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NYALA INSURANCE S.C.

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ANNUAL REPORT

፳፻፲፪
2019/20



1995-2020

Silver Jubilee

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Proudly Carrying Your Risks for 25 Years!



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NYALA INSURANCE S.C.

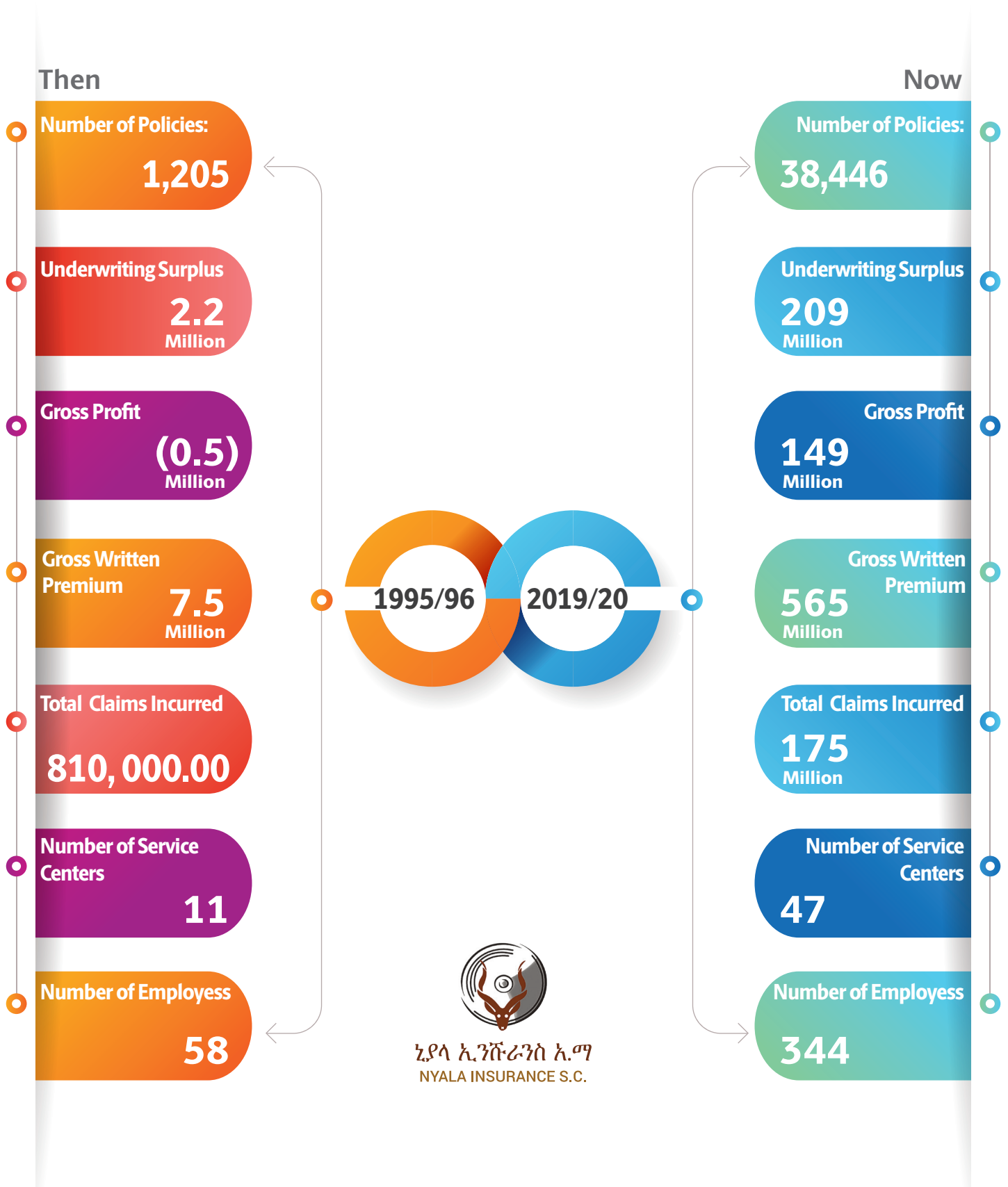
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ANNUAL REPORT

፳፻፲፪
2019/20

NISCO in Numbers

(1995-2020)



PERFORMANCE HIGHLIGHTS



NUMBER OF
EMPLOYEES

344



GROSS WRITTEN
PREMIUM

565
MILLION



GROSS
PROFIT

149
MILLION



TOTAL CLAIMS
INCURRED

175
MILLION



LOSS
RATIO

48%



UNDERWRITING
PROFIT

209
MILLION



COVERED RISKS
SUM INSURED

465
BILLION



TOTAL
ASSET

2.2
BILLION



SERVICE CENTER
& SATELLITE
OFFICES

47



EARNING PER
SHARE

295



LIFE INSURANCE
FUND

249
MILLION



PAID-UP
CAPITAL

530.5
MILLION

MISSION, VISION & CORE VALUES

To help our customers manage their risks, recover from the unexpected, and achieve peace of mind

To be the preferred provider of insurance solutions in all markets we serve



- Protection with Care
- Professionalism
- Accountability
- Integrity
- Excellence
- Team Work
- Innovation

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COMPANY INFORMATION

VISION	To be the preferred provider of insurance solutions in all markets we serve!		
MISSION	To help our customers manage their risks, recover from the unexpected, and achieve peace of mind!		
LOGO	NYALA HEAD: Representing Nyala's "Caring" commitment TRADITIONAL ETHIOPIAN SHIELD: Representing Nyala's "Protecting" commitment		
MOTTO	"አለኝታዎ" in Amharic "THE SEAL OF YOUR PROTECTION" in English		
DIRECTORS	Ato Getachew Birbo (Chairman) Ato Asfaw Alemu (Member, Dashen Bank S.C) Ato Esayas Kebede (Member) Ato Yonas Duguma (Member) Dr. Sara Surur (Member) Ato Yetinayet Tesfaye (Member, National Motors Corp. Plc) Ato Hussen Ahmed (Member) Ato Solomon Bedane (Member)		
BOARD SECRETARY	Ato Abiy Worede		
CEO	Ato Yared Mola		
HEAD QUARTER	Protection House, Mickey Leland Street P. O. Box 12753, Addis Ababa, Ethiopia Tel 251-11-6-62-66 67/80 Fax 251-11 -6-62 67 06 E-mail: nisco@ethionet.et Website: www.nyalainsurance.com		
AUDITORS	HST, Chartered Certified Accountants		
RE-INSURERS	Munich Re Swiss Re Africa Re	Ethio Re East Africa Re ZEP Re	Tunis Re Continental Re Mapfre
BANKERS	Dashen Bank S.C. Commercial Bank of Ethiopia Bank of Abyssinia Nib International Bank Awash International Bank	United Bank S.C. Abay Bank S.C. Cooperative Bank of Oromia Wegagen Bank S.C. Anbessa Bank S.C.	

BOARD OF DIRECTORS



ATO GETACHEW BIRBO
Chairman



ATO ASFAW ALEMU
Member



ATO ESAYAS KEBEDE
Member



ATO YONAS DUGUMA
Member



Dr. SARA SURUR
Member



ATO YETINAYET TESFAYE
Member



ATO HUSSEN AHMED
Member



ATO SOLOMON BEDANE
Member



ATO ABIY WOREDE
Secretary

EXECUTIVE MANAGEMENT TEAM



ATO YARED MOLA
CEO



ATO ASTATEKIE LULSEGED
EO, Claims Management



W/RO WOINSHET GOSSAYE
EO, Finance & Investment



ATO TEGEGNE MASRESHA
EO, Marketing & Business
Development



ATO ZEWDU BEYENE
EO, Underwriting



ATO GIULIANO ETTORE
EO, Resource Management



ATO ABIY WOREDE
Manager, Strategy &
Change Management



ATO NEBIYAT MARKOS
Manager, Engineering Service



ATO ASRATU AEMRO
Manager, ICT



ATO BEHAILU TAMIRAT
Manager, Legal Services



ATO ALEMAYEHU MERID
Manager, Risk & Compliance
Management Service

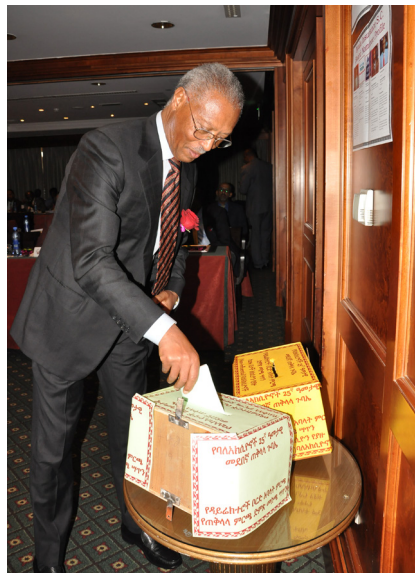


ATO HUSSEIN AHMED
Manager, Internal Audit &
Quality Assurance

THE 25TH ANNUAL GENERAL AND THE 18TH EXTRAORDINARY MEETING OF NISCO'S SHAREHOLDERS



BOARD OF DIRECTORS ELECTION (DEC. 2019)





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NYALA INSURANCE S.C.

THE DIRECTORS' REPORT



THE DIRECTORS' REPORT

The Board of Directors has the pleasure to present the Company's Annual Report for the year ended 30th June 2020. The report includes a review of activities together with the Audited financial report as well as the macro-economic and business environment under which the operation took place during the period under review.

Nyala Insurance S.C. (NISCO), in accordance with its mission, guarantees protection with care to its customers through three pronged insurance services – General, Life and Micro insurance solutions. NISCO operates from 37 Service Centers (branch offices) and 10 contact offices distributed in all regional states of the country.

THE MACRO ECONOMIC ENVIRONMENT

According to the World Bank report, "COVID-19 has delivered an enormous global shock, leading to steep recession in many countries. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020 – the deepest recession in decades. Per capita incomes in most emerging and developing economies will shrink this year."

The African Development Bank report on the Ethiopian Economic Outlook in 2020 indicated that "Ethiopia had been one of the fastest growing economies in East Africa. But real GDP growth in 2020 is projected to decline from the pre-pandemic estimate of 7.2% to 3.6% (baseline) and to 2.6% (worst case). A partial recovery is projected in 2021. The pandemic is expected to hit commodity prices and trade, travel and tourism, and financial flows. Ethiopia depends on commodity exports, with agricultural products accounting for more than 65% of total merchandise export revenues, and tourism accounting for about 9% of GDP. Reduced demand among Ethiopia's major trading partners in Asia, Europe, and the United States is expected to reduce export revenues and foreign exchange earnings. Subdued economic activity will depress public revenues and coupled with increased public spending to address the impact of the pandemic, the fiscal deficit is expected to widen in 2020 to between 2.9% (baseline) and 3.5% (worst case). Disruptions of regional and global supply chains will induce shortages of commodities, fueling price increases.

The impact of higher import prices is likely to offset the anticipated reduction in domestic demand, keeping inflation in double digits against the central bank's 8% target. Prolonged travel restrictions will reduce the country's service exports, which in 2018–19 accounted for about 5% of GDP. A reduction in private transfers, estimated at \$6 billion (6% of GDP) in 2018–2019, due to the global economic slowdown, will lead to a slight deterioration in the current account deficit, projected at 5.7% (baseline), with potential to widen further to 6.3% (worst case).

Foreign direct investment (FDI), which totaled \$3 billion (3% of GDP) in 2018, will also decline as investors defer investment decisions. Lower remittances and FDI will reduce foreign exchange inflows and lead to further depreciation of the Ethiopian Birr (ETB). Reduced economic activity will lead to job losses estimated at between 1.4 and 2.5 million, putting livelihoods at risk).

THE ETHIOPIAN INSURANCE INDUSTRY

Despite the undeniable benefit that it could contribute to the national economy, the Ethiopian insurance industry is still under developed as measured by insurance penetration and density which are important growth indicators of insurance market. The Industry's aggregate contribution to national GDP (Penetration) is around 0.4%, while the gross premium per capita (Density) is about 2.90 USD. The status depicts the low level of insurance development in Ethiopia, as its penetration and density is very low as compared to the global average of 7.23% and USD 818 respectively. The insurance market is highly regulated and the competition among the industry players continued based on price undercutting and unethical competition than quality of services.

When we see the performance and changes of the Ethiopian Insurance Industry in 2019/20 fiscal year, one new insurance company entered the market and the total number of insurance companies in the industry reached 18 companies. During the period, 37 additional insurance branches have been opened and as a result the total number of insurance branches expanded from 568 in the preceding year to 605 branches. Moreover, at the end of the year under review 2,192 insurance agents, 60 insurance brokers, 99 Loss Assessors and 3 Insurance Surveyors are registered practitioners according to the National Bank of Ethiopia.

The Industry, during the 2019/20 fiscal year registered a Gross Written Premium of Birr 11.2 billion showing a 22.7% growth from the preceding year of Birr 9.1 billion. Out of the registered gross premium Birr 10.6 Billion (95%) was registered from General Insurance Business, while the balance of Birr 0.6 Billion (5%) was from Life Insurance Business. When we see GWP by class of business, Motor class of business as always be took the major share about 44%. Net earned premium and claims incurred during the period has been Birr 6.9 billion and Birr 4.2 billion respectively, which resulted in loss ratio of 62%. The ratio has increased by 2 percentage points from the preceding year. (NBE)

Moreover, during the period the industry has registered a total of Birr 1.7 billion profit after tax and as at June 30, 2020 the industry's total asset and capital reached at Birr 29.1 Billion and 9.7 Billion respectively. (NBE)

The Ethiopian Insurance Industry (EI) and Nyala Insurance S.C. (NISCO) in Million Birr

2019/20			2018/19	
	Industry	NISCO	Industry	NISCO
Gross Written Premium	11,158	565	9,097	492
Total Asset	29,065	2,173	20,819	2,016
Equity	9,650	933	8,188	805
Profit After Tax	1,724	140	1,600	132

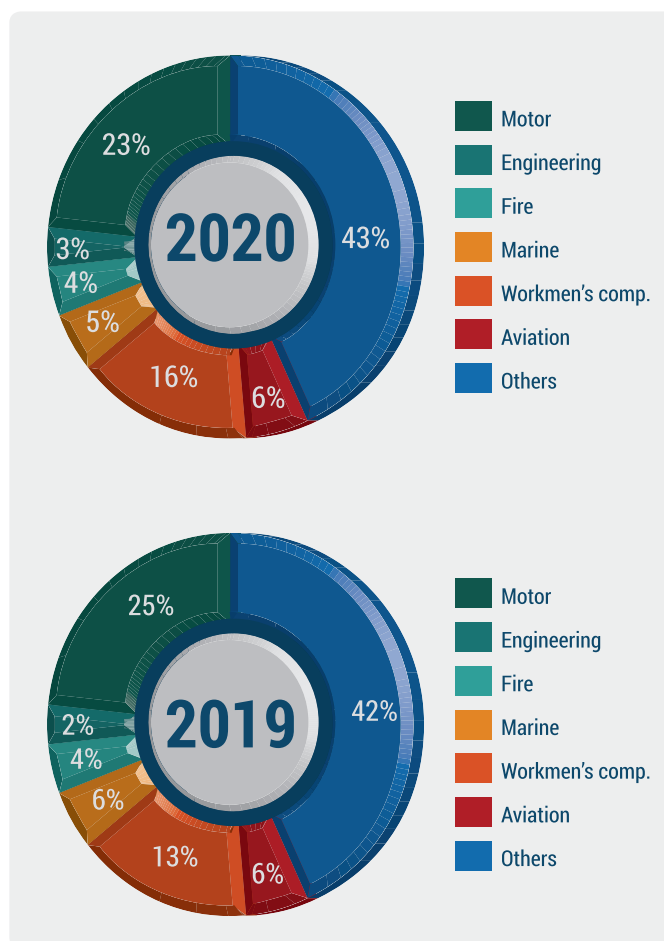
OPERATIONAL AND FINANCIAL PERFORMANCE OF NISCO

Premium Income

During the year under review, Gross Written Premium of the company stood at birr 565.3 million showing a 15% growth over the previous year's premium production of birr 491.6 million. Out of the total premium amount, the General Insurance Business accounted for Birr 464.3 million (82%), while the Life Insurance Business grossed in Birr 101.0 million (18%).

Distribution of premium income from General Insurance Business has been 43.3% from Motor, 15.4% from Fire, 5.5% from Engineering, 5.1% from Marine, 4.1% from Workmen Compensation, 3.3% from Aviation, and 23.2% is from all other classes of business.

The net earned premium after deducting the reinsurer's share of premium and provision for unearned premium was Birr 346.1 million and as compared to the previous year actual of Birr 328.7 million showed a growth by 5%. When we see the earned premium by line of business, Birr 261.5 million (76%) was from the General Insurance Business, while the balance Birr 84.6 million (24%) was earned from Life Business.

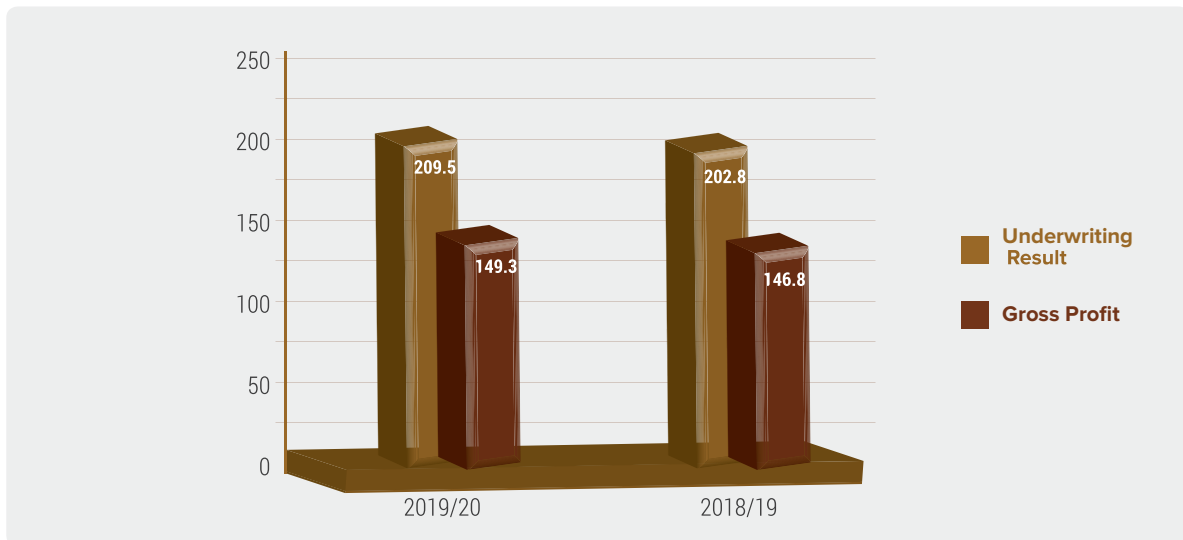


Claims Incurred

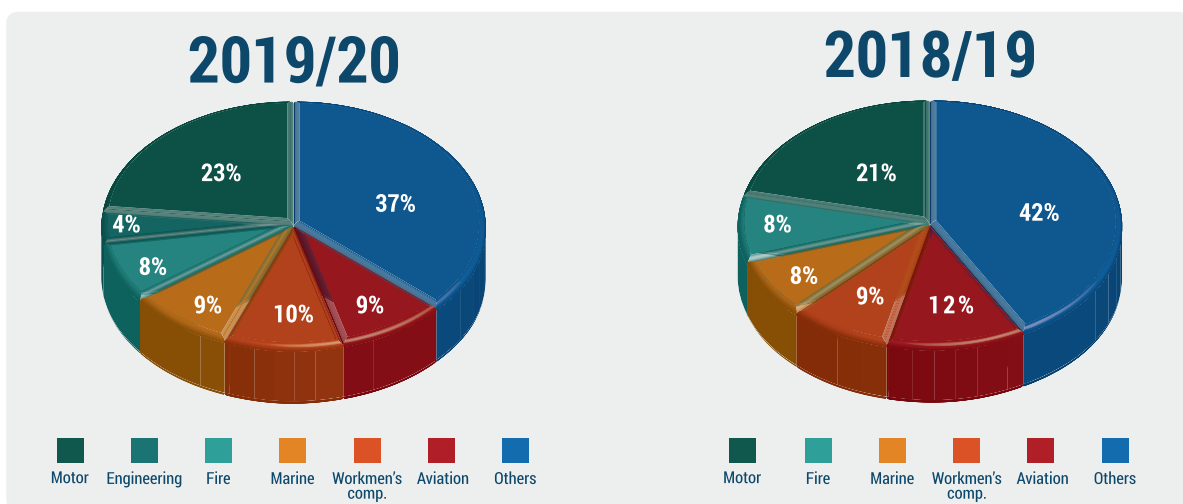
During the year net claims expenses stood at Birr 175.3 million and as compared to last year of Birr 162.0 million showed an increase by 8.2%. Net claims incurred with respect to the non-life insurance business amounted to Birr 125.7 million showing a 4% decrease from the previous year actual of Birr 131.3 million. Consequently, the loss ratio of the non-life insurance business resulted at 48%, which is lower by 3 percentage points from last year's claim ratio.

Underwriting Surplus-General Insurance Business

During the year under review, the underwriting surplus of the general insurance business resulted at Birr 123.0 million, showing an increase of 5.6% from last year of Birr 116.5 million. This growth attributes mainly to the company's prudent underwriting practices and efficient claim handling process.



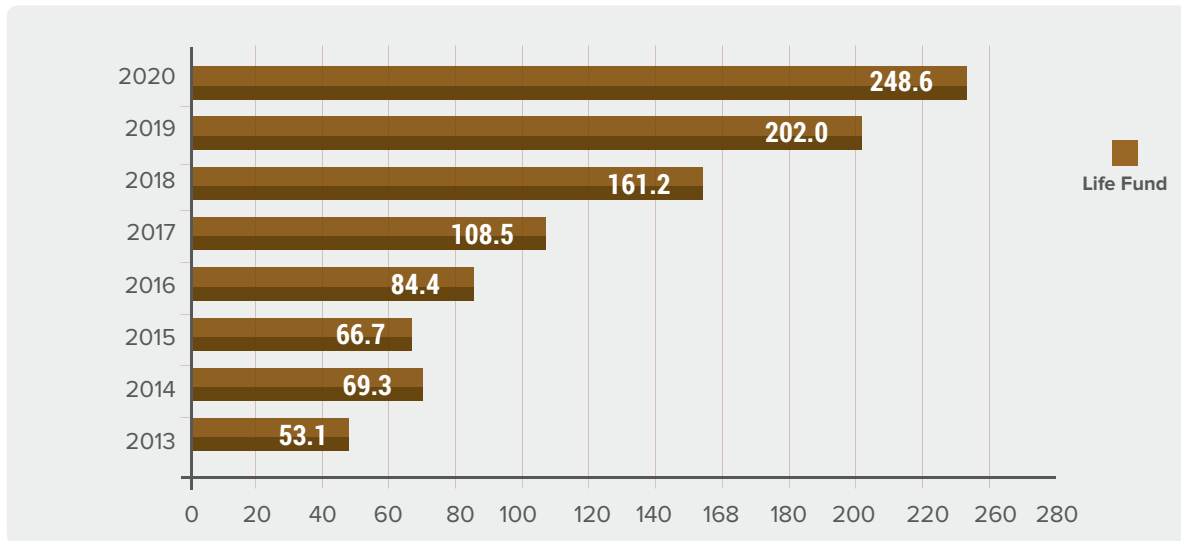
When we see the underwriting result by class of business, NISCO managed to register profit in all classes of business. The substantial contribution in underwriting surplus was from Motor, Engineering, Marine, Fire, Workmen's Compensation and Bond classes of business, with 36.9%, 10.3%, 8.9%, 8.7%, 7.7% and 4.3% share respectively. All other classes together accounted for 23.2% of the total.



Long Term (Life) Insurance Business

As mandatory to the IFRS implementation, the actuarial valuation of the long-term insurance business of the company is carried out for 2019/20 fiscal year by Zamara Actuary. In 2019/20-fiscal year gross written premium from long term insurance business stood at Birr 101.0 million registering a 28% growth from last year production of Birr 79.2 million. The net earned premium after deducting the reinsurer's share of premium was Birr 84.6 million and as compared with the previous year actual of Birr 73.3 million increased by 15.4%. Total income from life business including reinsurance commission and investment reached at Birr 119.6 million showing a 23.5% increase from Birr 96.8 million of last year.

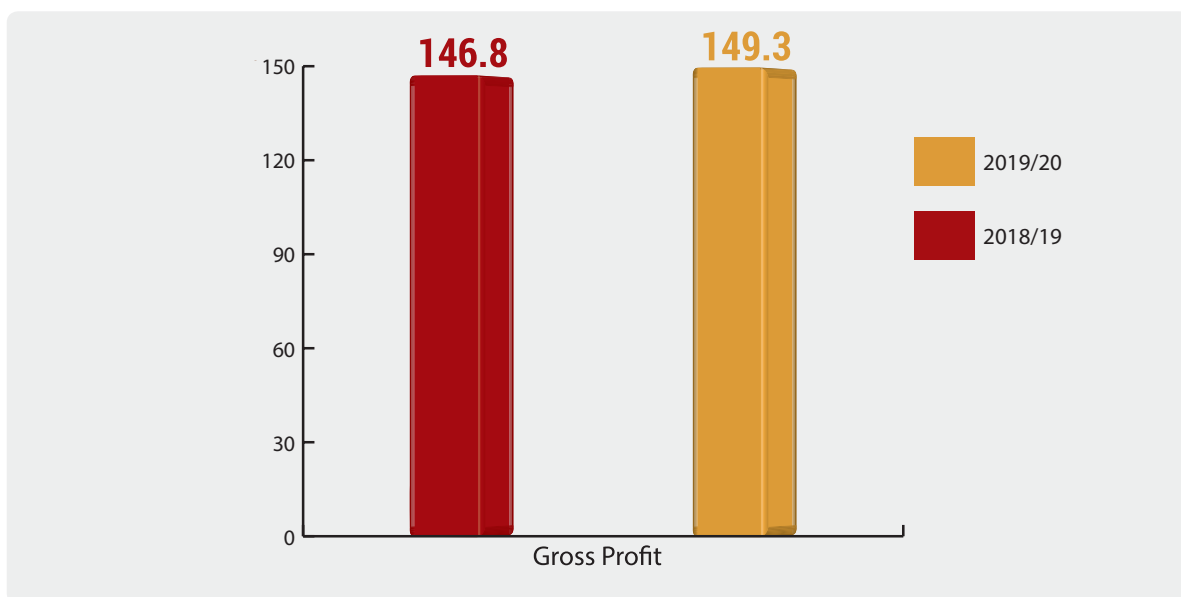
On the other hand net claim expenses resulted at Birr 49.6 million showing a 62% increase from last year expense of Birr 30.7 million. Generally, both from its core business and investment, net increase in life fund for the year became Birr 62.0 million and compared to last year actual of Birr 60.8 million showed a 2.2% increase.



The actuarial valuation of the Company's Life Fund as at 30 June 2020 revealed an actuarial surplus of Birr 118.6 million. From the total actuarial surplus, the Actuary recommended Birr 30.0 million be made available to shareholders, while the remaining 88.6 million to be carried forward un-appropriated.

Profit

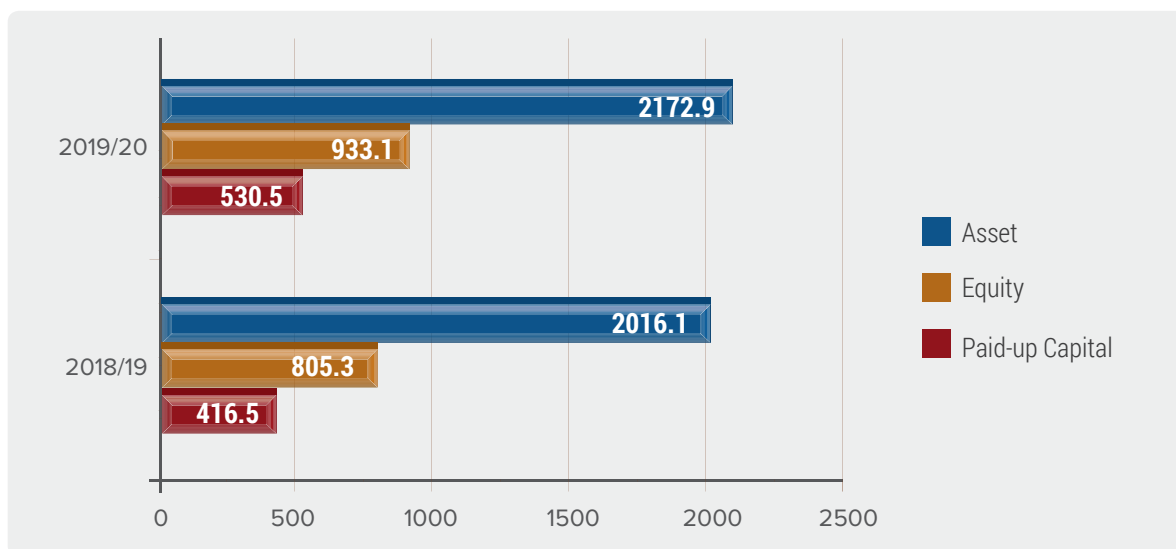
Despite the economic recession in the year under review, the Company able to registered a total income of Birr 539.5 million both from its operational and non-operational activities of both the General and Long Term Insurance Business. Compared to the total income in the preceding fiscal year of Birr 509.4 million, showed an increase by Birr 30.1 million (5.9%).



Consequently, during the year the company has registered a gross profit before tax of Birr 149.1 million showing a 2% growth over last year achievement of Birr 146.8 million.

Asset and Equity Structure

As a result of a continued performance growth, the company has become strong with respect to its financial position. The balance sheet as at June 30, 2020 indicates that the total asset of the company stood at Birr 2.2 billion, depicting an increase by 7.7% over similar period last year of Birr 2.0 billion. The company's paid up capital at the end of the year under review reached at Birr 530.5 million showing a significant increase by 27.3% from similar period last year of Birr 416.5 million.



Performance Highlights

The following table presents comparative performance highlights for the last two years.

(In million Birr)

Description	2019/20	2018/19
Paid-up Capital	530.5	416.5
Total Asset	2,173.3	2,016.1
Gross Written Premium	565.3	491.6
Net income before tax	149.3	146.8
Underwriting profit	209.5	202.8
Net income after tax	139.7	132.0

OTHER MAJOR ACTIVITIES

Human Capital

At the end of the fiscal year 2019/20, the human capital of the Company reached 344 showing a slight increase by 1% from the preceding year. Out of the total employees as at June 30, 2020 about 74% of the employees in NISCO are 1st Degree & above and about 76% of the employees are 40 and below 40 years of age. When we see the male and female ratio of NISCO's employees, about 58% are male, while the remaining 42% are female employees.

In view of delivering a superior customer service, NISCO has been arranging different trainings to enhance the knowledge and skill of employees based on periodic skill gap assessment. Moreover, career promotion has also been given to a number of staffs based on merit and the right person-for-the job principle. Currently, NISCO is undertaking GTP-4, the fourth round graduate trainee recruitment and training program which is found to be a strong move towards succession planning.



NISCO'S New Blood - 4th Batch Graduate Trainee Program (GTP-IV)

Branch Network

To attain its strategic objectives of reaching out new markets and increased volume of production, NISCO continue its expansion strategy via opening branch, satellite and contact offices. Accordingly, during the year under review a new Service Center in the financial hub of Addis Ababa has commenced its operation. Moreover, during the reporting period feasibility study has been conducted to up-grade three branches outside Addis to full-fledged Service Centers. The implementation process is underway. Generally, at the end of the fiscal year under review the total number of NISCO's service outlets including the satellite and contact offices reached at 47 centers.

Establishment of Strategic Business Unit (SBU)

One of NISCO's identified strategic initiatives for the upcoming strategic year is digital transformation which believed to bring a paradigm shift on the overall business makeup of the Company. Thus, to enhance the implementation of this initiative a feasibility study has been conducted to establish a Strategic Business Unit and alternative business service unit.

NISCO Future Head Quarter Construction Project

The construction project of the future NISCO Head Quarter which is located on Africa Avenue is underway and so far the structure (skeleton work) has completed. The next phase of the project which includes the finishing and façade works were planned to be executed during the fiscal year under review. However, the activities were not done as per schedule mainly due to the impact of COVID-19 pandemic. Nevertheless, efforts are being made to finish the backlog and finalize the project within the project period.

NISCO Adama Building Project

As per the decision to construct new building at Adama site, design bid has been floated and collected during the fiscal year under review. In the coming year it is planned to finalize the design work, construction bid and start the actual construction work. Currently, in response to the request of Adama City Administration, the site has been temporarily handed over to the City Administration as their office is damaged due to the recent unrest.

IT System Procurement Project

When we see the status of implementation of the 1st phase of the project, currently, all service centers are connected with Head Office through VPN and are able to access NISCO Enterprise Information System (NEIS). Implementation of the 2nd phase of the ERP system which include Human Resource, Payroll, Fixed Asset and Inventory Management is also underway, though it is not going on by the desired pace due to the impact of COVID-19.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, NISCO endeavors to bring a positive impact in the societies and communities in which it operates. As in the previous years NISCO has continued to discharge its social responsibility by supporting and working with different social and professional groups (handicapped, elderly people, environmental and wildlife conservation, traffic police and road safety, HIV/AIDS, sport clubs, professional associations, red cross, city chamber, etc.).



NISCO'S 7th Round Bond Purchase (Total Birr 63.2 Million) to Support GERD

NISCO has also continued its planting tree project under the theme “One-Tree per One Customer.” Moreover, during the fiscal year the company has made big contribution for “Gebeta Lehager” project and for combating the challenges of the COVID-19 pandemic.



NISCO has contributed Birr 3 Million to fight COVID -19 Pandemic

CHALLENGES

As a result of the COVID-19 pandemic the global economy faced with the worst economic recessions in the history where most of the global nations have been suffering with the economic shock. Insurance business being the reflection of the economic performance has also been influenced by the pandemic and has been entered into big crisis. Ethiopia as a member of the global nations could not also escape from the influence of the COVID-19 pandemic. On top of the impact of COVID-19 pandemic, the country has been challenged by macroeconomic imbalances, serious political instability, violence with social turmoil, and natural disaster such as locust invasion, flood, etc.

On the other hand, the Ethiopian Insurance Industry has continued to be challenged by multitude of factors which includes low level of insurance awareness, shortage of skilled insurance professionals, absence of attractive bundle of insurance products, heavy regulation, low level of integration among insurers to challenge common issues, influencing market heavily through different affiliation and interests and unhealthy competition through price undercutting and unethical practices.

In spite of these market challenges however, NISCO has always practiced ethically and professionally.

THE WAY FORWARD

NISCO, since the implementation of its first 5 year strategic plan has been showing substantial improvements in all aspects. The company has taken a great initiative to recruit, hire and train young professionals, redesign its business processes, employ an appropriate marketing strategy, to invest a considerable capital in furnishing/re-furnishing/ its service outlets, etc. These efforts have helped the company to improve its financial performance over the past years and have placed it among the top insurance companies.

The Board and management of NISCO believe that the performance of the company could even be better if conducive governance and policy measures by concerned policy makers and other stakeholders are taken. Currently, the company is on the verge of implementing its second five year Strategic Plan and in the implementation process it is expected to redefine its business model that will enable it to excel in its service quality and performance.

TRIBUTE

The Company has continued to be one of the leading and most committed professional Insurance Companies in the Country: Customers, the Public in general, as well as its service providers are indeed happy to work with Nyala and the Directors are happily grateful for their patronage.

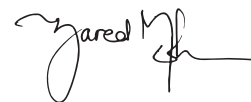
The Directors take this opportunity to thank all Nyala Customers, Re-Insurers, International Partners and its Service Providers, both Government and Private Organizations, for their valuable support.

The Board wishes to confirm its total commitment towards the staff & the management of the Company as its most important asset. Without the staff wholehearted dedication and the management team's professional guidance as well as action oriented concern to their customers, the Company would not have achieved both the financial and social standings it now enjoys and they deserve the Board's heartfelt gratitude.

The Board is confident that with the successful implementation of our Strategic Plan and the consolidated effort of the staff and management, the success of NISCO's vibrant atmosphere will continue to prevail.



GETACHEW BIRBO
Board Chairman



YARED MOLA
CEO

NISCO'S HEAD QUARTER

(UNDER CONSTRUCTION)



NISCO'S Future Headquarter Building



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NYALA INSURANCE S.C.

THE AUDITORS' REPORT



NYALA INSURANCE SHARE COMPANY DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

The Directors have pleasure of presenting their report on the affairs of Nyala Insurance Share Company (NISCO) or 'the Company' together with the financial statements for the year ended 30 June 2020, to the shareholders of Nyala Insurance Share Company (NISCO). This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

Nyala Insurance Share Company (NISCO), ("the Company") is a private commercial insurance company domiciled in Ethiopia. The Company was established in October 1995 in accordance with the provisions of the Commercial Code of Ethiopia 1960 and Licensing and Supervision of Insurance Business Proclamation no. 86/1994.

Principal activities

The Company is principally engaged in the provision of general insurance and life insurance business and other ancillary business activities for clients based in Ethiopian market.

Dividends

During the year under review, the Company paid dividends in the sum of ETB 41,677,154 (2019: ETB 38,451,592).

Operating results

The Company's results for the year ended 30 June 2020 are set out on page 8. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2020 ETB	30 June 2019 ETB
Net premiums	346,128,144	328,743,791
Profit before income tax	149,338,545	146,787,663
Income tax expense	(9,559,948)	(14,821,279)
Profit for the year	139,778,597	131,966,384
Other comprehensive income net of taxes		
Unappropriated actuarial surplus/(deficit)	31,215,572	(6,468,974)
Remeasurement loss on retirement benefits obligations	566,300	(48,000)
Total comprehensive income for the year	171,560,469	125,449,410
Basic earnings per share (EPS)	295	349

Directors

The Directors who held office during the year and to the date of this report are set out on page 2.



Getachew Birbo
Chairman, Board of Directors
14 October 2020



NYALA INSURANCE SHARE COMPANY STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2020

The Commercial Code of Ethiopia 1960, Licensing and Supervision of Insurance Business Proclamation no. 746/2012 and Insurance Business (Amendment) Proclamation no. 1163/2019 of the Government of Ethiopia require the Directors to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Commercial Code of Ethiopia 1960 also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia 1960, Licensing and Supervision of Insurance Business Proclamation no 746/2012 and Insurance Business (Amendment) Proclamation no. 1163/2019 of the Government of Ethiopia and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Commercial Code of Ethiopia 1960. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as designing adequate systems of internal financial controls relevant and necessary to enable preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors also accepts responsibility for:

- i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) Selecting suitable accounting policies and applying them consistently; and
- iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

The Directors certify that, to the best of their knowledge, the information furnished to the auditors for the purpose of the audit was correct and is an accurate presentation of the Company's financial transactions.

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

Signed on behalf of the Directors by:



Getachew Birbo
Chairman, Board of Directors
14 October 2020



Yared Mola
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NYALA INSURANCE SHARE COMPANY

Opinion

We have audited the accompanying financial statements of Nyala Insurance Share Company, set out on pages 8 to 54, which comprise the statement of financial position as at 30 June 2020, 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 a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and in a manner required by the Commercial Code of Ethiopia 1960.

Basis for Opinion

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

Key audit 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

Insurance contract liabilities

Insurance contract liabilities represent 36% of the total liabilities of the Company. Their valuation was significant to our audit because their assessment process is judgmental and based on actuarial assumptions. Consequently, we have determined the valuation of insurance contract liabilities to be a key audit matter.

Our audit procedures in this area include among others:

- Using actuarial experts engaged by the management to assist us in evaluating the assumptions and methodologies used by the Company.
- Evaluating and testing of key controls around the claims handling and reserve setting processes of the Company.
- Checking for any unrecorded liabilities at the end of the period.

Premium income and receivables

The recognition of premium revenue, determination of unearned premiums and estimation of provisions for uncollected premium receivables involves significant judgement. These balances require judgement to be applied by the Company for their valuation and their processing require adjustments to be made. Hence, we consider premium income and receivables to be a key audit matter.

Our audit procedures in this area include among others:

- Understanding the terms of the reinsurance programmes in place and conducting relevant substantive procedures and substantive analytical procedures to assess the reasonableness of the reinsurance assets relative to gross provisions.
- Evaluating and testing of key controls over the process designed to record premium income and insurance and reinsurance receivables:
- Conducting relevant substantive and analytical procedures to assess the reasonableness of provisions made.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NYALA INSURANCE 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 the 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 requirements

- i) Pursuant to Article 375(1) of the Commercial Code of Ethiopia 1960, and based on our reviews of the Board of Directors' report, we have not noted any matter that we may wish to bring to your attention;
- ii) Pursuant to article 375 (2) of the Commercial Code of Ethiopia 1960, we recommend the financial statements for approval.

The engagement partner on the audit resulting in this independent auditors' report is Tekeste Gebru.



Tekeste Gebru

Engagement Partner

HST General Partnership, Chartered Certified Accountants and Authorized Auditors
(Auditors' of Nyala Insurance Share Company (NISCO))

Addis Ababa, Ethiopia

14 October 2020



NYALA INSURANCE SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Notes	ETB	ETB As restated
Gross premium income	5	565,304,147	491,619,885
Change in unearned premium (net)	5	(6,415,676)	10,263,886
Gross earned premium		558,888,471	501,883,771
Less: Premium ceded to reinsurers	5	(212,760,327)	(173,139,980)
		346,128,144	328,743,791
Commission and fees income	6	56,455,890	52,765,936
Net Underwriting income		402,584,035	381,509,727
Net claims expenses	7	(175,298,696)	(161,955,921)
Commission and fees expense	8	(17,789,239)	(16,766,105)
Net Underwriting expenses		(193,087,935)	(178,722,026)
Underwriting profit		209,496,100	202,787,701
Investment income	9	130,302,144	121,243,124
Other income	10	6,652,815	6,690,250
Net income		346,451,059	330,721,075
Operating and administrative expenses	11	(160,338,779)	(138,166,806)
Finance cost	12	(4,753,302)	-
		181,358,977	192,554,269
Transfer to life fund	33.2	(62,020,432)	(60,766,606)
		119,338,545	131,787,663
Profit from life insurance as per actuarial valuation	34.4	30,000,000	15,000,000
Profit before income tax		149,338,545	146,787,663
Profit tax expense	13.1	(9,559,948)	(14,821,279)
Net profit for the year		139,778,597	131,966,384
Other comprehensive income			
Items that will be subsequently reclassified into profit or loss:			
Actuarial valuation of life fund			
Unappropriated actuarial surplus/(deficit)	34.4	44,593,674	(9,241,392)
Deferred tax (charge)/credit on actuarial surplus	13.5	(13,378,102)	2,772,418
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement (loss)/gain on retirement benefits obligations	29	809,000	(48,000)
Deferred tax (charge)/credit on remeasurement gain or loss	13.5	(242,700)	-
		31,781,872	(6,516,974)
Total comprehensive income for the year		171,560,469	125,449,410
Basic earnings per share	14	295	349

The notes on pages 12 to 54 are an integral part of these financial statements.

**NYALA INSURANCE SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

		2020	2019	2019
			As restated	As previously reported
	Notes	ETB	ETB	ETB
Assets				
Cash and balances with banks	15	734,639,838	774,736,671	774,736,671
Investment in financial assets				
– Financial assets measured at fair value	16	269,234,027	206,498,303	244,030,303
Other receivables	17	230,499,315	255,639,376	254,752,478
Deferred acquisition costs	18	7,255,731	5,078,635	5,078,634
Statutory deposit	19	63,250,000	51,250,000	51,250,000
Receivable arising from reinsurance arrangement (net)	20	9,928,455	9,924,367	9,924,367
Reinsurers' share of insurance contract liabilities	21	384,327,177	365,949,893	365,949,893
Property and equipment	23	328,786,707	226,412,094	226,412,094
Investment properties	24	116,446,731	119,008,187	119,008,187
Right-of-use asset	25	28,559,234	1,564,645	1,564,645
Total Assets		2,172,927,214	2,016,062,170	2,052,707,272
Liabilities				
Insurance contract liabilities	26	445,566,759	407,545,518	407,545,518
Unearned premium	27	314,844,609	318,541,540	318,541,540
Payables arising out of reinsurance arrangements	28	72,569,330	84,834,013	84,834,013
Actuarial value of policyholder liability	35	129,944,931	142,518,173	142,518,173
Retirement benefit obligation	29	11,114,000	9,131,000	9,131,000
Other payables	30	130,334,483	122,006,400	122,344,189
Dividends payable	31	10,544,955	11,535,665	11,535,665
Deferred commission income	6	32,535,909	31,412,951	31,412,951
Current income tax payable	13.4	6,718,381	7,192,041	7,192,041
Deferred tax liabilities	13.5	85,552,231	76,024,788	76,024,788
Total liabilities		1,239,725,588	1,210,742,089	1,211,079,878
Equity				
Paid up capital	34.1	530,457,000	416,456,000	416,456,000
Legal reserves	34.2	101,368,168	87,390,308	90,999,025
Retained earnings	34.3	93,102,144	121,988,849	154,687,444
Life fund reserve/actuarial surplus	34.4	62,054,331	30,838,759	30,838,759
Other reserve	34.5	566,300	-	-
Revaluation surplus		145,653,684	148,646,166	148,646,166
Total equity		933,201,626	805,320,082	841,627,394
Total equity and liabilities		2,172,927,214	2,016,062,170	2,052,707,272

The notes on pages 12 to 54 are an integral part of these financial statements.

The financial statements on pages 8 to 54 were approved and authorized for issue by the Board of Directors on 14 October 2020 and were signed on its behalf by:

Getachew Birbo
Chairman, Board of Directors



Yared Mola
Chief Executive Officer

**NYALA INSURANCE SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

Notes	Share capital ETB	Retained earning ETB	Legal reserve ETB	Revaluation surplus ETB	Life fund reserve ETB	Other reserves ETB	Total ETB
As at 1 July 2018	340,456,000	111,730,701	74,053,987	149,222,944	37,307,733	-	712,771,365
Profit for the year	-	133,143,072	-	-	-	-	133,143,072
<i>Other comprehensive income:</i>							
Unappropriated actuarial surplus net of deferred tax	-	-	-	-	(6,468,974)	-	(6,468,974)
Total comprehensive income	340,456,000	244,873,773	74,053,987	149,222,944	30,838,759	-	839,445,463
<i>Transaction with owners in their capacity as owners:</i>							
Transfer to legal reserve	-	(13,336,321)	13,336,321	-	-	-	-
Dividend Paid	-	(35,730,701)	-	-	-	-	(35,730,701)
Transferred to paid-up capital	76,000,000	(76,000,000)	-	-	-	-	-
Re-measurement	-	2,182,097	-	(576,778)	-	-	1,605,319
As at 30 June 2019 (as restated)	416,456,000	121,988,848	87,390,308	148,646,166	30,838,759	-	805,320,081
As at 30 June 2019 (as previously reported)	416,456,000	154,687,443	90,999,025	148,646,166	30,838,759	-	841,627,393
Prior year adjustment (Note 31)	-	(32,698,595)	(3,608,717)	-	-	-	(36,307,312)
As at 1 July 2019	416,456,000	121,988,849	87,390,308	148,646,166	30,838,759	-	805,320,080
Profit for the year	-	139,778,597	-	-	-	-	139,778,597
<i>Other comprehensive income:</i>							
Unappropriated actuarial surplus net of deferred tax	-	-	-	-	31,215,572	-	31,215,572
Re-measurement gains on retirement benefit plans (net of deferred tax)	-	-	-	-	-	-	-
Total comprehensive income	416,456,000	261,767,446	87,390,308	148,646,166	62,054,331	566,300	976,314,246
<i>Transaction with owners in their capacity as owners:</i>							
Transfer to legal reserve	-	(13,977,860)	13,977,860	-	-	-	-
Transferred to paid-up capital	114,001,000	(114,001,000)	-	-	-	-	-
Dividend paid	-	(40,686,444)	-	-	-	-	(40,686,444)
Re-measurement adjustment	-	-	-	(2,992,482)	-	-	(2,992,482)
As at 30 June 2020	530,457,000	93,102,144	101,368,168	145,653,684	62,054,331	566,300	932,635,323



The notes on pages 12 to 54 are an integral part of these financial statements.

**NYALA INSURANCE SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

		2020	2019
	Note	ETB	ETB As restated
Cash flows from operating activities			
Cash generated from operations	36	117,830,157	(104,236,058)
Taxation paid	13.4	(15,150,262)	(17,035,765)
Net cash generated from operating activities		102,679,896	(121,271,823)
Cash flows from investing activities			
Additional deposits/(withdrawal) with financial institutions		(42,151,375)	114,611,886
Additional investment in securities-available for sale	16	(62,735,724)	(73,783,303)
Acquisition of property and equipment	23	(111,751,400)	(53,486,097)
Adjustment to property and equipment	23	(83,631)	418,385
Right of use asset	25	(33,247,464)	-
Additional statutory deposit	19	(12,000,000)	(12,000,000)
Dividend income received	9	37,885,215	27,618,721
Interest income received	9	80,833,431	82,594,149
Net cash generated from /(used in) investing activities		(143,250,948)	85,973,741
Cash flows from financing activities			
Dividends paid	31	(41,677,154)	(38,451,592)
Net cash used in financing activities		(41,677,154)	(38,451,592)
Net (decrease)/increase in cash and cash equivalents		(82,248,206)	(73,749,674)
Cash and cash equivalents at 1 July		259,300,129	333,049,802
Cash and cash equivalents at 30 June	15	177,051,922	259,300,129

The notes on pages 12 to 54 are an integral part of these financial statements.



NYALA INSURANCE SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 General information

Nyala Insurance Share Company (The "Company") is a private insurance company incorporated under the Commercial Code of Ethiopia 1960 and is domiciled in Ethiopia. The Company was established in 1995 and its business is organized into three main divisions: short-term (general) business, long-term (life) business and Micro insurance Businesses. Its short-term business relates to underwriting of property, travel, and liability insurance business while the long-term business relates to the underwriting of life risks relating to insured persons and Micro businesses are related to small farms and weather index. The Company has branch offices in different parts of Ethiopia.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

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

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

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept. The financial statements are presented in Ethiopian Birr (ETB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.2.1 Going concern

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

2.2.2 Changes in accounting policies and disclosures

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

Amendments to IAS 1 and IAS 8 Presentation of Financial Statements: Definition of Material

The amendment clarifies that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The adoption of this amendment does not have a material impact on the Company's financial statements.

Amendments to IFRS 3: Definition of a Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs.



**NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020**

2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

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

Amendments to IFRS 3: Definition of a Business (continued)

The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The adoption of this amendment does not have a material impact on the Company's financial statements.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting;
- Reinstating prudence as a component of neutrality;
- Defining a reporting entity, which may be a legal entity, or a portion of an entity;
- Revising the definitions of an asset and a liability;
- Removing the probability threshold for recognition and adding guidance on derecognition;
- Adding guidance on different measurement basis; and
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 01 January 2020.

These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The impact of this amendment is currently being assessed.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

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

IFRS 9 Financial Instruments (continued)

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The International Accounting Standards Board has deferred the effective date of IFRS 9 for issuers of Insurance contract Companies from 01 January 2018 to 01 January 2022 along with IFRS 17. Accordingly, the Company has deferred the adoption of IFRS 9 along with IFRS 17 Insurance contracts.

IFRS 17 - Insurance contracts

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

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

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

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

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognize in the future.

IFRS 17 also requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making.

Any expected losses arising from loss making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected.

The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 01 January 2022 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

(ii) Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

New and Amendments to standards	Date of initial application
IFRS 16 Leases	01 January 2019
Amendments to IAS 12 Income Taxes: Uncertainty over Income Tax Treatments	01 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	01 January 2019
Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	01 January 2019
Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 -2017 cycle	01 January 2019

IFRS 16 Leases

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

General impact of application of IFRS 16 Leases

In the current year, the Company, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) as per the application date prescribed by the standard.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately if they are different from those under IFRS 16.

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 will continue to be applied to leases entered or modified on or after 01 July 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 01 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has assessed that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

Impact on Company as a Lessee Accounting

a) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

(ii) Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

IFRS 16 Leases (continued)

a) Former operating leases (continued)

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

b) Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Financial impact of initial application of IFRS 16

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in other expense and an increase in depreciation and amortisation expense and in interest expense.

The impact of this standard is that the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 01 July 2019.

Amendments to IAS 12 Income Taxes: Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The adoption of this amendment does not have a material impact on the Company's financial statements.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures.

The adoption of this amendment does not have a material impact on the Company's financial statements.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

(ii) Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The adoption of this amendment does not have a material impact on the Company's financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.

They confirm that entities must:

- Calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;
- Recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and
- Separately recognise any changes in the asset ceiling through other comprehensive income.

The adoption of this amendment does not have a material impact on the Company's financial statements.

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The adoption of this amendment does not have a material impact on the Company's financial statements.

2.3 Insurance contracts

a) Classification

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance contracts are classified by the Company into two main categories as per the provisions of the Licensing and Supervision of Insurance Business Proclamation No. 746/2012: general insurance business and long term insurance business.

b) Recognition and measurement

Long term insurance business include life insurance, annuity, pension, health insurance, and personal accident or sickness insurance. General insurance business represents insurance business of any class or classes not being long term insurance business. Classes of general insurance include engineering insurance, fire insurance, aviation insurance, liability insurance, travel insurance, marine insurance, motor insurance, theft insurance, workmen's compensation and employer's liability insurance and other similar insurances.

i) Premium income

Premium income for general insurance business is recognized on the assumption of risks, and includes premiums received less an allowance for cancellations and less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the end of each reporting period, and are calculated using the 1/24th method on net written premiums. Premiums for long term assurance business are recognized as income when they are received from the policyholders. Premiums are shown before deduction of commission.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.3 Insurance contracts (continued)

ii) Claims

Claims incurred comprise claims paid and related expenses in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the end of the reporting period, but not settled at that date. The reserve for outstanding claims is computed on the basis of the best information available at the time the records for the year are closed, and include additional provisions for claims incurred but not reported (IBNR). IBNR is included in the outstanding claims as at year end. Outstanding claims are not discounted.

iii) Reinsurance contracts held

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

iv) Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, an actuary is involved in valuation of insurance Liabilities consisting of determining best estimates (using prescribed methodologies where required) of the outstanding claims liabilities and the premium liabilities of the Company. Current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss.

v) Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss.

vi) Salvage

Insurance contracts permit the Company to sell the salvage property after full and final settlement of claim is executed. The Company may have the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries are disclosed with their estimated value.

vii) Commissions payable and deferred acquisition costs

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

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

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

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

viii) Other Income

Commissions received are recognized as income over the policy period and those unearned during the policy period are deferred for the next fiscal year

Fee income: Fees are recognized in the accounting period in which the services are rendered.

Interest income: Interest income is recognized as income in the period in which it is earned.

Dividend income: Dividends are recognized as income in the period in which the right to receive payment is established. For equity investment in associate, income is recognized using the equity method.

Rental income: Rental income from investment property is recognized as income in the period in which it is earned.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.4 Foreign currencies

Foreign currency transactions are translated into the functional currency (Ethiopian Birr (ETB)) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

A foreign currency transaction is recorded, on initial recognition in Ethiopian Birr, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Ethiopian Birr by applying to the foreign currency amount the exchange rate between the Ethiopian Birr and the foreign currency at the date of the cash flow.

2.5 Income taxes

(a) Tax expense

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

(b) Income tax assets and liabilities

Income tax for current and prior periods is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

Income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the taxation rates (and taxation laws) that have been enacted or substantively enacted by the end of the reporting period. The amount of current taxation payable or receivable is the best estimate of the taxation amount expected to be paid or received that reflects uncertainty relating to income taxes.

(c) Deferred taxation assets and liabilities

Deferred taxation is provided by using the balance sheet method, on all temporary differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for taxation purposes.

The provision for deferred taxation is calculated using enacted or substantively enacted taxation rates at the reporting date that are expected to apply when the asset is realized or liability settled. A deferred taxation asset is recognized to the extent that it is probable that future taxable profits will be available against which the deferred taxation asset can be realized.

The provision of deferred taxation assets and liabilities reflects the taxation consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. Deferred taxation assets and liabilities are offset when the related income taxes are levied by the same taxation authority, there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.6 Cash and cash equivalents

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

2.7 Property and equipment

All categories of property and equipment are initially recorded at cost and subsequently stated at historical cost/ fair value as deemed cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property and equipment is depreciated to its estimated residual value over its expected useful life. The depreciation methods, estimated remaining useful lives and residual values are reviewed at each reporting date. The useful lives are estimated, by management, based on historic analysis and other available information. The Company uses the following indicators to determine useful life: expected usage of assets, expected physical wear and tear, and technical and commercial obsolescence. The residual values are estimated based on useful lives as well as other available information. Depreciation is calculated using the straight line method to write down their cost to their residual values over their estimated remaining useful lives, as follows:

Asset class	Depreciation rate (years)
Building	42 to 58 years
Motor vehicles	3 to 20 years
IT equipment	4 years
Office equipment, furniture, & fixture	5 years

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

An item of property, equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss within other income or other expenses when the asset is derecognized.

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

2.8 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, are classified as investment properties.

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

Investment properties are measured initially at cost, including transaction costs. The Company has opted to subsequently carry investment property at cost and disclose fair value. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Company's investment property is determined by Professional valuers or the Company's staff who have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.



**NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020**

2 Summary of significant accounting policies (continued)

2.8 Investment property (continued)

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

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are derecognised when they have been disposed. Gains or Losses arising from disposal of investment property shall be determined as the difference of the net disposal proceeds and the carrying amount of the asset and it is recognized in profit or loss statement.

2.9 Leases

The Company as a lessee

The Company assess whether contracts contain a lease. A contract contains a lease if control of the use of an asset is obtained in exchange for a consideration.

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and any related lease liability on the balance sheet. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

Measurement and recognition of leases as a lessee

The lease liability is measured at the present value of lease payments discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. The lease liability is measured at amortized cost using effective interest rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected not to recognize right of use assets and lease liabilities for short term leases less than twelve months or low value assets which is in accordance with the standard.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.10 Intangible asset

Expenditure on the research phase of projects to develop new customized software for IT and development of new products is recognized as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Company intends to and has sufficient resources to complete the project
- the Company has the ability to use or sell the new product
- the new product will generate probable future economic benefits

Development costs not meeting these criteria for capitalization are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Subsequent measurement

All finite-lived intangible assets, including capitalized internally developed software, are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 2.11.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within other income or other expenses.

2.11 Impairment of non-financial assets

The Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment.

The impairment loss charged to profit or loss is the excess of the carrying amount over the recoverable amount. Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash inflows independently, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

With the exception of goodwill, a previously recognized impairment loss will be reversed in so far as estimates change as a result of an event occurring after the impairment loss was recognized. 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 had no impairment loss been recognized.

2.12 Other assets

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

Prepayment

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

Other receivables

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



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.13 Employee benefits

Short-term employee benefits

Remuneration of employees is charged to profit or loss. Short-term employee benefits are those that are expected to be settled within 12 months after the end of the reporting period in which the services have been rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are charged to profit or loss. An accrual is recognized for accumulated and unexpired leave, incentive bonuses and other employee benefits when the Company has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

Post-employment benefit plans

The Company operates post-employment schemes which are defined benefit and defined contribution pension plans.

(a) Defined contribution plan

Employees of the Company are under pension scheme in line with the provisions of Ethiopian Pension of Private Organization Employees Proclamation 715/2011. Funding under the scheme is 7% and 11% of the employees monthly basic salary by employees and the Company respectively.

The Company has no legal or constructive obligations to pay contributions in addition to its fixed contributions to this scheme, which are recognized as an expense in the period that to related employee services received.

(b) Defined benefit plan

The Company is obliged by law to pay severance payment for eligible employees who have served the Company for more than five (5) years when the employment contract is terminated.

The severance benefits are based on the statutory severance benefit as set out in Labor Proclamation 1156/2019. Employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit. The final pay-out is determined by reference to final monthly salary and number of years in service computed as one-month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

This qualifies as a defined benefit plan. Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

(c) Termination benefits

Termination benefits are payable to employees when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

(d) Bonus plans

The Company recognizes a provision for bonus where contractually obliged or where there is a past practice that has created a constructive obligation.



NYALA INSURANCE SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.14 Provisions, Contingent Assets and Contingent Liabilities

Provisions comprise liabilities of uncertain timing or amount that arise from litigation and other risks. Provisions are recognized when the Company has a legal or constructive obligation stemming from a past event and when the future cash outflows can be reliably estimated. Contingent assets and liabilities are possible rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the Company.

The Company is party to litigations related to a number of matters. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company. Management regularly analyses current information about these matters and provides provisions for probable cash outflows, including the estimate of legal expenses to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Company or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

2.15 Financial instruments

Initial recognition and subsequent measurement

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

A financial asset or liability is recognized when the Company becomes party to the contractual provisions of the instrument. The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets, and loans and receivables. Management determines the appropriate classification of its investments at initial recognition and re-evaluates this at the end of each reporting period.

Financial assets

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement

Receivables: Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or those that it has designated as at fair value through profit or loss or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Held-to-maturity financial assets: Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold until maturity. They include government securities, time deposits with financial institutions and statutory deposits with National Bank of Ethiopia. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.15 Financial instruments (continued)

Subsequent measurement (continued)

Available-for-sale financial assets : Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans, advances and receivables, or financial assets held to maturity. They include equity investments in unquoted markets. They are carried at cost, since their fair value cannot be reliably estimated.

Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset (or Company of financial assets) is impaired. Impairment losses are recognized if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that those events have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The impairment loss so recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Financial liabilities

Initial recognition and measurement

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

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



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

2 Summary of significant accounting policies (continued)

2.15 Financial instruments (continued)

Subsequent measurement

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

Offsetting financial instruments

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

2.16 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Dividend

Dividends payable to the Company's shareholders are charged to equity and are recognized as a liability in the financial statements in the year in which the dividends are approved by the shareholders. Proposed dividends, if any, are shown as a separate component of equity until approved by shareholders.

3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the management of the Company to make judgements, estimates and assumptions which affect the reported amount of the Company's assets, liabilities, income, expenses, and related disclosures. Judgements, assumptions and estimates are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgements in order to ensure that financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates include those that have a significant risk of causing material adjustments and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustments.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the useful lives of property, plant, and equipment, the recognition and valuation of provisions for doubtful receivables, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and assumptions.

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



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

3 Significant accounting judgements, estimates and assumptions (continued)

a) Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

b) Insurance contract liabilities

i) General business

Management applies judgment in the estimation of short-term insurance contract liabilities. The Company uses historical experience to estimate the ultimate cost of claims and the provision for incurred but not reported (IBNR) claims. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year. The Company estimates claims using projected ultimate loss ratios based on notified claims and by engaging an independent actuarial.

ii) Long term business

The determination of the liabilities under long term insurance contracts is dependent on estimates made by the Company. Assumptions used to compute the liabilities include mortality, persistency and investment returns. The assumptions used also include margin for adverse deviation, for key variables, when considered appropriate. The Company uses standard mortality tables that reflect historical mortality experience. The main source of uncertainty is that future mortality may end up being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk. For contracts without fixed terms, it is assumed that the Company will be able to increase mortality risk charges in future years in line with emerging mortality experience. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

c) Operating lease commitments: the Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

d) Equity investment

The Company holds 5% of the voting rights in Dashen Bank Share Company and Ethiopian Reinsurance Share Company. Even though the Company holds less than 20% of the voting rights of these companies, the Company considers that it has significant influence in the companies and accounts for its equity investment in these companies using the equity method.

4 Risk management objectives and policies

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

The disclosures below summarize the way the Company manages key risks:

Insurance risk

The risk under any one insurance contract arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.



NYALA INSURANCE SHARE COMPANY **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 30 JUNE 2020**

4 Risk management objectives and policies (continued)

Insurance risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Insurance risk in the Company arises from:

- (a) Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
- (b) Unexpected claims arising from a single source;
- (c) Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
- (d) Inadequate reinsurance protection or other risk transfer techniques; and
- (e) Inadequate reserves

(a), (b) and (c) can be classified as the core insurance risk, (d) relates to reinsurance planning, while

Core insurance risk

This risk is managed through:

- Diversification across a large portfolio of insurance contracts;
- Careful selection guided by a conservative underwriting philosophy;
- Continuous monitoring of the business performance per class and per client and corrective action taken as deemed appropriate;
- A minimum of one review of each policy at renewal to determine whether the risk remains within the acceptable criteria;
- Having a business acceptance criteria which is reviewed from time to time based on the experience and other developments; and
- Having a mechanism of identifying, quantifying and accumulating exposures to contain them within the set underwriting limits.

Reinsurance planning

Reinsurance purchases are reviewed annually to verify that the levels of protection being sought reflect developments in exposure and risk appetite of the Company. The bases of these purchase is underpinned by the Company's experience, financial modelling by and exposure of the reinsurance broker.

The reinsurance is placed with providers who meet the Company's counter party security requirements.

Claims reserving

The Company's reserving policy is guided by the prudence concept. Estimates are made of the estimated cost of settling a claim based on the best available information on registration of a claim, and this is updated as and when additional information is obtained and annual reviews done to ensure that the reserves are adequate. Management is regularly provided with claims settlement reports to inform on the reserving performance.

Long term insurance contracts

Life insurance contracts offered by the Company include term assurance, endowment, credit life insurance and Company life insurance.

Term assurance contracts are conventional regular premium products where lump sum benefits are payable on death or permanent disability.



NYALA INSURANCE SHARE COMPANY **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 30 JUNE 2020**

4 Risk management objectives and policies (continued)

Long term insurance contracts (continued)

The endowments pay a sum assured either on death or maturity of the contract. The endowments contracts have a surrender value. Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with discretionary participation features (DPF), the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder.

Company credit life insurance is a contract that is provided to financial institutions that provides protection against death or permanent and total disability of a borrower. The contract pays a sum assured equivalent to the outstanding loan on death or permanent and total disability of the borrower. Company mortgage is a contract designed for long term borrowing to finance for assets such as houses, land or cars. The policy pays the outstanding loan in case of death or permanent and total disability of the borrower. Company life insurance is a contract that provides a life cover to a Company of people and pays a sum assured on death. The most common Company life cover is the employee Company life which is taken up by the employer for its employees and it provides life insurance as a multiple of an employee's annual remuneration.

The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Companywide reinsurance limits are in place on any single life.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behavior.

Key assumptions

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

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

4 Risk management objectives and policies (continued)

Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Life insurance contracts sensitivity analysis

The actuarial assumptions used as at 30 June 2020 are unlikely to change significantly to result in material variation in actuarial liabilities.

The Company has not changed the processes used to manage its risks from previous years. The notes below explain how financial risks are managed.

Short term insurance contracts

The Company engages in short term insurance contracts and funds the insurance liabilities with a portfolio of equity, fixed deposits and debt securities exposed to market risk. The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the Company's risk management framework for management of short term insurance contracts as of 30 June 2020:



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

4 Risk management objectives and policies (continued)

General insurance business	Amount 30 June 2020 ETB	No stated Maturity ETB	Contractual with in 1 year ETB	cash flows 1 to 6 yrs. ETB
assets				
Equity securities:				
Investment securities	254,234,027	254,234,027	-	-
Loans and receivables from insurance and reinsurance contracts	9,928,455	-	9,928,455	-
Cash and bank balances	455,263,174	-	455,263,174	-
Total	719,425,655	254,234,027	465,191,628	-
Short term insurance liabilities:				
Insurance contract liabilities and unearned premium reserve	760,411,368	-	760,411,368	-
Payables arising from reinsurance arrangements	72,569,330	-	72,569,330	-
Less: assets arising from reinsurance contracts	(384,327,177)	-	(384,327,177)	-
Total	448,653,521	-	448,653,521	-
Difference in contractual cash flows	270,772,135	254,234,027	16,538,108	-

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing. However, due to the time value of money and the impact of interest rates on the level of bodily injury incurred by the Company's policyholders (where a reduction of interest rate would normally produce a higher insurance liability), the Company matches the cash flows of assets and liabilities in this portfolio by estimating their mean duration.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from the insurance contracts in force at year end position date (both incurred claims and future claims arising from the unexpired risks at year end).

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the Company's risk management framework for management of long-term insurance contracts as of 30 June 2020:

Life insurance business	Carrying Amount 30 June 2020 ETB	No stated Maturity ETB	Contractual With in 1 year ETB	Cash Flows 1 to 6 years ETB
Financial assets				
Equity securities:				
Investment securities	15,000,000	15,000,000	-	-
Cash and bank balances	279,376,664	-	279,376,664	-
Total	279,376,664	15,000,000	279,376,664	-
Long- term insurance liabilities:				
Insurance contracts				
-Long term	19,425,667	-	19,425,667	-
Payables arising from reinsurance arrangements	9,577,985	-	9,577,985	-
Total	29,003,652	-	29,003,652	-
Difference in contractual cash flows	250,373,012	-	250,373,012	-



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

4 Risk management objectives and policies (continued)

(a) Credit risk

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from corporate bond issuers
- Cash and cash equivalents (including fixed deposits)

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

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

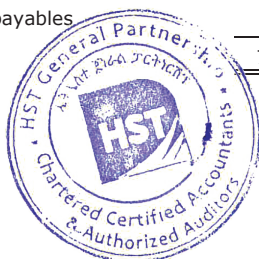
The table below indicates the carrying amounts of assets bearing credit risk:

	2020 ETB	2019 ETB
Financial assets		
Equity investments:		
– Financial assets measured at fair value	269,234,027	244,030,303
Receivables from reinsurance contracts	9,928,455	9,924,367
Cash and bank balances	734,639,838	774,736,671
Total	<u>1,013,802,320</u>	<u>1,028,691,341</u>

The table below provides a contractual maturity analysis of the Company's financial liabilities:

General insurance business

	2020			2019		
	Between 6 months and 1 year	More than 1 year	Total	Between 6 months and 1 year	More than 1 year	Total
	ETB	ETB	ETB	ETB	ETB	ETB
Insurance contract liabilities	426,141,092		426,141,092	398,861,874	-	398,861,874
Payables arising from reinsurance arrangements	62,991,345		62,991,345	72,406,595	-	72,406,595
Other payables	116,283,328		116,283,328	113,619,040	-	113,619,040
Long term insurance business						
Actuarial value of policyholder liabilities	129,944,931	-	129,944,931	142,518,173	-	142,518,173
Insurance contracts liabilities	19,425,667	-	19,425,667	8,683,644	-	8,683,644
Payables arising from reinsurance arrangements	9,577,985		9,577,985	12,427,418	-	12,427,418
Other payables	14,051,155	-	14,051,155	8,725,149	-	8,725,149
	<u>778,415,502</u>	<u>-</u>	<u>778,415,502</u>	<u>757,241,893</u>	<u>-</u>	<u>757,241,893</u>



NYALA INSURANCE SHARE COMPANY **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 30 JUNE 2020**

4 Risk management objectives and policies (continued)

Capital risk management

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

The Company's objectives in managing its capital are:

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

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

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

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



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

5 Gross and net premium earned

	2020			2019		
	Gross written premium	Change in unearned premium reserve	Gross earned premium	Premium ceded to reinsurers	Net earned premium	Net earned premium
	ETB	ETB	ETB	ETB	ETB	ETB
General insurance business						
Motor	201,062,572	(10,473,682)	190,588,890	(23,307,527)	167,281,363	167,738,106
Fire	71,294,472	(3,962,811)	67,331,661	(59,235,956)	8,095,705	13,448,186
Bonds and miscellaneous accident	58,901,859	3,953,503	62,855,362	(24,703,239)	38,152,123	27,133,765
Engineering	25,714,596	(96,688)	25,617,908	(18,182,119)	7,435,789	8,351,574
Marine	23,876,155	340,497	24,216,652	(14,236,167)	9,980,485	10,366,524
Workmen's compensation	19,193,359	(488,862)	18,704,497	(959,668)	17,744,829	18,062,041
Others	64,271,682	4,312,367	68,584,050	(55,747,943)	12,836,106	10,301,912
	464,314,695	(6,415,676)	457,899,019	(196,372,620)	261,526,400	255,402,108
Long term insurance business						
Medical	44,382,274	-	44,382,274	-	44,382,274	27,869,500
Group term	30,937,355	-	30,937,355	(9,404,574)	21,532,781	19,600,072
Individual endowment	21,019,469	-	21,019,469	(6,983,133)	14,036,336	20,328,290
Others	4,650,354	-	4,650,354	-	4,650,354	5,543,821
	100,989,452	-	100,989,452	(16,387,707)	84,601,745	73,341,683
	565,304,147	(6,415,676)	558,888,471	(212,760,327)	346,128,144	328,743,791



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

6 Commission and fees income

General insurance business

Gross commission income

Add: Unearned commission income at 1 July

Less: Unearned commission income at 30 June

Long-term insurance business

Commission income

7 Net claims expense

General insurance business

Gross incurred claim

Reinsurers' share

Long-term insurance business

Gross incurred claim

Reinsurers' share

8 Commission and fees expense

General insurance business

Commissions paid during the year

Add : Deferred acquisition cost at 1 July

Less : Deferred acquisition cost at 30 June

Net commission incurred

Long-term insurance business

Commissions paid during the year

9 Investment income

General insurance business

Interest income on bank deposit

Dividend income

Rent income from investment properties

Interest income on Government securities

Long-term insurance business

Interest income on bank deposit

Interest income on Government securities

Interest on policy loan

2020 ETB	2019 ETB
52,327,723	48,145,853
31,412,951	34,437,429
(32,535,909)	(31,412,951)
51,204,765	51,170,331
5,251,125	1,595,605
5,251,125	1,595,605
56,455,890	52,765,936
287,394,566	218,037,328
(161,646,064)	(86,752,849)
125,748,502	131,284,479
51,806,334	32,050,109
(2,256,139)	(1,378,667)
49,550,194	30,671,442
175,298,696	161,955,921
15,035,584	12,809,046
5,078,634	6,155,762
(7,255,730)	(5,078,634)
12,858,488	13,886,174
4,930,751	2,879,930
4,930,751	2,879,930
17,789,239	16,766,105
2020 ETB	2019 ETB As restated
47,203,544	56,996,098
37,885,215	27,618,721
11,583,498	11,030,254
3,922,159	3,720,925
100,594,416	99,365,998
29,390,297	21,590,253
180,248	189,740
137,183	97,133
29,707,728	21,877,126
130,302,144	121,243,124



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

10 Other income

General insurance business

Recovery from salvage handling cost
 Others
 Gain on disposal of property and equipment

11 Operating and administrative expenses

Employee benefits (note 11.1)

Other expenses (note 11.2)

Depreciation (note 23 and 24)

Right of use asset amortisation (note 25)

Audit fee

11.1 Employee benefits

Salaries

Other benefits

Key management remuneration

Pension and provident fund contributions

Education and training

11.2 Other expenses

Donation

Advertisement and promotion

Miscellaneous

Repair and maintenance

Stationery and printing

Fuel and lubricants

Communication

Bank service charge

Investment property administrative cost

Per-diem and transportation

Rent

Supplies

Insurance

Professional fees

Entertainment

Security fee

Penalty

Utilities

Legal and registration fee



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

12	Finance cost	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
	Interest on lease liability	3,163,873	171,429	3,335,302	-
	Interest on retirement benefit liability	1,418,000	-	1,418,000	-
		4,581,873	171,429	4,753,302	-

13 Company income and deferred tax

13.1	Current income tax	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
	Current income tax (note 13.2)	14,518,102	158,500	14,676,602	13,862,481
	Deferred income tax/(credit) to profit or loss (note 13.5)	(5,116,654)	-	(5,116,654)	958,798
	Total charge to profit or loss	9,401,448	158,500	9,559,948	14,821,279
	Deferred tax charge (credit) on other comprehensive income (note 13.5)	-	13,620,802	13,620,802	(2,772,418)
	Total tax in statement of comprehensive income	9,401,448	13,779,302	23,180,750	12,048,861

13.2 Taxation charge

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

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
Profit before tax (note 33.2)	119,338,546	30,000,000	149,338,546	146,787,663
Non-deductible expenses				
Depreciation per IFRS	11,078,518	56,368	11,134,886	10,992,475
Donation	6,104,477	-	6,104,477	-
Directors tax benefit	5,196,748	-	5,196,748	5,686,772
Severance cost	1,374,000	-	1,374,000	-
Interest on retirement benefit obligation	1,418,000	-	1,418,000	-
Entertainment	771,545	32,244	803,790	983,482
Medical expense - NISCO family	641,963	10,266	652,229	543,135
Penalty	451,718	-	451,718	-
Excess transportation allowance	378,021	-	378,021	-
Subsistence allowance	193,855	-	193,855	185,525
Reimbursable business expense	28,330	-	28,330	71,931
	27,637,175	98,879	27,736,054	18,463,320
Less:				
Depreciation as per tax				
Property and equipment (Annex-I)	6,122,389	-	6,122,389	6,303,488
Investment property (Annex-II)	3,440,069	-	3,440,069	2,700,698
Income taxed at source				
Interest income	51,125,703	29,570,545	80,696,248	82,307,276
Dividend income	37,885,215	-	37,885,215	27,618,721
Gain on disposal of fixed assets	8,671	-	8,671	112,530
	98,582,047	29,570,545	128,152,592	119,042,713
Taxable income	48,393,674	528,334	48,922,008	46,208,270
Income tax expense at 30%	14,518,102	158,500	14,676,602	13,862,481



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

13 Company income and deferred tax (continued)

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
13.3 Reconciliation of effective tax to statutory tax				
Profit before tax (note 33.2)	119,338,546	30,000,000	149,338,546	146,787,663
Profit tax at the applicable rate of 30%	35,801,564	9,000,000	44,801,564	44,036,299
Tax effect of disallowed expenses	8,291,152	29,664	8,320,816	5,538,996
Tax effect of income not subjected to tax	(29,574,614)	(8,871,163)	(38,445,777)	(35,712,814)
Tax expense	14,518,102	158,500	14,676,602	13,862,481
13.4 Current income tax liability			2020 ETB	2019 ETB
Balance at the beginning of the year			7,192,041	9,406,527
Charge for the year (note 13.2)			14,676,602	14,821,279
Withholding tax			(7,958,221)	(7,283,245)
Payment during the year			(7,192,041)	(9,752,520)
Balance at the end of the year			6,718,381	7,192,041

Tax assessments in respect of business income tax, value added tax and withholding tax have been finalized by the Ministry of Revenue MoR (formerly Ethiopian Revenue and Customs Authority) for the period from June 2007 to June 2010. The company has fully settled the amounts of tax due after the assessment.

13.5 Deferred tax

Deferred income tax is calculated, in full, on all temporary differences between the tax base and carrying amount using the corporate income tax rate of 30%. Deferred tax as of 30 June 2020 are related to the following assets and liabilities:

Deferred income tax assets/(liabilities):	notes	1 July 2019 ETB	Credit/ (charge) to profit or loss ETB	Credit/ (charge) to equity ETB	30 June 2020 ETB
Unappropriated actuarial surplus	13.5.1	(13,216,611)	-	(13,378,102)	(26,594,713)
Property and equipment	13.5.2	(37,522,425)	1,011,995	-	(36,510,430)
Investment property	13.5.3	(26,244,550)	527,759	-	(25,716,791)
Retirement benefit obligation	13.5.4	-	3,576,900	(242,700)	3,334,200
Deferred tax from accelerated allowances		(64,497)	-	-	(64,497)
Deferred tax assets/(liabilities)		(76,024,688)	5,116,654	(13,620,802)	(85,552,231)
Deferred income tax assets/(liabilities):		1 July 2018 ETB	Credit/ (charge) to profit or loss ETB	Credit/ (charge) to equity ETB	30 June 2019 ETB
Unappropriated actuarial surplus	13.5.1	(15,989,029)	-	2,772,418	(13,216,611)
Property and equipment	13.5.2	(36,509,497)	(1,012,928)	-	(37,522,425)
Investment property	13.5.3	(26,298,680)	54,130	-	(26,244,550)
Retirement benefit obligation	13.5.4	-	-	-	-
Deferred tax from accelerated allowances		(64,497)	-	-	(64,497)
Deferred tax assets/(liabilities)		(78,861,703)	(958,798)	2,772,418	(76,024,688)
To be recovered after 12 months				2020 ETB	2019 ETB
To be recovered within 12 months				(85,552,231)	(76,024,688)
				-	-
				(85,552,231)	(76,024,688)



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

13 Company income and deferred tax (continued)

13.5 Deferred tax (continued)

13.5.1 Unappropriated actuarial surplus (UAS)

Carrying amount
Less: Tax written-down value

Total timing difference

Deferred tax asset/(liability) on UAS:

13.5.2 Property and equipment (PE)

Tax written-down value (Annex-I)
Less: Carrying amount of PE (note 23)

Total timing difference

Deferred tax asset/(liability) on PE:

13.5.3 Investment property (IP)

Tax written-down value (Annex-II)
Less: Carrying amount of IP (note 24)

Total timing difference

Deferred tax asset/(liability) on IP:

13.5.4 Retirement benefit obligation (RBO)

Tax written-down value
Less: Carrying amount

Timing difference

Deferred tax asset/(liability) on RBO:

14 Earnings per share

Basic earnings per share is calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue in each period. As the Company has not issued potential ordinary shares during the current and prior years there were no dilutive effects during the year.

Profit attributable to ordinary shareholders'

Weighted average number of shares during the year

Basic earnings per share

15 Cash and bank balances

Cash and bank balances comprise cash on hand and deposits held with banks which are readily convertible to a known amount of cash within three months and are subject to insignificant risk of changes in value. They are measured at their carrying value. Cash and bank balances are analyzed as follows:

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
Cash on hand	5,655,172	-	5,655,172	754,745
Deposit with local banks	449,608,002	279,376,664	728,984,666	773,981,926
Total cash and bank balance	455,263,174	279,376,664	734,639,838	774,736,671



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

15 Cash and bank balances (continued)

Maturity analysis

	2020 ETB	2019 ETB
Current	734,639,838	774,736,671
Non- current	-	-
	734,639,838	774,736,671

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

Cash in hand	5,655,172	754,745
Short-term deposits with local banks	171,396,749	258,545,384
	177,051,922	259,300,129
Deposits with maturity period of more than 3 months	557,587,917	515,436,542
	734,639,838	774,736,671

Under previous framework, interest accrued on fixed deposits with banks were presented separately as other assets. Under IFRS, accrued interest should be part of the carrying amount of the asset they relate to. This has been reclassified to the carrying amount under IFRS.

16 Investment in financial assets

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
At fair value				
Equity investment	254,234,027	15,000,000	269,234,027	206,498,303
	254,234,027	15,000,000	269,234,027	206,498,303

The Company holds equity investments in the following entities;

	Number of shares	30 June 2020 Percentage of ownership	Number of shares	30 June 2019 Percentage of ownership
Dashen Bank S.C	173,362	5%	169,576	4.87%
Ethiopian Reinsurance S.C	5,000	6.35%	3,000	4.12%
African Reinsurance S.C	4,603	< 1 %	-	-

17 Other receivables

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
Other receivables (note 17.1)	195,687,688	231,302	195,918,991	218,452,670
Staff advances	31,149,091	-	31,149,091	31,254,938
Policy loan	-	1,744,657	1,744,657	1,576,545
Deposits and prepayments	1,686,575	-	1,686,575	4,355,223
	228,523,355	1,975,960	230,499,315	255,639,376

17.1 Other receivables includes the following advance payment:

Construction advance (CHINA WU YI)	159,677,618	192,176,682
Advance payment for development of ICT	17,938,624	11,137,594
	177,616,242	203,314,276



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
18 Deferred acquisition cost				
At the beginning of the year	5,078,635	-	5,078,635	6,155,763
Commission incurred during the year	15,035,584	-	15,035,584	12,809,046
	20,114,219	-	20,114,219	18,964,809
Less: Income statement charges for the year	(12,858,488)	-	(12,858,488)	(13,886,174)
At the end of year	7,255,731	-	7,255,731	5,078,635

Deferred acquisition cost represents upfront costs incurred mainly commission expense when issuing new policy. These costs are treated as an asset on the balance sheet and amortized over the life of the insurance contract to produce a smoother pattern of earnings.

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
19 Statutory deposit				
At the beginning of the year	48,010,900	3,239,100	51,250,000	39,250,000
Additions	9,390,000	2,610,000	12,000,000	12,000,000
At the end of the year	57,400,900	5,849,100	63,250,000	51,250,000

The law that governs insurance business requires insurers to have reserve deposit with the National Bank of Ethiopia. This statutory deposits relate to saving bonds from the Government of the Federal Democratic Republic of Ethiopia, bearing interest at the rate of 8% per annum. Original bond certificates are held by the National Bank of Ethiopia and serve as the statutory reserve of 15% of the paid up capital. An additional statutory deposit with an amount of ETB 16.3 million is required as a result of an increase in paid up capital by ETB 114,001,000 as decided by the share holders and the approval of National Bank of Ethiopia.

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
20 Receivable arising from reinsurance arrangement (net)				
Amounts due from reinsurers	12,114,354	-	12,114,354	12,110,267
Less: Provision for doubtful debts	(2,185,900)	-	(2,185,900)	(2,185,900)
	9,928,455	-	9,928,455	9,924,367

The amount due from reinsurers relate to reinsurers' portion of claims incurred which had not been recovered from reinsurers as at year end.

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
21 Reinsurers' share of insurance contract liabilities				
Reinsurers share of outstanding claim	151,194,458	-	151,194,458	122,219,358
Reinsurers share of Unearned Premium Reserve	208,265,720	-	208,265,720	218,378,328
Incurred But Not Reported (reinsurers' share)	24,867,000	-	24,867,000	25,352,207
	384,327,177	-	384,327,177	365,949,893



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

22 Policy loans

At the beginning of the year
 Additions
 Interest accrued
At the end of the year

2020 ETB	2019 ETB
1,858,530	1,676,946
(700,688)	(100,402)
293,407	281,986
1,451,250	1,858,530

The collateral for the policy loans is the cash surrender value of the underlying policy. In case of default the loan is written off against the cash surrender value. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

23 Property and equipment

	Building ETB	Motor vehicles ETB	Equipment, furniture and fixtures ETB	Computers and accessories ETB	Construction in progress ETB	Total ETB
Cost						
As at 1 July 2018	75,797,347	52,740,258	8,821,385	5,047,996	74,415,002	216,821,988
Additions	-	946,174	690,396	553,618	51,295,909	53,486,097
Disposal	-	(1,243,892)	(24,659)	-	-	(1,268,551)
Remeasurement	-	666,784	(666,784)	-	-	-
As at 30 June 2019	75,797,347	53,109,324	8,820,338	5,601,614	125,710,911	269,039,534
As at 1 July 2019	75,797,347	53,109,324	8,820,338	5,601,614	125,710,911	269,039,534
Additions	-	13,945,184	2,552,529	580,359	94,673,328	111,751,400
Disposal	-	-	-	(25,277)	-	(25,277)
As at 30 June 2020	75,797,347	67,054,508	11,372,867	6,156,696	220,384,239	380,765,657
Accumulated depreciation						
As at 1 July 2018	8,813,155	22,602,886	2,455,175	2,447,273	-	36,318,489
Additions	973,259	5,589,100	1,001,921	885,425	-	8,449,705
Disposal	-	(922,747)	(16,865)	(5,509)	-	(945,121)
Remeasurement	-	(1,195,633)	-	-	-	(1,195,633)
As at 30 June 2019	9,786,414	26,073,606	3,440,231	3,327,189	-	42,627,440
As at 1 July 2019	9,786,414	26,073,606	3,440,231	3,327,189	-	42,627,440
Additions	973,259	5,103,969	1,627,864	868,339	-	8,573,431
Disposal	-	(108,908)	-	-	-	(108,908)
Remeasurement	-	487,647	399,340	-	-	886,987
As at 30 June 2020	10,759,673	31,556,314	5,467,435	4,195,528	-	51,978,950
Net book value						
As at 30 June 2019	66,010,933	27,035,718	5,380,107	2,274,425	125,710,911	226,412,094
As at 30 June 2020	65,037,674	35,498,194	5,905,432	1,961,169	220,384,239	328,786,707

23.1 The company had started to construct its head quarter located in Addis Ababa at a total contract price of ETB 832,133,400. The construction is in progress as at 30 June 2020.

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

23.3 Building includes ETB 27,607,382 freehold land with indefinite economic life and not being depreciated.

24 Investment property

	2020 ETB	2019 ETB
Cost		
As at 30 June	141,397,741	141,397,741
Accumulated depreciation		
Balance at July 1	22,389,554	19,828,098
Charge for the year	2,561,455	2,561,456
As at June 30	24,951,009	22,389,554
Net book value	116,446,731	119,008,187



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

24 Investment property (continued)

24.1 Amounts recognised in profit or loss for investment properties

	2020 ETB	2019 ETB
Rental income (note 9)	11,583,498	11,030,254
Depreciation	2,561,455	2,561,456
Administrative cost (note 11.2)	1,587,105	1,157,735
	4,148,561	3,719,191

24.2 Fair value measurement of the Company's Investment properties

Investment properties include those held for rental purposes and those in which the Company occupies an insignificant portion. The Company has three commercial buildings that are leased to third parties under operating leases. These investment properties are situated in Addis Ababa, Bahir Dar and Adama. No contingent rents are charged. There is neither restriction on the reliability of the investment properties nor are there contractual obligations pegged to the investment properties.

The Company uses cost model to measure these investment properties. However, the fair value of the investment properties has been determined on 1 July 2016 to be ETB 126,547,707 (net book value) based on valuations performed by an individual valuator who is presently designated as an MRICS, awarded by the Royal Institution of Chartered Surveyor. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The valuation takes into account recent prices of similar properties with adjustments being made to reflect any changes in economic conditions since the date of the transactions at those prices. No valuation is conducted to estimate the fair value of the investment properties as of 30 June 2020.

25 Right-of-use asset

	Land ETB	Office space ETB	Total ETB
Cost			
As at 1 July 2018	2,412,300	-	2,412,300
Additions	-	-	-
As at 30 June 2019	2,412,300	-	2,412,300
As at 1 July 2019	2,412,300	-	2,412,300
Additions	-	33,247,464	33,247,464
As at 30 June 2020	2,412,300	33,247,464	35,659,764
Accumulated amortization			
As at 1 July 2018	807,450	-	807,450
Additions	40,205	-	40,205
As at 30 June 2019	847,655	-	847,655
As at 1 July 2019	847,655	-	847,655
Additions	40,205	6,212,670	6,252,875
As at 30 June 2020	887,860	6,212,670	7,100,530
Net book value			
As at 30 June 2019	1,564,645	-	1,564,645
As at 30 June 2020	1,524,440	27,034,794	28,559,234

25.1 The Company holds 2,193m2 of leasehold land in Bahir Dar leased from the regional government for a lease term of 60 years. The lease value was fully paid and the leasehold land cost is amortized over the period of the lease.

25.2 As of 1 July 2019, the Company adopted IFRS 16 for the first time, which implies that the right of use asset and related lease liability is recognized with the exception of low value and short term leases. The company has rented more than 45 branch and contact offices located in different parts of the country. At the initial application date, the management estimates that the lease contracts are for a period of 5 years. Right of use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Incremental borrowing rate of 13.5% is used to discount future lease payments.



NYALA INSURANCE SHARE COMPANY **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 30 JUNE 2020**

26 Insurance contract liabilities (claims)

The movement in the Company's general insurance contract liabilities and reinsurance assets are shown below:

	2020			2019		
	Gross ETB	Reinsurer ETB	Net ETB	Gross ETB	Reinsurer ETB	Net ETB
At the beginning of the year						
Notified claims	346,956,931	(122,219,359)	224,737,572	281,062,155	(82,512,987)	198,549,168
Incurred but not reported as at 30 June	51,904,943	(25,352,207)	26,552,736	78,987,881	(51,827,393)	27,160,488
Cash paid for claims settled in year	398,861,874	(147,571,566)	251,290,308	360,050,036	(134,340,380)	225,709,656
Increase /decrease in liabilities	(259,630,139)	132,670,965	(126,959,174)	(152,750,303)	47,046,478	(105,703,825)
Current and prior year claim	139,231,735	(14,900,600)	124,331,135	207,299,733	(87,293,902)	120,005,831
At the end of the year	286,909,357	(110,406,744)	176,502,612	191,562,141	(60,277,663)	131,284,478
Comprising	426,141,092	(125,307,345)	300,833,747	398,861,874	(147,571,565)	251,290,309
Notified Claims (notified plus disputed)	373,201,092	(150,174,345)	223,026,747	346,956,931	(122,219,359)	224,737,572
Incurred but not reported	52,940,000	24,867,000	77,807,000	51,904,943	(25,352,207)	26,552,736
Long Term Insurance Business	426,141,092	(125,307,345)	300,833,747	398,861,874	(147,571,566)	251,290,308
Current and prior year claim	19,425,667	-	19,425,667	8,683,644	-	8,683,644
Total insurance contract liabilities (claims)	445,566,759	(125,307,345)	320,259,414	407,545,518	(147,571,566)	259,973,952

Zamara Actuaries, Administrators and Consultants Limited were engaged by the management to determine the best estimates of the insurance liabilities as of 30 June 2020. This is to ensure that adequate claims reserve is maintained to settle outstanding claims and incurred but not reported losses. As per the actuarial valuation, the reserve held by the Nyala for the periods ending 30 June 2020 are prudent.

27 Unearned premium

Unearned premiums represents the liability for general insurance business contracts where the Company's obligations are not yet expired at the year end. The movements in the unearned premium are as shown below:

	2020			2019		
	Gross ETB	Reinsurer ETB	Net ETB	Gross ETB	Reinsurer ETB	Net ETB
At the beginning of the year	318,541,540	(217,435,927)	101,105,618	382,134,863	(271,707,765)	110,427,098
Net change in the period	(3,696,931)	9,170,207	5,473,277	(63,593,323)	54,271,838	(9,321,480)
At the end of the year	314,844,609	(208,265,720)	106,578,890	318,541,540	(217,435,927)	101,105,618



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

28 Payables arising out of reinsurance arrangements

These balances arise as a result of premium ceded with respect to reinsurance arrangements and local co-insuring arrangements.

	General insurance business ETB	Long Term Insurance Business ETB	2020 ETB	2019 ETB
Payables arising from reinsurance arrangements and insurance arrangements	62,991,345	9,577,985	72,569,330	84,834,013

29 Retirement benefit obligation

Defined benefits liabilities:

– Severance benefit plan (note 29.1)

Liability in the statement of financial position

Income statement charge included in personnel expenses:

– Severance cost (note 29.2)

Total defined benefit expenses

Remeasurements for:

Remeasurement (gains)/losses (note 29.3)

	2020 ETB	2019 ETB
	11,114,000	9,131,000
	11,114,000	9,131,000
	2,792,000	1,392,000
	2,792,000	1,392,000
	(809,000)	48,000
	(809,000)	48,000

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

Maturity analysis

Current

Non-current

	2020 ETB	2019 ETB
	-	-
	11,114,000	9,131,000
	11,114,000	9,131,000

29.1 Severance benefit plan

The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 1156/2019. The company operated an unfunded severance pay plan for its employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 months salary for the first year in employment plus 1/3 of monthly salary for each subsequent years in employment to a maximum of 12 months final monthly salary.

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

	2020 ETB	2019 ETB
Liability recognized in the financial position		
Retirement benefit liability	11,114,000	9,131,000
29.2 Amount recognized in the profit or loss		
Current service cost	1,374,000	798,000
Interest cost	1,418,000	594,000
	2,792,000	1,392,000
29.3 Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in assumptions	-	1,566,000
Actuarial (Gains)/Losses on experience	(809,000)	(1,518,000)
	(809,000)	48,000



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

29 Retirement benefit obligation (Continued)

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

	2020 ETB	2019 ETB
At the beginning of the year	9,131,000	7,691,000
Current service cost	1,374,000	798,000
Interest cost	1,418,000	594,000
Actuarial (Gains)/Losses from change in assumptions	(809,000)	48,000
At the end of the year	11,114,000	9,131,000

29.4 The principal assumptions used in determining defined benefit obligations

The severance benefit plan is an unfunded defined benefit scheme.

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

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

	2020 ETB	2019 ETB
Discount rate (p.a)	13.5%	13.5%
Long term salary increases (p.a)	10%	10%

(i) Discount rate

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

The Company therefore opted to use a discount rate of 13.5% (30 June 2019: 13.5%, based on the prevailing long term saving rate and average lending rate as described by the National Bank of Ethiopia.

(ii) Long term salary increases

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

	General insurance business ETB	Life insurance business ETB	2020 ETB	2019 ETB
30 Other payables				
Advance collections from policy holders	48,014,203	12,545,054	60,559,257	79,068,505
Accrued charges	26,117,412	444,649	26,562,061	25,595,532
Lease payables	21,988,144	1,009,915	22,998,059	-
Sundry payables	16,977,007	37,244	17,014,251	12,595,562
Micro insurance fund	1,794,138	-	1,794,138	3,514,455
Other tax payables	1,392,425	14,292	1,406,717	1,232,346
	116,283,328	14,051,155	130,334,483	122,006,400



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		ETB	ETB
31 Dividend payable			
As at 1 July		11,535,665	14,256,557
Declared during the year		40,686,444	35,730,700
Paid during the year		(41,677,154)	(38,451,592)
As at 30 June		10,544,955	11,535,665

32 Prior year adjustment

In the previous financial years, dividend income from Dashen Bank S.C were wrongly over recognized to the extent of ETB 37,532,000. In accordance with the requirement stated in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the error is now corrected retrospectively and certain comparative figures have been restated as disclosed below.

	Notes	As previously reported 31 December ETB	Adjustments ETB	As restated 30 June 2019 ETB
Statement of Profit (loss) and OCI				
Net profit for the year		169,498,384	(37,532,000)	131,966,384
Investment income	9	158,775,124	(37,532,000)	121,243,124
Statement of financial position				
Asset				
Investment in financial asset				
– Financial assets measured at fair value	16	244,030,303	(37,532,000)	206,498,303
Other receivables	17	254,752,478	886,898	255,639,376
Total Assets		2,052,707,272	(36,645,102)	2,016,062,170
Liabilities				
Other payables	30	122,344,189	(337,789)	122,006,400
Equity				
Retained earnings		154,687,444	(32,698,596)	121,988,848
Legal reserve		90,999,025	(3,608,717)	87,390,308
Total equity and liabilities		2,052,707,272	(36,645,102)	2,016,062,170

33 Segment reporting

Segment information is presented in respect of Company's business segments which represent the primary segment reporting and is based on the Company's reporting structure. These information are reported with respect to the following segments.

i) General Insurance business

General Insurance transactions with corporate and individual policy holders.

ii) Long term (life) insurance business

Life insurance transactions with corporate and individual life insurance policy holders.



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

33 Segment reporting (continued)

33.1 Statement of financial position 30 June 2020

	General Insurance Business ETB	Long Term Insurance Business ETB	2020 ETB
Assets			
Cash and balances with banks	455,263,174	279,376,664	734,639,838
Investment in financial assets			
– Financial assets measured at fair value	254,234,027	15,000,000	269,234,027
Other receivables	228,523,355	1,975,960	230,499,315
Deferred acquisition costs	7,255,731	-	7,255,731
Statutory deposit	57,400,900	5,849,100	63,250,000
Receivable arising from reinsurance arrangement (net)	9,928,455	-	9,928,455
Reinsurers' share of insurance contract liabilities	384,327,177	-	384,327,177
Property and equipment	328,525,155	261,551	328,786,707
Investment properties	116,446,731	-	116,446,731
Right-of-use asset	27,373,232	1,186,002	28,559,234
Total Assets	1,869,277,937	303,649,277	2,172,927,214
Liabilities			
Insurance contract liabilities (claims)	426,141,092	19,425,667	445,566,759
Unearned premium	314,844,609	-	314,844,609
Payables arising out of reinsurance arrangements	62,991,345	9,577,985	72,569,330
Actuarial value of policyholder liability	-	129,944,931	129,944,931
Retirement benefit obligation	11,114,000	-	11,114,000
Other payables	116,283,328	14,051,155	130,334,483
Dividends payable	10,544,955	-	10,544,955
Deferred commission income	32,535,909	-	32,535,909
Current income tax payable	(360,946)	7,079,327	6,718,381
Deferred tax liabilities	58,893,021	26,659,210	85,552,231
Intra company account	29,800,507	(29,800,507)	-
Total liabilities	1,062,787,821	176,937,768	1,239,725,588
Equity			
Paid up capital	491,463,000	38,994,000	530,457,000
Legal reserves	94,747,982	6,612,685	101,360,667
Retained earnings	74,134,644	18,900,000	93,034,644
Life fund reserve	-	62,054,331	62,054,331
Other reserve	566,300	-	566,300
Revaluation surplus	145,503,191	150,493	145,653,684
Total equity	806,415,117	126,711,509	933,126,625
Total Equity and liabilities	1,869,202,937	303,649,277	2,172,852,214



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

33.2 Statement of profit or loss and other comprehensive income 30 June 2020

	General Insurance Business ETB	Long Term Insurance Business ETB	2020 ETB
Gross premium income	464,314,695	100,989,452	565,304,147
Change in unearned premium	(6,415,676)	-	(6,415,676)
Gross earned premium	457,899,019	100,989,452	558,888,471
Less: Premium ceded to reinsurers	(196,372,620)	(16,387,707)	(212,760,327)
	261,526,400	84,601,745	346,128,144
Commission and fees income	51,204,765	5,251,125	56,455,890
Net underwriting income	312,731,165	89,852,870	402,584,035
Net claims expenses	(125,748,502)	(49,550,194)	(175,298,696)
Commission and fees expense	(12,858,488)	(4,930,751)	(17,789,239)
Net underwriting expenses	(138,606,989)	(54,480,946)	(193,087,935)
Underwriting profit	174,124,175	35,371,924	209,496,100
Investment income	100,594,416	29,707,728	130,302,144
Other income	6,652,815	-	6,652,815
Net income	281,371,406	65,079,652	346,451,059
Operating and administrative expenses	(157,279,559)	(3,059,220)	(160,338,779)
Finance cost	(4,753,302)	-	(4,753,302)
	119,338,545	62,020,432	181,358,977
Transfer to life fund	-	(62,020,432)	(62,020,432)
	119,338,545	1	119,338,546
Profit from life insurance as per actuarial valuation	-	30,000,000	30,000,000
Profit before taxation from reportable segment	119,338,545	30,000,001	149,338,546
Profit tax expense	(9,401,448)	(158,500)	(9,559,948)
Net profit for the year	109,937,097	29,841,500	139,778,597
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Actuarial valuation of life fund			
Unappropriated actuarial surplus/(deficit)	-	44,593,674	44,593,674
Deferred tax (charge)/credit on actuarial surplus	-	(13,378,102)	(13,378,102)
Remeasurement (loss)/gain on retirement benefits obligations			-
Deferred tax (charge)/credit on remeasurement gain or loss			-
	-	31,215,572	31,215,572
Total comprehensive income for the year	109,937,097	61,057,072	170,994,169
Total assets	1,869,277,937	303,649,277	2,172,927,214
Total liabilities	1,062,787,821	176,937,768	1,239,725,588
Net assets	806,490,116	126,711,510	933,201,626
Revenue			
Net premium earned	261,526,400	84,601,745	346,128,144
Net underwriting income	312,731,165	89,852,870	402,584,035
Investment income	100,594,416	29,707,728	130,302,144
Other income	6,652,815	-	6,652,815
Total revenue	419,978,396	119,560,598	539,538,994
Profit before taxation from reportable segment	119,338,545	30,000,001	149,338,546
Reportable segment assets	1,869,277,937	303,649,277	2,172,927,214
Reportable segment liabilities	1,062,787,821	176,937,768	1,239,725,588



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

34 Equity

The Company is incorporated as a share company. The shares are of one class and registered as ordinary shares of the same par value. As per the existing insurance law of the country, the Company is not allowed to issue other classes of shares.

34.1 Paid up capital

	2020		2019	
	Number of shares	Share Capital ETB	Number of shares	Share Capital ETB
General insurance business				
Authorized ordinary shares of ETB 1,000 each				
Issued and fully paid up share capital	491,463	491,463,000	377,494	377,494,000
Long-term insurance business	38,994	38,994,000	38,962	38,962,000
Issued and fully paid up share capital	530,457	530,457,000	416,456	416,456,000

During the 18th extraordinary meeting of shareholders unanimously resolved that the capital of the company be increased from ETB 416,456,000, to 530,457,000 out of which ETB 491,463,000 will be the capital for the general Insurance business and ETB 38,994,000 be capital for the Life Insurance Business. A total amount of ETB 114,001,000 was raised from unappropriated profit of ETB 121,988,848 which has been accumulated as retained earnings as at 30 June 2019.

34.2 Legal reserve

The legal reserve is a statutory reserve to which ten per cent (10%) of each year's net profit is to be transferred until it reaches the obligatory level of that equals the paid up capital.

34.3 Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Company. The amount to be distributed as dividend is determined by the shareholders in the annual general meeting.

34.4 Unappropriated actuarial surplus - Life fund

The unappropriated actuarial surplus represents the surplus on the life assurance business which is not distributable as dividends. The actuarial valuation is done by Zamara Financial Services East Africa Limited, Kenya. The report revealed that, out actuarial surplus of ETB 118,649,044 as of 30 June 2020, ETB 30,000,000 be transferred to distributable profit to shareholders and the remaining balance of ETB 88,649,044 kept as a reserve to policyholders liabilities net off 30% deferred tax. The movement is as follows:

	2020 ETB	2019 ETB
Actuarial surplus as per the actuarial valuation	118,649,044	59,055,370
Transfer to distributable profit to shareholders	(30,000,000)	(15,000,000)
	88,649,044	44,055,370
Less: Deferred tax	(26,594,713)	(13,216,611)
Life fund reserve	62,054,331	30,838,759
Current year movement through Other comprehensive income (OCI)		
Actuarial surplus as per the actuarial valuation	118,649,044	59,055,370
Transfer to distributable profit to shareholders	(30,000,000)	(15,000,000)
	88,649,044	44,055,370
Less: Balance at 1 July	(44,055,370)	(53,296,761)
Unappropriated actuarial surplus/(deficit) for the year	44,593,674	(9,241,391)



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

34.5 Other reserves

The balance is resulted from actuarial evaluation of long term employee retirement benefits. This reserve represents the remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions. They are recognised in the period in which they occur, directly in other comprehensive income.

	2020 ETB	2019 ETB
Actuarial gains/(Losses) on experience	809,000	-
Less: Deferred tax	(242,700)	-
	566,300	-

35 Actuarial value of policy holders liability

As per the National Bank of Ethiopia guidelines, an actuarial valuation should be conducted every two years from the last valuation date, hence actuarial valuation was made during the year by Zamara Financial Services East Africa Limited, Kenya. The following table summarizes the actuarial valuations of policies as at 30 June 2020.

Summary of valuation of policy

Types of insurance	Number of policy	Amount of sum insured ETB	Amount of premium ETB	Amount of liabilities ETB
Endowment Assurance	1466	225,101,987	16,559,337	49,941,697
Mortgage Redemption Insurance	1037	745,677,036	5,271,091	29,677,500
Individual term insurance	16	11,964,492	174,973	17,923
Group term insurance	60	5,373,847,527	22,028,759	11,838,038
group Medical Cover	90	2,814,645,900	44,808,402	28,614,699
Group Riders	60	2,715,854,326	8,315,509	8,315,509
Individual Riders	208	31,469,140	167,960	76,752
Contingent Reserve		-	-	1,500,000
Total	2937	11,918,560,408	97,326,031	129,982,118

36 Notes to the statement of cash flows

Reconciliation of profit before tax to cash generated from operations:

	Notes	2020 ETB	2019 ETB
Profit before taxation		149,338,545	146,787,663
Adjustments for non cash items:			
Depreciation			
Property and equipment	23	8,573,431	8,449,705
Investment property	24	2,561,455	2,561,456
Amortisation - Right of use asset	25	6,252,875	40,205
Severance cost	29.2	1,374,000	798,000
Interest on retirement benefit liability	29.2	1,418,000	594,000
Interest on lease liability	12	3,335,302	-
Dividend income	9	(37,885,215)	(27,618,721)
Interest income	9	(80,833,431)	(82,594,149)
Gain on fixed asset disposal	10	(8,671)	(112,530)
Investment	32	36,307,312	-
Prior year adjustment		2,992,482	-
Remeasurement adjustment to revaluation reserve			
Changes in operating assets and liabilities:			
Change in other receivables	17	25,140,061	(205,649,996)
Change in receivables arising out of reinsurance arrangements	20	(4,087)	(943,216)
Change in reinsurers' share of insurance contract liabilities	21	(18,377,284)	40,098,252
Change in insurance contract liabilities	26	38,021,241	42,358,264
Change in unearned premium	27	(3,696,931)	(72,914,803)
Change in payables arising out of reinsurance arrangements	28	(12,264,684)	(1,970,822)
Change in actuarial value of policyholder liability	35	(12,573,242)	55,007,774
Change in other payables	30	8,158,996	(9,127,140)
Net cash generated from operations		117,830,157	(104,236,058)



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

37 Provision and contingent liabilities

In common practice with the insurance industry in general, the Company is subjected to litigation arising in the normal course of insurance business. The Directors are of the opinion that these litigations will have a material effect on the financial position or profits of the Company. Different plaintiffs sued the Company with total amount ETB 63,654,053. The cases are still pending and the Company has recognized fully, which in any case shall not exceed the sum insured or limit of liability, in accordance to NBE Directives No. SIB/38/2014. These claims in dispute are included in insurance contract liabilities.

38 Retirement benefit obligation

Staff retirement benefits are provided to some permanent employees by way of a provident fund to which the Company and these employees contribute 15% and 10% of the individual monthly salaries, respectively. Other employees are included in a statutory pension scheme to which the Company and these employees contribute 11% and 7% of the individual monthly salaries, respectively. For the year ended 30 June 2020 the Company contributed ETB 8,409,904 (2019: ETB 7,152,055) which has been charged to the Statement of profit or loss.

39 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The Company has various related parties, most of whom are related by virtue of being shareholders, and partly due to common directorships. The other related parties include staff of the Company. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

39.1 Transaction with related parties during the year

The following transactions were carried out with related parties during the year:

	2020 ETB	2019 ETB
Gross Written premium	17,216,416	31,324,597
Claims paid	1,141,821	3,758,952
Interest earned on time deposits	3,562,500	5,500,000

Transactions with related parties are in the ordinary course of business and on terms and conditions similar to those offered to other clients.

39.2 Outstanding balances with related parties

	2020 ETB	2019 ETB
Fixed deposits – Dashen Bank S.C	30,000,000	45,000,000

39.3 Loans to directors of the company

The company give advance loans for purchase of a house or motor vehicle to all employees and its directors from Birr 100,000-500,000 on long term loan arrangement.

The key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and comprise of the chief executive officer, and the directors of the major sectors. The compensation to the key management personnel is as follows:



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

39	Related party transactions (continued)	2020	2019
39.3	Loans to directors of the company (continued)	ETB	ETB
	Salaries	7,629,828	7,604,146
	Other benefits	768,791	6,669,357
		<u>8,398,619</u>	<u>14,273,503</u>
39.4	Directors' remuneration		
	Directors' emoluments	1,050,000	1,050,000
	Transportation allowance	1,061,540	840,000
		<u>2,111,540</u>	<u>1,890,000</u>
	The number of directors during the current year were eight.		
40	Capital commitment		
	Commitment made with (CHINA WU YI) for the construction of Head quarter		
	Total contract value	832,133,400	832,133,400
	Paid to date	(343,872,353)	(208,033,350)
		<u>488,261,047</u>	<u>624,100,050</u>
	Commitment made with Infosion and Symbol Technology for development of ICT		
	Total contract value	25,408,084	25,408,084
	Paid to date	(14,336,590)	(6,430,688)
		<u>11,071,494</u>	<u>18,977,396</u>
	Total commitment	<u>499,332,541</u>	<u>643,077,446</u>
41	Events after the reporting period		
	No significant post balance sheet events have come to the attention of the Directors that require disclosure in the financial statements..		
42	Proposed dividends		
	Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). The dividend proposal to be presented to the AGM had not been determined at the date of approval of these financial statements.		
43	Incorporation		
	The Company is incorporated and domiciled in Ethiopia under the Commercial code of Ethiopia.		
44	Currency		
	The financial statements are presented in Ethiopian Birr (ETB).		



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

Property and equipment

	Building ETB	Office furniture ETB	Office equipment ETB	Motor vehicle ETB	Computers ETB	Total ETB
Cost						
Balance at 1 July 2018	85,885,969	4,887,686	613,598	23,955,833	2,962,479	118,305,565
Addition	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Balance at 30 June 2019	85,885,969	4,887,686	613,598	23,955,833	2,962,479	118,305,565
Balance at 1 July 2019	85,885,969	4,887,686	613,598	23,955,833	2,962,479	118,305,565
Transfer	-	(2,094,234)	2,094,234	-	-	-
Addition	94,713,533	815,653	1,523,070	14,054,585	580,359	111,687,201
Disposal	-	(604,102)	-	(2,033,921)	(253,795)	(2,891,818)
Balance at 30 June 2020	180,599,502	3,005,003	4,230,902	35,976,497	3,289,043	227,100,948
Accumulated depreciation						
Balance at 1 July 2018	8,948,619	95,301	15,650	1,056,157	68,482	10,184,208
Tax depreciation	677,471	864,561	94,509	4,048,403	618,545	6,303,488
Adjustment	449,148	-	-	-	-	449,148
Balance at 30 June 2019	10,075,238	959,861	110,159	5,104,560	687,026	16,936,844
Balance at 1 July 2019	10,075,238	959,861	110,159	5,104,560	687,026	16,936,844
Tax depreciation	677,471	349,900	556,898	3,916,201	621,918	6,122,389
Disposal	-	(539,668)	(64,435)	(2,061,912)	(377,545)	(3,043,560)
Balance at 30 June 2020	10,752,709	770,094	602,621	6,958,849	931,399	20,015,673
Tax base at						
30 June 2019	75,810,731	3,927,825	503,439	18,851,274	2,275,452	101,368,721
30 June 2020	169,846,793	2,234,910	3,628,281	29,017,648	2,357,644	207,085,275



NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

Investment property

	Adama building ETB	Gerji building ETB	Bahir Dar building ETB	Total ETB
Cost				
Balance at 1 July 2018	2,654,342	36,670,086	14,689,531	54,013,959
Addition	-	-	-	-
Balance at 30 June 2019	2,654,342	36,670,086	14,689,531	54,013,959
Balance at 1 July 2019	2,654,342	36,670,086	14,689,531	54,013,959
Addition	-	2,957,486	-	2,957,486
Balance at 30 June 2020	2,654,342	39,627,572	14,689,531	56,971,445
Accumulated depreciation				
Balance at 1 July 2018	1,725,803	8,586,569	9,794,210	20,106,582
Tax depreciation	132,717	1,833,504	734,477	2,700,698
Balance at 30 June 2019	1,858,520	10,420,074	10,528,687	22,807,280
Balance at 1 July 2019	1,858,520	10,420,074	10,528,687	22,807,280
Tax depreciation	132,717	2,572,876	734,477	3,440,069
Balance at 30 June 2020	1,991,237	12,992,949	11,263,163	26,247,350
Tax base at				
30 June 2019	795,822	26,250,012	4,160,844	31,206,679
30 June 2020	663,105	26,634,623	3,426,368	30,724,095



Appendix E: Actuary's Solvency Certificate

Nyala Insurance S.C.

Actuarial Valuation as at 30 June 2020

Actuary's Solvency Certificate

I, James Israel Omanyala Olubayi of Zamara Actuaries, Administrators and Consultants Limited, Landmark Plaza, 10th Floor, Argwings Kodhek Road, P O Box 52439, Nairobi 00200, Kenya, being a fully qualified Actuary and having conducted an actuarial valuation of the Life Fund as at 30 June 2019 using generally acceptable actuarial principles do hereby certify as under: -

- a) that in my opinion the value placed upon the aggregate liabilities relating to the long-term insurance business of **Nyala Insurance S.C** in respect of policies of valuation adopted by me has been arrived at using a professionally sound and prudent actuarial basis;
- b) that I am satisfied that the value of assets adopted by me are, on the basis of the auditor's certificate appended to the balance sheet, fully of the value so adopted; and
- c) that the actuarial valuation revealed an actuarial surplus of E Birr 118,649,044.

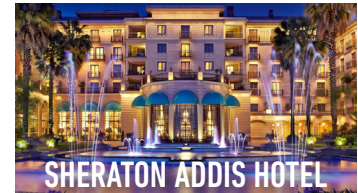


.....
James I. O. Olubayi
Fellow of the Institute and Faculty of Actuaries

Nairobi, Kenya

September 2020

SOME OF OUR CORPORATE CUSTOMERS



ETHIOPIA COMMODITY EXCHANGE

Thank You for Believing in us!



The Outgoing Board of Directors handing over to the Incoming Board of Directors



NISCO has planted Tens of Thousands of Seedlings for the 4th time 'One-Tree per One-Customer' Project



NISCO Continuously Provides Various Customer Trainings

SOME OF OUR RE-INSURERS



A.M. BEST: A+



A.M. BEST: A+



A.M. BEST: A



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

A.M. BEST: B+



A.M. BEST: B



A.M. BEST: A



A.M. BEST: A+



A.M. BEST: A-



A.M. BEST: B+



A.M. BEST: B+



A.M. BEST: A+

SOME OF OUR BROKERS AND INTERNATIONAL PARTENERS



OUR SERVICE CENTERS

ADDIS ABABA SERVICE CENTERS					
S.N	Service Center	Telephone	Fax	Mobile	P.O.Box
1	Arada	011-157-9707	011-157-9709	091-145-4190	12753
2	Beklobet	011-465-4585	011-465-4078	091-120-7393	12753
3	Bole	011-662-1675	011-662-4620	091-120-7528	12753
4	Eastern (Gerji)	011-629-8137	011-629-5956	091-145-4187	12753
5	Gola Sefer	011-155-55-00/01	011-555-1326	091-120-7396	12753
6	Kera	011-470 1143/44	011-470 0983	091-120-7390	12753
7	Kality	011-442-4005	011-442-4006	091-145-4188	12753
8	Legehar	011-551-08-48/53	011-551-0853	091-112-3528	12753
9	Merkato	011-277-3616	011-213-22-35	091-124-8355	12753
10	Corporate-West	011-467-1050	011-467-0190	091-120-7532	12753
11	Corporate -East	011 618 0493	011-663-9637	092-272-5630	12753
12	Life & Health	011-663-9065	011-662-6713	091-120-7392	12753
13	Kazanchis	011-515-6496	011-515-6441	091-122-2937	12753
14	Megenagna	011-667- 3581/83	011-667-3532	092-272-5013	12753
15	Lafto	011-371-5402	011-372-8807	092-272-7477	12753
16	Wuha Limat	011- 662- 6710	011-663-9617	091-112-3529	12753
17	Lideta	011-557-3452	011-557-3465	096-673-8936	12753
18	Lebu	011-462-5362/5462	011-462-5262	096-036-7831	12753
19	Ras Desta	011-126-7902	011-126-7901	090-067-1713	12753
20	Beherawi	011-557-9321	011-557-7436	091-120-7772	12753
21	Micro Insurance Service	011-662-6679	011-662-6706	091-120-7772	12753
REGIONAL SERVICE CENTERS AND SATELLITE OFFICES					
S.N	Service Center	Telephone	Fax	Mobile	P.O.Box
1	Hawassa	046-220-4999	046-220-50-00	091-682-2742	919
2	Bahir Dar	058-220-1720	058-220-1719	091-876-2270	907
3	Dire Dawa	025-111-0408	025-111-2147	091-573-0248	1387
4	Dessie	033-111-9111	033-111-2845	091-471-0642	99
5	Gondar	058-126-0040	058-111-7015	091-877-7762	1551
6	Jimma	047-111-0706	047-111-0146	091-780-3470	1000
7	Mekele	034-440-1111	034-440-9143	091-470-1170	928
8	Nazareth	022-111-3399	022-111-1417	091-124-6183	2136
9	Wolayita Sodo	046-551-4407	046-551-3896	096-144-0715	510
10	Jigjiga	025-775-2138	025-278-0435	094-644-4535	
11	Bale Robie	022-244-3030/1666	022-244-0348	091-605-1631	
12	Shire	034-244-2783	034-244-7997	091-411-7979	
13	Logia	033-550-0771	033-550-0771	091-308-3513	
14	Debre Berhan	011-681-3082	011-681-3082	090-411-3278	
15	Assosa	057-775-2432	057-775-2432	091-717-1393	
16	Debre Markos	058-771-6951	058-771-6952	091-210-1537	
17	Dila	046-331-3350	046-331-3350	090-478-1714	
18	Gambella	047-551-1779	047-551-1780	091-783-5063	
19	Nekemt	057-661-6519	057-661-6519	091-105-4610	
20	Woldiya	033-331-210	033-331-2103	091-021-5382	
21	Arbaminch	046-881-3809	046-881-3809	092-905-4903	
22	Hossaena	046-555-1989	046-555-1989	092-905-4902	
23	Mizan Teferi	047-135-0006	047-135-0006	091-324-2512	410
24	Asebe Teferi	025-551-2022	025-551-2022	094-269-5050	
25	Mizan Teferi	047-135-0006	047-135-0006	091-324-2512	410

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