rate risk will also arise if the interest rate applies on time deposit increases or decreases.
- » The increase and decrease on the fair value of equity investment is an equity price risk, which have an impact on the profitability of the company.

The nature of the Company's reinsurance contracts and financial instruments means that it is exposed to market risk in the form of interest rate risk; currency rate risk and equity price risk.

4.2.2.1. MANAGEMENT OF MARKET RISK

Ethiopian Re manages market risk based on the diversification of investments within the frame work put in Proclamation Number 746/2012 article 25 and existing directives, prescribing investments of re/insurers, by National Bank of Ethiopia.

The Company's investment plan is devised on a yearly basis based on the strategic investment direction put by the Board of directors and NBE's investment directives which specifies investment in treasury bills, fixed time deposits, shares etc.

(I) INTEREST RATE RISK

The Company's exposure to interest rate changes is primarily concentrated in the actively managed fixed income portfolio, which is reported at fair value. Changes in interest rate will have an immediate impact on the Company's reported net income and consequently the shareholders' funds. The details of Fixed time deposits and Bonds are stated under **Note No 9 & 11.**

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An analysis of the Company's sensitivity to a 0.5% parallel increase or decrease in the market interest rates at the reporting date, assuming all other variables remain constant is shown below:

Financial Instruments	Effect on Profit/Loss		Effect on Equity	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Time deposits	9,669,548	-9,669,548	9,669,548	-9,669,548
Government Bond	1,425,670	-1,425,670	1,425,670	-1,425,670
Total (ETB)	**11,095,218**	**-11,095,218**	**11,095,218**	**-11,095,218**

(II) EQUITY PRICE RISK

Equity price risk refers to the potential gain or loss in fair value resulting from positive or adverse changes in the fair value of stocks/ shares/ that the Company has invested in. The details are shown in Note No 10.

The Company has opted to use dividend growth model in computing the Fair Value (FV) of its Equity investment.

Taking into accounts the development in portfolio and size of the investments, the Company might consider the use of external expertise in the future.

BANK OF ABYSSINIA

Since the shares are purchased during the year, the Acquisition cost is considered as Fair value of the equity investment.

UNITED BANK & AWASH BANK

Both banks current year proposal for dividend per share is considered. Accordingly, the Fair value of our equity shares held at United Bank & Awash Bank is computed and found to be adjusted to Birr 12,835,203 & Birr 6,927,694 respectively during the year.

WEGAGEN BANK

The bank has not declared dividend during the years 2020-21 and 2021-22 but currently the bank is recovering from those challenging periods and hence we are not able to apply the dividend growth model.

Currently, the bank, by capitalizing on the lessons drawn from those challenging periods and engaging all stakeholders', is exerting unremitting effort to aggressively work on revenue generation and expense reduction activities so as to ramp up profitability in the coming periods. There is no indication for impairment.

Thus, considering the commitment of the stakeholders, we consider the Initial Investment as Fair value of the equity investment.

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ADDIS-AFRICA INTERNATIONAL CONVENTION AND EXHIBITION CENTRE

This project is not operational, but as per the latest activity report prepared by the project office's consultant, the first phase is on the verge of completion and expected to generate income sooner. There is no indication for impairment.

In view of this, we consider the initial investment as Fair value of the equity investment.

Financial Instruments	Effect on OCI	
	15% increase	15% decrease
Equity/ Share investment	27,985,684	-27,985,684
Total (ETB)	**27,985,684**	**(27,985,684)**

As per the policy of the Company such variation in fair value is accounted through Other Comprehensive Income (OCI) and hence it has no effect on retained earnings.

(III) CURRENCY RISK

The Company is exposed to currency risk to the extent that currencies in which reinsurance contracts are denominated differ from functional currency of the Company. These contracts are primarily denominated in US Dollars.

The summary quantitative information about the Company's exposure to currency risk arising from reinsurance contracts at the reporting date was as follows:

Financial Instruments	Effect on OCI	
	15% increase	15% decrease
Reinsurance assets (receivables)	USD 297,940	USD 224,745
Reinsurance liability (payables)	89,391	227,332

A reasonably possible strengthening or weakening of Ethiopian Birr against the US Dollar at the reporting date would have affected the measurement of insurance and reinsurance contracts and financial instruments and affected the profit or loss and equity by the amounts shown below: The analysis assumes that all other variables remain constant.

Reinsurance contracts	Effect on OCI			
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
Receivables	(1,626,583)	1,626,583	(1,626,583)	1,626,583
Payables	497,785	(497,785)	497,785	(497,785)
Total (ETB)	**(1,128,798)**	**1,128,798**	**(1,128,798)**	**1,128,798**

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The following exchange rate has been applied

		June 30, 2023 Closing rate	
		Buying	**Selling**
USD 1	**=**	**Br. 54.5943**	**Br. 55.6862**

(https://combanketh.et/en/exchange-rate/)

As the balance in receivable and payable is almost the same the impact is very minimal as observed above, which shows a tremendous improvement as compared to last year balances.

4.2.3. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk through its financial assets, which include bank deposits, fixed time deposits and receivables.

4.2.3.1. MANAGEMENT OF CREDIT RISK

Ethio-Re's credit risk philosophy considers ceding companies adhere to the reinsurance terms and conditions and submits statement of account and settle premium due in time. Any investment undertaken by Ethio-Re shall be undertaken in a manner that seeks to ensure the preservation of the principal investment.

Bank deposits are placed within local Ethiopian banks and are spread over several banks to avoid undue concentration.

Credit risk relating to receivables is mitigated by the large number of cedants and largely limited only in Ethiopia. A significant number of the companies from whom receivables are due are equally shareholders of the Company. In addition, the liability for outstanding claims is in respect of insurance contracts with the same counter parties. Receivables are presented at present value net of impairment provision. A periodic evaluation of cedants and retrocessionaires is carried out to minimize exposure to significant losses from insolvencies.

4.2.3.2. EXPOSURE TO CREDIT RISK

The carrying amount of financial assets and insurance contracts represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying amount	ETB
Time deposits	1,933,909,567
Government Bond	285,134,067
Staff loans	3,454,105
Insurance Receivables – Ceding	652,755,158
Insurance Receivables – Retrocession	53,678,277
Cash and cash equivalents (bank balances)	568,058,462
Balances at 30 June 2023	3,496,989,636

4.2.3.3. IMPAIRMENT LOSSES

The ageing of reinsurance debtors' net balance at the reporting date was as follows:

Description	Gross Amount
	ETB
Current (0-29 days)	99,842,292.03
Past due (30-90 days)	115,205,214.03
Past due (91 – 180 days)	140,507,043.01
Past due 181 – 360 days	100,217,681.27
Past due 1 – 2 years	60,388,332.38
Past due 2 – 3 years	33,846,066.98
Past due 3 – 4 years	(12,471,358.47)
Past due more than 4 years	8,027,737.38
Total	545,563,009
Impairment	11,209,755

The allowance account in respect of insurance receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and is written off against the financial asset directly.

As at 30 June 2023 the Company's management, has decided to impair all net receivables ageing above two years and to impair 1.0% for those aged below two years after deducting all collections made subsequent to reporting date and written confirmations secured from the debtors to pay their arrears. As a result, the Company impaired Birr 12.21 million.

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4.2.3.4. AMOUNT ARISING FROM EXPECTED CREDIT LOSSES (ECL)

The following amounts were subject to ECL as they were classified at amortised cost:

Description	2022/23 ETB	2021/22 ETB
Staff loans	3,454,105	2,951,233
Cash at bank	568,058,462	356,976,883
Time deposits	1,933,909,567	1,720,913,273
Government Bond	285,134,067	200,843,125
Total As at 30 June 2023	**2,790,556,201**	**2,281,684,514**

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both the qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

Whenever available, the Company monitors changes in credit risk by tracking published external credit ratings. Where external credit ratings are not available, the Company allocates each exposure to a credit risk graded based on data that is determined to be predictive of the risk of default including but not limited to audited financial statements, management account and cash flow projections and available regulatory and press information about borrowers.

The Company assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date.

Key inputs into the measurement of expected credit losses (ECL) are performance default rates (PD), loss given default (LGD) and exposure at default (EAD). PD estimates the likelihood of a default happening over a specified period. LGD is the magnitude of the likely loss if there is default. EAD represents the expected exposure in the event of default. The Company measures ECL considering the risk of default over the maximum contractual period.

The Company assumed a zero percent rate of default on its time deposit and cash at bank. This was based on the following factors and circumstances:

» The Company considers time deposits to be in default when a financial asset is more than 90 days past dues, all its time deposits were paid on the date of maturity.

» In assessing whether a borrower is in default, the Company considers indicators such as breaches of covenant and other indicators of financial distress, overdue status of another obligation of the same issuer and none of these conditions were observed.

» Subsequent to 30 June 2023 the Company had already collected all its dues from the financial institutions it held financial assets with.

» Based on enquiries made with other external sources there was no history of default on time deposits with the financial institutions invested.

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The Statutory deposit was considered as sovereign debt and recoverable in full, but for the sake of doubt 0.005% rate was applied in calculating expected credit losses.

Accordingly, Birr 12,132 is taken as ECL impairment allowance for the Government bond.

Staff loans were considered recoverable in full as the amounts are set to be deducted from salaries and in the event of employees leaving before settling their debts, all are obliged to have one other employee to sign as a surety and outstanding amounts will be deducted from their severance pay.

4.2.4. LIQUIDITY RISK

The table below analyses the Company's key financial and insurance assets and liabilities into relevant maturity groupings based on the remaining period at 30th June 2023 to the earlier of the re-pricing or contractual maturity date.

Description	Below 1 year	1 – 5 years	> 5 years	Total
1 Assets				
Cash and cash equivalent	10,000			10,000
Reinsurance Premium Receivables - Ceding (Net of provision of impairment)	655,071,029			655,071,029
Reinsurance Premium Receivables - Retro	53,678,277			53,678,277
Investments	13,019,275	229,623,850		242,643,125
Bank Deposits (current and saving)	568,048,462			568,048,462
Fixed time deposit at amortized cost	1,933,909,567			1,933,909,567
Deferred tax Asset	19,867,142			19,867,142
Deferred Acquisition cost	228,279,117			228,279,117
Sundry Debtors	28,674,166			28,674,166
Staff loans	3,219,540	234,565		3,454,105
Advance Tax	14,100,581			14,100,581
Total Assets 'A'	3,517,877,156	229,858,415	-	3,747,735,571
2. Liabilities				
Due to ceding companies	119,805,358			119,805,358
Due to Retro-Reinsurers	472,920,816			472,920,816
Provision for unearned premiums	691,299,219			691,299,219
Provision for incurred but not reported claims (IBNR)	131,125,590			131,125,590
Outstanding Claims Reserve	629,338,400			629,338,400
Other payables	13,698,630			13,698,630

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Lease Liability	2,261,893	4,683,202		6,945,095
Employees Benefit Liability	759,626			759,626
Deferred tax liability	5,309,142			5,309,142
Provision for Income Tax	-			-
Total Liability 'B'	**2,066,518,674**	**4,683,202**	**-**	**2,071,201,876**
Liquidity gap A - B	**1,451,358,482**	**225,175,213**		**1,676,533,695**
Liquidity Ratio A : B	**1.70 : 1.00**			**1.81 : 1.00**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with reinsurance contracts and other obligations as and when due. As can be seen from the above table for every one Birr current liability the Company maintains one birr and 70 cents in current assets, which is far above the regulatory threshold.

4.2.4.1. MANAGEMENT OF LIQUIDITY RISK

The Company manages its liquidity risk by holding an adequate liquidity buffer to pay out unexpected claims. Investment in short term securities, like treasury Bills, and Certificate of Deposits, shall be evenly distributed over 12 months to enable the Company to meet its unexpected liquidly problem without forfeiting interest accrued on Certificate of Deposits.

The Company also prepares a one-year projected cash flow broken down in four quarters and this cash flow performance is monitored and evaluated.

4.2.5. OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as non-compliance with legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risk arises from all the Company operations.

Generally, Ethio-Re follows the Emerging Risk Initiative (ERI) risk radar updates. Moreover, it uses the following techniques to identify possible risk events in each respective work units and corporate level:

- Brainstorming sessions among appropriate staff members of respective Offices and with all Senior Management members;
- Subsequent to the reporting date, updates of corporate risk register on quarterly basis based on the findings of Biweekly management meeting;
- Discussions with the Company internal and external auditors;
- Analysis of key processes and systems at corporate level;
- Different local and international media reports/ news;
- Technical conferences and workshops;
- Industry, Trade and Professional journals;

- Assessing past experience of the Company (for example, using internal databases) and from experience in the local and international market.
- Establishing Administrative Organization and Internal Control Systems to control risks during the operational process.
- To mitigate risks like fraud and errors, the Company has established internal control systems whereby approval limits for underwriting, reinsurance, claims handling, payment authorization for major capital expenditures and general expenses, investment/divestment, cheque signatories are authorized by different levels of executive management aligned with the hierarchy of Ethio-Re's structure.

4.2.6. CAPITAL MANAGEMENT

Capital requirements are set and regulated by the National Bank of Ethiopia (NBE). These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further, objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders value.

STRUCTURE OF CAPITAL

The Company is wholly owned by Ethiopian nationals and/or organizations wholly owned by Ethiopian nationals. All shares rank equally with regard to the Company's residual assets and shareholders are entitled to one vote per share.

As of 30 June 2023, the Company's capital was as follows:

SUBSCRIBED SHARE CAPITAL

250,000 shares of Birr 10,000 each	**ETB 2,500,000,000**

4.2.7. REGULATORY CAPITAL

The Company currently has Birr 1.6 billion paid up capital which is above the statutory limit of Birr 500 million set by the National Bank of Ethiopia.

5. CASH AND CASH EQUIVALENTS

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
Saving accounts				
Commercial Bank of Eth.	212,708,869	-	212,708,869	197,824,133
Hiber Golden United Bank	202,392,763		202,392,763	
Current accounts				
Abay Bank	669,058	-	669,058	669,093
Abyssinia Bank	412,368	-	412,368	17,857,674
Addis International Bank	141,814	-	141,814	119,600
Awash International Bank	10,687,251	-	10,687,251	31,092,929
Buna International Bank	840	-	840	900
Commercial Bank of Eth.	15,667,848	-	15,667,848	16,185,168
CBE Interest free Account	4,813,529	-	4,813,529	492,156
CBE Foreign Ex.Retention A	2,157,915	-	2,157,915	1,667,872
Coop. Bank Of Oromia	160,835	-	160,835	4,802,512
Dashen Bank	12,870	-	12,870	10,380,038
Debub Global Bank	50,199,048	-	50,199,048	50,024,323
Enat Bank	2,885,961	-	2,885,961	872,177
Nib International Bank	2,685,536	-	2,685,536	315,475
Oromia International Bank	2,028,372	-	2,028,372	13,540,819
United Bank	6,361	-	6,361	10,951,402
Zemen Bank	47,963	-	47,963	85,406
Wegagen Bank	-	862,361	862,361	85,205
Gadaa Bank	10,000	-	10,000	
Tsehay Bank	9,825	-	9,825	
Cash on Hand	10,000	-	10,000	10,000
Cheque on Hand	59,487,076	-	59,487,076	
Total	**567,196,101**	**862,361**	**568,058,462**	**356,976,883**

6. OTHER RECEIVABLES

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
Staff loans	3,454,105	-	3,454,105	2,951,233
Sundry debtors	12,758,119	-	12,758,119	558
Prepayment	15,916,046	-	15,916,046	1,559,252
Advance tax	13,771,755	328,826	14,100,581	8,004,856
Total	**45,900,026**	**328,826**	**46,228,852**	**12,515,900**

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7. DUE FROM CEDING COMPANIES

	Gen.Ins	Long Term Ins	Total	Total
	2023	2023	2023	2022
Due from ceding companies	618,010,453	48,270,330	666,280,783	474,216,279
Provision of impairment	7,189,321	4,020,434	11,209,755	8,954,532
	610,821,133	**44,249,896**	**655,071,029**	**465,261,747**

8. DEFERRED ACQUISITION COSTS

	Gen.Ins	Long Term Ins	Total	Total
Class of Business	2023	2023	2023	2022
Accident	3,971,990		3,971,990	4,362,163
Aviation	963,832		963,832	903,209
Burglary	502,311		502,311	404,346
Engineering	17,620,845		17,620,845	20,972,490
Employers Liability	1,723,175		1,723,175	1,576,304
Fire	20,589,720		20,589,720	16,347,859
Goods in transit	570,061		570,061	584,753
Liability	7,318,553		7,318,553	3,891,373
Marine	56,120,610		56,120,610	33,512,174
Medical	23,430		23,430	201,278
Motor	37,014,625		37,014,625	19,457,755
Pecuiniary	48,557,911		48,557,911	32,607,576
Others	26,282,535		26,282,535	18,445,450
Life	-	7,019,519	7,019,519	5,103,559
Total	**221,259,598**	**7,019,519**	**228,279,117**	**158,370,288**

A proportion of cedant acquisition costs is deferred and amortized over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of cedant acquisition costs and other acquisition costs that relate to the unexpired term of the policies that are in force at year end.

9. TIME DEPOSITS

	Gen.Ins	**Long Term Ins**	**Total**	**Total**
Name of Bank	2023	2023	2023	2022
Abyssinia Bank	164,560,048	43,481,328	208,041,377	284,306,752
Addis Int.	17,509,643	-	17,509,643	17,465,267
Awash	409,199,313	48,107,648	457,306,961	401,782,659
Enat Bank	66,829,284	16,858,502	83,687,786	65,964,836
Coop. Bank of Oromia	88,146,359	34,253,948	122,400,307	107,903,417
Dashen Bank	258,416,507	30,067,412	288,483,919	245,368,320
Debub Global	59,849,863	-	59,849,863	53,490,144
Nib Int.	176,290,049	36,619,631	212,909,681	194,387,215
Oromia	306,642,050	27,281,259	333,923,309	240,849,109
United Bank	71,189,505	-	71,189,505	39,505,154
Wegagen Bank	70,685,093	7,922,124	78,607,217	69,890,401
	1,689,317,713	**244,591,854**	**1,933,909,567**	**1,720,913,273**

Time deposits have been recognized as financial assets at amortized cost. The effective interest rate on time deposits ranges from 12% to 13.5% per annum. The time deposits have a maturity of one year from the date of investment.

The interest receivable related to time deposits is calculated using the effective interest rate method and is shown as follows;

Interest Receivable	-	-	-	
	Gen.Ins	**Long Term Ins**	**Total**	**Total**
	2023	**2023**	**2023**	**2022**
	87,620,110	**14,687,539**	**102,307,650**	**90,600,645**

10. EQUITY INVESTMENT

The equity investment is measured at fair value through other comprehensive income as of June 30,2023.

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
United Bank at Fair Value	60,598,631	-	60,598,631	57,027,778
FV adjustments	7,236,571	-	7,236,571	3,570,853
United Bank at Fair Value	67,835,203	-	67,835,203	60,598,631
Addis-Africa International Convention & Exhibition Center(AAICEC)	20,400,000	-	20,400,000	20,400,000
Awash Bank	8,276,640	-	8,276,640	6,056,640
FV adjustments	6,927,694		6,927,694	
Awash Bank at Fair Value	15,204,334		15,204,334	
Bank of Abyssinia	85,149,260		85,149,260	
Wegagen Bank	-	6,000,000	6,000,000	6,000,000
	188,588,797	**6,000,000**	**194,588,797**	**93,055,271**

The Company has purchased new equity shares from Abyssinia Bank during the current year through auction, thus the Company has considered the acquisition cost as Fair Value.

11. GRAND RENAISSANCE DAM BONDS

A statutory deposit amounting to 15% of the paid-up capital must be maintained with the National Bank of Ethiopia. This deposit or any part thereof may not be withdrawn except with the written permission of the National Bank of Ethiopia, or be used as a pledge or security for any loan.

The statutory requirement has been fulfilled by the deposit of Grand Renaissance Dam Bonds.

(a) GERD BOND				
	Gen.Ins	**Long Term Ins**	**Total**	**Total**
	2023	**2023**	**2023**	**2022**
Statutory deposit	206,246,656	36,396,469	242,643,125	200,843,125
Interest Receivable	6,923,114	1,221,726	8,144,840	7,146,455
ECL Impairment allowance for bond	11,737	2,071	13,808	10,042
	213,158,034	**37,616,123**	**250,774,157**	**207,979,538**
(b) DBE BOND				
	Gen.Ins	**Long Term Ins**	**Total**	**Total**
	2023	**2023**	**2023**	**2022**
Principal Amount	28,496,250	5,028,750	33,525,000	
Interest Receivable	709,674	125,237	834,910	
	29,205,924	5,153,987	34,359,910	
TOTAL GOVERNMENT BOND	**242,363,957**	**42,770,110**	**285,134,067**	

The bond has been recognized as a financial asset at amortized cost. The effective biannual interest rate on the bond has changed from 2.75% to 3.75% effective from October 2020.

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12. LEASES (RIGHT OF USE)

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
Cost				
Balance at beginning of the year	19,075,613	-	19,075,613	8,931,953
Addition	-	-	-	10,143,660
FV adjustments	-	-	-	-
Balance at end of the year	**19,075,613**	**-**	**19,075,613**	**19,075,613**
Depreciation				
Balance at beginning of the year	(9,900,510)	-	(9,900,510)	(7,944,847)
Additions	(2,028,732)	-	(2,028,732)	(1,955,663)
Balance at end of the year	**(11,929,242)**	**-**	**(11,929,242)**	**(9,900,510)**
Net carrying value	**7,146,371**	**-**	**7,146,371**	**9,175,103**

The right of use asset has been depreciated over 5 years which is equivalent to the lease term.

	Gen.Ins	Long Term Ins	Total	Total
Lease liability	**2023**	**2023**	**2023**	**2022**
Balance at beginning of the year	8,269,331		8,269,331	-
Lease liability Addition	(2,367,249)		(2,367,249)	7,776,412
Interest expense on Lease	1,043,014		1,043,014	492,919
settlement & unrealized gain	-		-	-
Balance at end of the year	**6,945,095**	**-**	**6,945,095**	**8,269,331**

The Company recognizes a lease liability at the present value of the lease payments that are not paid at that date. The Company uses an incremental borrowing rate that is based on the interest rate that the Company would have to pay on the commencement date of the lease for a loan of a similar term, and with a similar security, to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The rate used to compute the present value of this lease liability was 14.25%.

13. PROPERTY, PLANT AND EQUIPMENT

	Balance		Balance	Balance
COST	**01-07-22**	**Additions**	**30-06-23**	**30-06-22**
Partition work	2,489,846	-	2,489,846	2,489,846
Motor Vehicles	22,121,073	-	22,121,073	22,121,073
Office Equipment, furniture and fittings	3,480,809	297,265	3,778,074	3,480,809
Computers & accessories	1,588,475	212,570	1,801,045	1,588,475
Sub total	**29,680,203**	**509,835**	**30,190,038**	**29,680,203**
	Balance		**Balance**	**Balance**
DEPRECIATION	**01-07-22**	**Additions**	**30-06-23**	**30-06-22**
Partition work	2,466,298	-	2,466,298	2,466,298
Motor Vehicles	9,927,629	2,370,826	12,298,455	9,927,629
Office Equipment & furniture	1,443,159	452,123	1,895,282	1,443,159
Computers & accessories	921,131	277,466	1,198,597	921,131
Sub total	**14,758,217**	**3,100,415**	**17,858,632**	**14,758,217**
NET BOOK VALUE	**14,921,986**		**12,331,406**	**14,921,986**
	Balance		**Balance**	**Balance**
COST	**01-07-22**	**Additions**	**30-06-23**	**30-06-22**
Intangible asset in progress	**25,011,727**	**(136,619)**	**24,875,108**	**25,011,727**

14. UNEARNED PREMIUM

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
Provision for Unearned Premium	850,097,151	44,291,549	894,388,700	595,171,159
Less: Retrocess. Share of Provision for UPR	203,089,481	-	203,089,481	148,541,829
Net Provision for Unearned Premium	**647,007,670**	**44,291,549**	**691,299,219**	**446,629,330**

The Unearned Premium Reserve (UPR) was determined by an independent actuary using the 8ths method which assumes quarterly reserving and is internationally accepted for reinsurers.

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15. OTHER PAYABLES

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
Employees Income tax payable	739,920	-	739,920	566,737
Withholding tax payable	655,266	-	655,266	666,338
Pension Payable	314,245	-	314,245	257,414
Sundry creditors	6,239,313	-	6,239,313	9,583,812
Accrued staff leave	4,335,281	-	4,335,281	2,821,173
Provision for audit fee	954,500	-	954,500	799,250
Other accruals	460,106	-	460,106	460,430
	13,698,630	**-**	**13,698,630**	**15,155,154**

16. DUE TO CEDING COMPANIES

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
Due to Insurance Companies	117,912,737	1,892,621	119,805,358	61,461,903

17. EMPLOYEE BENEFITS

17.1 DEFINED BENEFIT PLANS

The Company employees are entitled to a Severance Benefit. The Severance Benefit Entitlement is provided for under the Proclamation No. 377/2003. This benefit is required by law for employees who serve the Company for more than five years and who resign on their own initiation, or, where their employment contract is terminated by the Company. An employee whose contract of employment is terminated on his own initiative is entitled to normal severance pay. An employee whose contract of employment is terminated without notice by the Company shall be entitled, in addition to the normal severance pay, to two months' latest basic salary. The severance pay obligation highlighted below relates to its first year of operation from 1 July 2016.

Ethio-Re provides bonus upon successful performance and profitability in a given fiscal year and upon approval by the BoD. All bonus requests shall be prepared and proposed by management and approved by the Board of Directors.

The obligation is determined by an independent actuarial valuation carried out on an annual basis.

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(A) PRESENT VALUE OF FUNDED OBLIGATIONS

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
Active Members	755,434	4,192	759,626	531,798
Net Liability on Statement of Financial Position	755,434	4,192	759,626	531,798

(B) RECONCILIATION OF BENEFIT OBLIGATIONS

			Total	Total
			2023	**2022**
Opening benefit obligation			531,798	281,217
Current service cost net of employees' contributions			170,763	149,105
Interest cost			87,948	26,564
Actuarial Gain (loss)			(30,883)	413,641
Benefits and expenses paid				(338,729)
Closing benefit obligation			759,626	531,798

(C) ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions at the reporting date used for the purpose of the severance benefit actuarial valuation are detailed below:

Discount rate	14.3%
Rate of salary increase	12.3%

The discount rate was based on the rate of return of fixed term deposit due to lack of a deep and liquid market for long-term bonds in Ethiopia. The salary increase assumption rate of 12.3% per annum is the weighted average rate based on the job grades as provided by management.

(D) SENSITIVITY ANALYSIS

Reasonably possible changes at the reporting date, in any of the actuarial assumptions and assuming that all the other variables remain constant, would have affected the funded obligations as of 30 June, 2023 by the amounts shown below:

YEAR ENDED 30 June 2023

	SENARIO 1,BASE	SENARIO 2,DISCOUNT RATE INCREASE BY 1%	SENARIO 3,SALARY RATE INCREASED BY 1%	SENARIO 4,DISCOUNT RATE DECREASED BY 1%	SENARIO 5 SALARY RATE DECREASE BY 1%
Discount rate salary increase	14.300% 12.300%	15.300% 12.300%	14.300% 13.300%	13.300% 12.300%	14.300% 11.300%
net liability at start of period	531,798	531,798	531,798	531,798	531,798
Total net expense recognized in income statement	258,711	258,711	258,711	258,711	258,711
Net finance costs recognized in profit and loss	(30,883)	(75,745)	18,127	19,781	(74,803)
Employer contribution					
Net liability at end of period	759,626	714,764	808,636	810,290	715,706

17.2 DEFINED CONTRIBUTION PLAN

Pensions are provided for employees by a separate pension fund to which both the company and employees contribute in accordance with Proclamation No. 715/2011. Under the arrangement, both the company and employees contribute defined percentages of employees' salaries. This pension fund is a defined contribution plan under which retirement benefits are determined by reference to the contributions to the fund. The Company's contributions for the schemes for the year amounted to ETB 2,384,294.49.

18. IBNR (INCURRED BUT NOT REPORTED)

During the reporting period, Actuarial Valuation was made by an independent actuary (ActServ). The Actuary have estimated net IBNR reserve to be 112,554,720 and 7,340,675 for General and Life businesses respectively. However, the amount determined by the actuaries is less than the requirement set by NBE direction no SRB/2/2022 article 5.1.3.A (III) which states, IBNR claims shall be 10% of net

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earned premium or the amount determined by an actuary or the method proposed in writing by an actuary whichever is higher. As a result, we have taken 10% of Net earned premium Birr 123,784,915 and 7,460,867 for General and Life Businesses respectively.

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
IBNR	**123,784,915**	**7,460,867**	**131,245,783**	**87,423,182**

18.1 OUTSTANDING CLAIMS RESERVE

Outstanding claims are computed on the basis of preliminary loss advice from ceding companies and outstanding claims reports sent by cedants. They are also determined on the basis of historical expenses and actuarial analysis.

Outstanding Claims Reserve				
	Gen.Ins	**Long Term Ins**	**Total**	**Total**
	2023	**2023**	**2023**	**2022**
Gross Outstanding Claims Reserve	1,401,767,382	-	1,401,767,382	807,688,663
Less: Retro cess. Share of Outstanding Claims Reserve	772,428,982	-	772,428,982	441,643,736
Net Outstanding Claims Reserve	**629,338,400**	**-**	**629,338,400**	**366,044,926**

Out of the above total outstanding claim, the major losses were reported by cedants in respect of Bond classes of businesses from the following insured: Tekleberhan Ambaye Birr 115.3 million, Afro Tsion construction Birr 96.1 million, Orchid Business Group Birr 21.8 million and AKIR Construction Birr 65.7 million with total amount of Birr 298.9. million.

19. CAPITAL

(A) STRUCTURE OF CAPITAL

The Company is wholly owned by Ethiopian nationals and/or organizations wholly owned by Ethiopian nationals. All shares rank equally with regard to the Company's residual assets and shareholders are entitled to one vote per share.

As of 30 June 2023, the Company's capital was as follows:

		2023
Subscribed Share Capital		
250,000 shares of Birr 10,000 each	ETB	2,500,000,000

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	Gen.Ins	Long Term Ins	Total	Total
	2023	2023	2023	2022
Issued and Fully paid	1,375,029,909	242,652,337	1,617,682,246	1,390,600,347
Subscribed Capital			2,500,000,000	2,500,000,000

(B) NATURE AND PURPOSE OF RESERVES

In accordance with National Bank of Ethiopia Directive No SRB/2/2022, any reinsurer at the end of each year, is required to transfer to its legal reserve an amount not less than 10% of its net profit until such reserve equals its paid-up capital.

(C) FORMATION FUND

The Company had set aside Formation fund amounting to ETB 9,973,000 equivalent to 1% of the authorized share capital. This fund was intended to finance the pre-establishment costs.

20. GROSS PREMIUM

Premiums and related expenses are accounted for in profit or loss when earned or incurred. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period.

The Company has two main divisions, General reinsurance and Long-term business. General reinsurance business is for contract durations typically running for one year, while Long- term business is for other business not considered as non-life business.

The gross premium for the financial year 2022-23 is analyzed as below:

	Gen.Ins	Long Term Ins	Total	Total
Class of Business	**2023**	**2023**	**2023**	**2022**
Accident	44,667,101		44,667,101	29,556,680
Aviation	20,080,775	-	20,080,775	23,275,510
Burglary	6,314,376	-	6,314,376	5,169,306
Eng.	122,383,992	-	122,383,992	132,411,600
Emp. Liability	12,754,584	-	12,754,584	10,277,367
Fire	271,561,902	-	271,561,902	186,981,384
Goods in Transit	3,038,340	-	3,038,340	2,975,390
Liability	46,383,822	-	46,383,822	34,741,505
Marine	227,615,563	-	227,615,563	137,326,549
Medical	417,939	-	417,939	319,552
Motor	642,274,335	-	642,274,335	383,373,771
Pecuniary	254,878,212	-	254,878,212	164,465,130
Others	269,451,049	-	269,451,049	186,030,999
Group term life assurance		54,901,763	54,901,763	39,500,894
Health insurance	-	33,332,607	33,332,607	21,219,502
Funeral expense insurance	-	84,164	84,164	80,142
Total	**1 ,921,821,990**	**88,318,534**	**2,010,140,524**	**1 ,357,705,282**

21. CLAIMS INCURRED

Claims incurred for the year is calculated as follows:

Net outstanding claims of June ,2023 plus Net claims paid during the year less outstanding claims June,2022. In addition to the above, Change in IBNR (Incurred but not reported) was included to determine the final amount

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	Gen.Ins	Long Term Ins	Total	Total
Class of Business	**2023**	**2023**	**2023**	**2022**
Accident	18,145,470		18,145,470	10,133,095
Aviation	1,125,555	-	1,125,555	3,836,009
Burglary	1,436,976	-	1,436,976	95,291
Eng.	24,398,721	-	24,398,721	17,904,770
Emp. Liability	4,715,716	-	4,715,716	1,701,052
Fire	79,410,724	-	79,410,724	29,165,004
Goods in Transit	520,692	-	520,692	87,690
Liability	15,838,991	-	15,838,991	9,099,721
Marine	11,640,114	-	11,640,114	14,957,081
Medical	351,824	-	351,824	207,127
Motor	408,422,172	-	408,422,172	269,475,237
Pecuniary	165,317,395	-	165,317,395	20,709,518
Others	50,116,737	-	50,116,737	39,919,490
Group term life assurance	-	9,094,714	9,094,714	7,684,743
Health insurance	-	28,716,219	28,716,219	17,675,205
Funeral expense insurance	-	25,956	25,956	518,627
Total	**781,441,086**	**37,836,892**	**819,277,979**	**443,169,660**

22. CEDANT ACQUISITION COSTS

	Gen.Ins	Long Term Ins	Total	Total
Class of Business	**2023**	**2023**	**2023**	**2022**
Accident	14,644,307		14,644,307	10,960,119
Aviation	1,885,924		1,885,924	1,198,553
Burglary	2,482,975		2,482,975	1,914,071
Engineering.	45,218,932		45,218,932	36,363,095
Employers Liability	4,074,969		4,074,969	3,523,356
Fire	93,364,770		93,364,770	63,456,862
Goods in Transit	1,189,928		1,189,928	849,213
Liability	12,105,995		12,105,995	10,004,197
Marine	73,910,928		73,910,928	39,868,546
Medical	313,679		313,679	58,255
Motor	54,124,446		54,124,446	37,309,561
Pecuniary	80,143,699		80,143,699	53,978,096
Others	48,717,561		48,717,561	34,846,099
Life	-	12,243,094	12,243,094	8,139,863
Total	**432,178,112**	**12,243,094**	**444,421,206**	**302,469,886**

23. NET FINANCE COSTS/ INCOME

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
Interest on Saving Accounts	34,198,712	-	34,198,712	7,569,012
Interest on Fixed timed deposits	181,220,952	26,516,154	207,737,106	162,750,483
Interest on Grand Ren. Dam Bond & DBE Bond	14,486,440	2,544,156	17,030,596	11,362,475
Dividend income	10,068,875	-	10,068,875	6,181,230
Interest on current account	42,417	-	42,417	524,522
Interest on staff loan	492,807	-	492,807	352,675
Realized/Unrealized exchange gains	1,251,029	-	1,251,029	2,161,668
Investment and finance Income	241,761,232	29,060,310	270,821,542	190,902,065
Interest on lease liability	1,043,014	-	1,043,014	492,919
Interest on employee benefits liability	561,043	19,712	580,755	379,635
Investment and finance Costs	1,604,057	19,712	1,623,770	872,553
Net Investment Income	**240,157,174**	**29,040,598**	**269,197,772**	**190,029,512**

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24. OPERATING AND OTHER EXPENSES

	Gen.Ins	Long Term Ins	Total	Total
	2023	**2023**	**2023**	**2022**
Board Allowance	950,000		950,000	880,000
General Assembly Expense	1,739,836		1,739,836	4,150,675
Staff Expense	38,584,913	749,436	39,334,348	28,412,123
Office Expense	729,240	30,385	759,625	777,951
Communication Expense	1,544,739	64,364	1,609,103	706,900
Stationary & Supplies	907,779	37,824	945,604	700,332
Travel Expense	4,073,782	169,741	4,243,523	3,269,546
Repair and Maintanance	1,397,609	58,234	1,455,842	835,308
Entertainment Expense	1,464,866	61,036	1,525,902	1,512,536
Subscription Menbership	903,422	37,643	941,065	1,416,257
Proffesional Service Fees	2,379,889	99,162	2,479,051	5,524,835
Advertizing and Giveaway	3,812,085	158,837	3,970,922	1,863,438
Sponsership	6,475,818	269,826	6,745,644	702,170
Donation	5,764,896	240,204	6,005,100	4,731,830
Training	5,525,909	109,025	5,634,934	313,882
Other Sundry Expense	161,593	4,123	165,716	143,471
Finance Expense & Charges	13,961,202	3,512,589	17,473,791	17,614,289
License and Taxes	109,756	4,573	114,329	10,033
Amortization	1,947,583	81,149	2,028,732	1,955,663
Deperciation	3,070,399	63,135	3,133,534	3,392,987
Total expenses	**95,505,315**	**5,751,285**	**101,256,600**	**78,914,225**

25. INCOME TAXES

The Company is subject to income taxes in Ethiopia. The rate of business income tax applicable to a Company is 30%. In accordance with tax legislation, the taxpayer is allowed a number of deductible expenditures in determining taxable income

25.1 INCOME TAX EXPENSE

The Current income tax expenses for the year ended 30 June 2023 is computed as follows:

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INCOME TAX COMPUTATION			
For the year ended June 30th, 2023			
Adjusted tax calculation			
			Total
	Gen.Ins	**Long Term Ins**	**2023**
PROFIT PER ACCOUNTS	176,826,299	42,308,044	219,134,343
Add:			
Amortization of Right Of Use (ROU)	1,947,583	81,149	2,028,732
Interest on least liability & Interest on employee benefits liability	1,604,057	19,712	1,623,770
Depreciation of fixed assets per IFRS	3,070,399	63,135	3,133,534
	-	-	-
Less:			
Depreciation of fixed assets per I.Tax Proc.	(4,026,960)	(167,790)	(4,194,750)
Rent Expenses for the year 2022-23	(2,259,237)	(94,135)	(2,353,372)
Amortization of differed establishement cost			-
Disallowed expenses:			
Loss on exchange unrealized	(4,682,361)	-	(4,682,361)
Entertainment	1,464,866	61,036	1,525,902
unrealized Exchange gain	(1,192,132)	-	(1,192,132)
Severance pay provision	170,763	-	170,763
Provision for annual leave	1,482,489	31,618	1,514,108
Employee vehicle Benefit in kind	204,843		204,843
Provision for Receivable	(1,253,600)	3,512,589	2,258,989
Tax exempted Income			
Interest Income	(240,017,395)	(29,060,310)	(269,077,705)
Loss from operation	(66,660,386)	16,634,857	(50,025,529)
Current Income Tax @ 30%	(19,998,116)	4,990,457	
Less:Tax Refund from ERCA			
Income Tax payable(Receivable)	(19,998,116)	4,990,457	-
Less: Advance profit tax paid in 2022-23	13,771,755	328,826	14,100,581
Profit Tax Payable(Refundable)			(14,100,581)

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25.2 DEFERRED TAX EXPENSES

Deferred tax Asset (Liability)		
		2023
Deferred tax Asset (liability)		**3,702,212**
Movement in Deferred tax Asset (liability)		**(2,196,722)**
FV of Equity		
Increase in Fair Value of Equity Inv.-United Bank	14,164,265	
Deferred tax liability - @ 30%		(4,249,280)
Movement accounted in OCI		**(4,249,280)**
PPE		
Carrying amount	12,608,428	
Tax base	9,075,555	
Temporary difference	(3,532,873)	
Deferred tax liability - @ 30%		(1,059,862)
Annual Leave & Severance Pay		
Carrying amount	5,094,907	
Tax base	-	
	(5,094,907)	
		1,528,472
Dam Bond		
Carrying amount	250,774,157	
Tax base	250,787,965	
	13,808	
		4,143
Tax Expense		
Taxable Profit Current year	66,660,386.31	
Deferred tax asset - @ 30%		19,998,116
Tax Expense		
Taxable Profit Current year	(16,634,856.85)	
Deferred tax liability - @ 30%		(4,990,457)
Debtor		
Carrying amount	655,071,029	
Tax base	666,280,783	
	11,209,755	
		3,362,926
Movement accounted in PL		**18,843,338**
Deferred tax Asset (liability) CF		**12,397,336**
Total Movement in Deferred tax Expense		8,695,124
Deferred tax Asset CF		24,893,657
Deferred tax Liability CF		12,496,321

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25.3 TOTAL INCOME TAX EXPENSE FOR THE YEAR ENDED 30 JUNE 2023 IS AS FOLLOWS:

Tax Expense			
Current Income Tax Expense			
	Gen.Ins	**Long Term Ins**	**Total**
Loss from Operation	(66,660,386)	16,634,857	(50,025,529)
Differed Tax from loss carried forward (Note 25.1)	(19,998,116)	4,990,457	(15,007,659)
Deferred Tax Expense			
Movement in deferred tax (Note 25.2)	(133,467)	-	(133,467)
Total Tax Expenses	**(20,131,583)**	**4,990,457**	**(15,141,126)**

26. EARNINGS PER SHARE (EPS)

Earnings per share is calculated by dividing the profit/loss for the year by the weighted average number of ordinary shares in issue during the year.

			2023	**2022**
			ETB	**ETB**
Profit attributable to Shareholders			234,155,277	223,523,541
Weighted average number of ordinary shares issued			150,914	106,890
Basic and diluted Earnings Per Share			1,552	2,091
Basic and diluted EPS in %			15.52%	20.91%

There were no potentially dilutive shares outstanding at 30 June 2023. The diluted earnings per share is therefore the same as the basic earnings per share.

27. RELATED PARTIES

For the purposes of these financial statements, a party is considered to be related to the Company if:

- The party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
- The Company and the party are subject to common control; and
- The party is a member of key management personnel of the Company or the Company's parent, or close family member of such an individual.

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ULTIMATE PARENT COMPANY

The entity has no ultimate parent company. The Company's shareholdings comprise various insurance companies, banking institutions and individuals in Ethiopia. The shareholding as at 30th June 2023 is as follows:

Shareholder Category	Composition	Percentage Shareholding
Insurance companies	Seventeen insurance companies. Ethiopian insurance Corporation (EIC) is a major shareholder in this category with 20.07%	67.05%
Banks	Seven banks in Ethiopia. Commercial Bank of Ethiopia (CBE) is a major shareholder with 20.07%	30.87%
Individuals	Eighty Eight individuals.	2.07%
Trade unions	One trade union	0.01%
Total		**100.00%**

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions with the exception of loans provided to staff at below market rates. These transactions include loans, deposits and foreign currency transactions. The volumes of the related party transactions, outstanding balances at the end of the year and the related expenses and incomes for the year are as follows:

(A) OTHER RELATED PARTY TRANSACTIONS

			2023	2022
			ETB	ETB
BBF			52,742,911	146,513,932
Premiums written			515,743,385	361,349,643
Claims paid			(164,303,536)	(109,771,515)
Commission			(185,645,821)	(97,304,270)
Profit commission			(32,813,760)	(22,613,225)
Net amount			185,723,178	278,174,565
Amounts paid by EIC			(191,526,051)	(225,431,654)
Amounts outstanding to EIC			**(5,802,873)**	**52,742,911**

*Commercial Bank of Ethiopia (*CBE is a major shareholder with 20.07% shareholding and holds saving and current bank accounts for Ethiopian Re)*

			2023	2022
			ETB	ETB
Savings account			212,708,869	197,824,133
Interest free Account			4,813,529	492,156
Foreign Ex.Retention A			2,157,915	1,667,872
Current account			15,667,848	16,185,168
Total Balance			**235,348,160**	**216,169,330**

Other shareholder banks (Other six shareholder banks hold saving and current accounts and Time Deposits for Ethiopian Re)

Other shareholder insurance companies are cedants for Ethiopian Re. All business related to gross premiums written (both for General and Life business) is attributable to the shareholder insurance companies.

(B) REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Ethiopian Re directors received the following payments during the financial year ended 30 June 2023:

The directors of the Company are paid monthly transport allowance of Birr 10,000 in addition to the annual remuneration of up to Birr 150,000 upon the approval of the annual general meeting.

The table below displays the annual transport allowance paid during the reporting year.

			2023	2022
			ETB	ETB
Compensetion for Board of Directors			1,137,500.00	1,312,500
Directors Monthly allowances			950,000	880,000

Key management members received the following remuneration during the financial year ended 30 June, 2023:

			2023	2022
			ETB	ETB
Short-term benefits			14,466,096.19	11,556,902
Post-employment benefits			170,763.00	143,141

Compensation of the Company's key management personnel includes salaries, medical benefit, housing allowance, pension contribution, executive allowance, transport allowance, bonus payment, annual leave expense and life insurance. These amounts are also included in staff costs (see note 24).

The Company also provides emergency loans to all employees.

The loan balance at 30th June 2023 in respect of Key management is Birr 1,791,408-.

Apart from the employee benefits provided above, there were no other transactions between the Company and its key management personnel.

28. EMPLOYEES

The number of employees of the company at the end of the year is as follows:

	30th June 2023
• Number of employees	**33**
• Leavers	**1**
• Total number of employees	**32**

29. CONTINGENT LIABILITY

The Company becomes party of the legal action with Ministry of Revenue for the case of dividend tax from capitalized dividend for three consecutive years namely 2018/19,2019/20 & 2020/21.

The maximum exposure of the Company to this case amounts to Birr 51,565,277.49. No provision has been made in the Financial Statements for the year ended 30th June 2023 as the Directors of the Company believe that it is not probable that the economic benefit would flow out of the Company in this respect.

As per Tax Administration proclamation Number 983/2008, the Company has paid Birr 14,201,977.47 on 11th August 2023 and appealed the case the Federal Democratic Republic of Ethiopia, Tax Appeal Commission

30. COMMITMENTS

The Company has the following commitment as at 30th June 2023:

- MSG GLOBAL (related with IT software implementation) **Birr 22,457,184**

31. EVENTS AFTER THE REPORTING DATE

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

MARKET DISCUSSION ON BONDS UNDERWRITING. ETHIO-RE AND ZEP RE JOINT CEO FORUM
JUNE 14,2023 HYATT REGENCY HOTEL ADDIS ABABA

Masterclass Training on Marine and Engineering Organized by Ethio-Re March 15 & 17,2023 Addis Abeba

Master class training On Contractors plant and machinery insurance /CPM/ organized by Ethio- Re
November 28,2022 Addis Ababa

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Ethiopian Reinsurance Company S.C.

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