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NYALA INSURANCE S.C.

ANNUAL
REPORT

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2020/21

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Nyala Insurance s.c

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NYALA INSURANCE S.C.

ANNUAL REPORT

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2020/21

Nyala Insurance S.C. has so far purchased a total of 90 million Birr worth of bonds to support the construction of the

GRAND ETHIOPIAN RENAISSANCE DAM (GERD).

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NYALA INSURANCE S.C.

PERFORMANCE HIGHLIGHTS

- NUMBER OF EMPLOYEES: 357
- COVERED RISKS SUM INSURED: 465 BILLION
- GROSS WRITTEN PREMIUM: 678 MILLION
- TOTAL ASSET: 2.5 BILLION
- GROSS PROFIT: 194.4 MILLION
- SERVICE CENTER & SATELLITE OFFICES: 45
- TOTAL CLAIMS INCURRED: 183.1 MILLION
- EARNING PER SHARE: 304
- LOSS RATIO: 38%
- LIFE INSURANCE FUND: 266.2 MILLION
- UNDERWRITING PROFIT: 240 MILLION
- PAID-UP CAPITAL: 600 MILLION

NYALA INSURANCE S.C.

VISION, MISSION & VALUES

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

VALUE

Protection with Care
Professionalism
Accountability
Integrity
Excellence
Team Work
Innovation

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	Tafesse, Shisema & Ayalew Certified Audit Partnership
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 SOLOMON BEDANE
Member

ATO HUSSEN AHMED
Member

ATO ABIY WOREDE
Secretary

THE 26TH ANNUAL GENERAL AND THE 19TH EXTRAORDINARY MEETING OF NISCO'S SHAREHOLDERS

EXECUTIVE **MANAGEMENT** TEAM

ATO YARED MOLA
CEO

ATO ASTATEKIE LULSEGED
EO, Claims Management

ATO TEGEGNE MASRESHA
EO, Marketing & Business Development

W/RO WOINSHET GOSSAYE
EO, Finance & investment

ATO GIULIANO ETTORE
EO, Resource Management

ATO ZEWDU BEYENE
EO, Underwriting

ATO ABIY WOREDE
Manager, Strategy & Change Management

ATO NEBIYAT MARKOS
Manager, Engineering Service

ATO ASRATU AEMRO
Manager, MIS

ATO ALEMAYEHU MERID
Manager, Risk &
Compliance Managment Service

ATO HUSSEIN AHMED
Manager, Internal Audit &
Quality Assurance

ATO GETU MELKIE
Manager, Legal Services

SNAPSHOTS OF NISCO's STAFF DEVELOPMENT PROGRAM

THE DIRECTORS' REPORT

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NYALA INSURANCE S.C.

THE DIRECTORS' REPORT

The Board of Directors has the pleasure to present the Company's Annual Report for the year ended 30th June 2021. 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 36 Service Centers (branch offices) and 8 contact offices distributed in all regional states of the country.

ECONOMIC OVERVIEW

According the IMF report, the global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022. Prospects for emerging market and developing economies have been marked down for 2021, especially for Emerging Asia. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support.

According to IMF staff report, the economic growth of the Country is projected to be 2 percent in 2020/21 due to the lingering impact of the pandemic, and is expected to rebound to 8.7 percent in 2021/22, consistent with a global recovery. The report also indicated that risks to the economic outlook are tilted to the downside, amid uncertainty regarding the magnitude and duration of the pandemic, as well as other risks including political uncertainty and the locust infestation experienced in some parts of the country.

THE ETHIOPIAN INSURANCE INDUSTRY

The Ethiopian insurance market is still at its early stage of development, characterized with low levels of insurance penetration and density, with life insurance accounting only for about 7% of the overall market. The Industry's aggregate contribution to national GDP (Penetration) is less than 1%, while the gross premium per capita (Density) is around 2.90 USD.

At the end of the year under review, total number of Insurance Companies operating in the Ethiopian Insurance industry remained at 18, of which 10 are Composite Insurance Companies i.e. operating both general and life insurance businesses, while the remaining 8 companies run General insurance. The number of insurance branches however, increased to 635 with 30 additional new insurance branches opened in the fiscal year. Moreover, at the end of the year under review 2,340 insurance agents, 61 insurance brokers, 105 Loss Assessors and 3 Insurance Surveyors were the licensed and registered practitioners according to the National Bank of Ethiopia.

According to the data obtained from the National Bank of Ethiopia, during the 2020/21 fiscal year the Industry has registered a Gross Written Premium of Birr 13.9 billion showing a 24% growth from the preceding year actual of Birr 11.2 billion. Out of the registered gross premium Birr 12.9 Billion (93%) was registered from General Insurance Business, while the balance of Birr 1.0 Billion (7%) was from Life Insurance Business.

When we look into the breakdown of the general insurance market during the year, it is confined to the products of property insurance such as motor, aviation, fire, marine and engineering classes of business. Particularly, one can easily note that about 43% comes from motor insurance which has an industry average loss ratio of 69% in 2020/21 fiscal year. The Industry's net earned premium and claims incurred during the period has been Birr 7.7 billion and Birr 4.4 billion respectively, which resulted in an overall loss ratio of 57%. The ratio has decreased by 5 percentage points from the preceding year. Generally, during the financial year under review, the industry has registered a total profit after tax of Birr 2.3 billion and as at June 30, 2021 the industry's total asset and capital reached at Birr 39.1 Billion and 11.1 Billion respectively.

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

	2020/21			2019/20		
	Industry	NISCO	% Share	Industry	NISCO	% Share
Gross Written Premium	13,874	678	4.9%	11,158	565	5.1%
Total Asset	39,064	2,449	6.3%	29,065	2,173	7.5%
Equity	11,066	1094	9.9%	9,650	933	9.7%
Profit After Tax	2,291	172	7.5%	1,724	140	8.1%

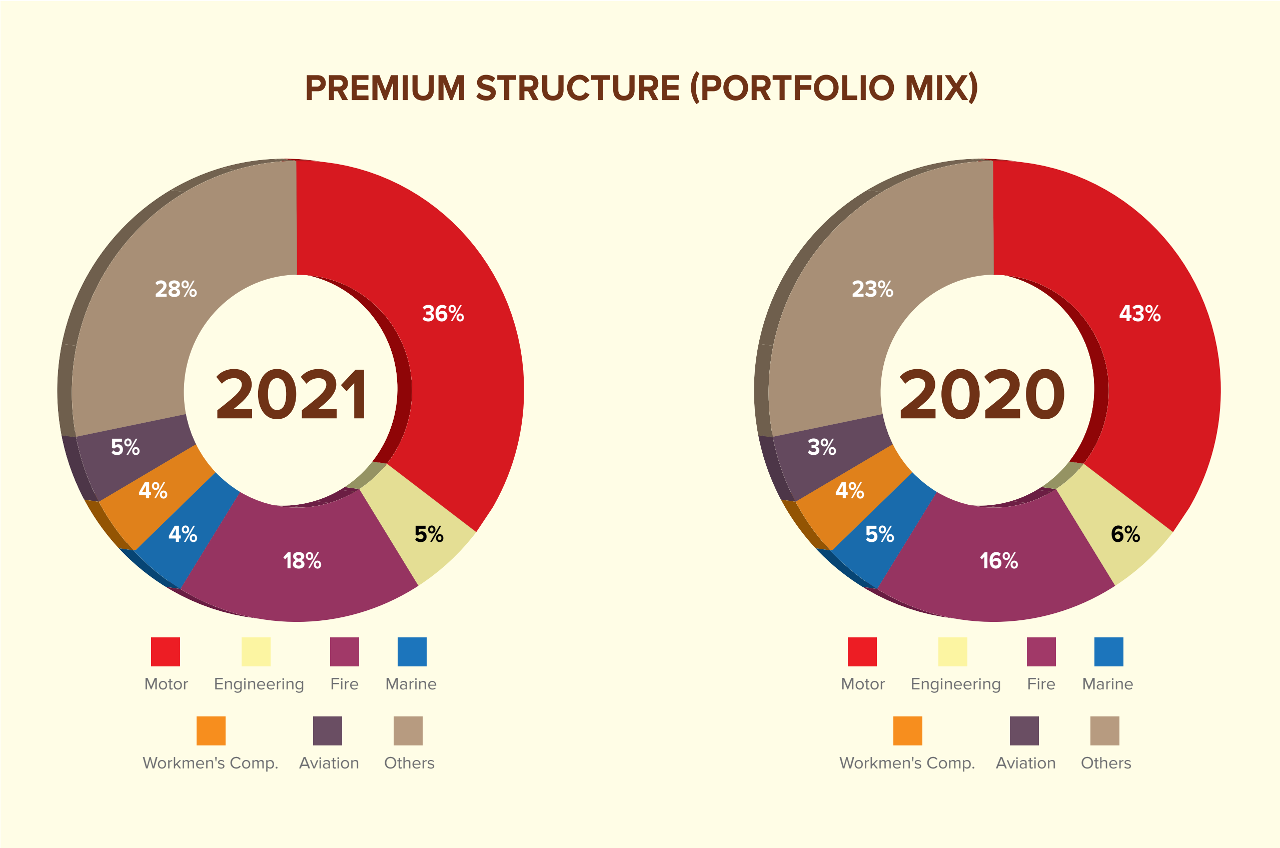
OPERATIONAL AND FINANCIAL PERFORMANCE OF NISCO

PREMIUM INCOME

During the 2020/21 fiscal year, from both general and long term insurance businesses a total premium income of Birr 678.0 million was registered and as compared with last year's performance of Birr 565.3 million showed a 20% increase. Out of this, the General Insurance Business accounted for Birr 565.2 million (83%), while the Long term Insurance Business grossed in Birr 112.9 million (17%). Similarly, the general and long term premium income showed a 22% and 12% growth from the previous year's actual of Birr 464.3 million and Birr 101.0 million respectively.

Out of the total premium income of the General Insurance Business, Motor class of business took the major share (35.7%), followed by Fire with 17.6%, Political Violence & Terrorism with 6.6%, Engineering with 5.5%, Aviation with 4.7%, Marine with 4.2%, and Workmen Compensation with 4.1%. All other classes of business together constitute 21.6% of the total premium income from General Insurance Business.

The net earned premium after deducting the reinsurer's share of premium and provision for unearned premium was Birr 371.5 million and as compared to the previous year actual of Birr 346.1 million showed a growth by 7.3%. When we see the earned premium by line of business, Birr 272.3 million (73%) was from the General Insurance Business, while the balance Birr 99.2 million (27%) was earned from Life Business.

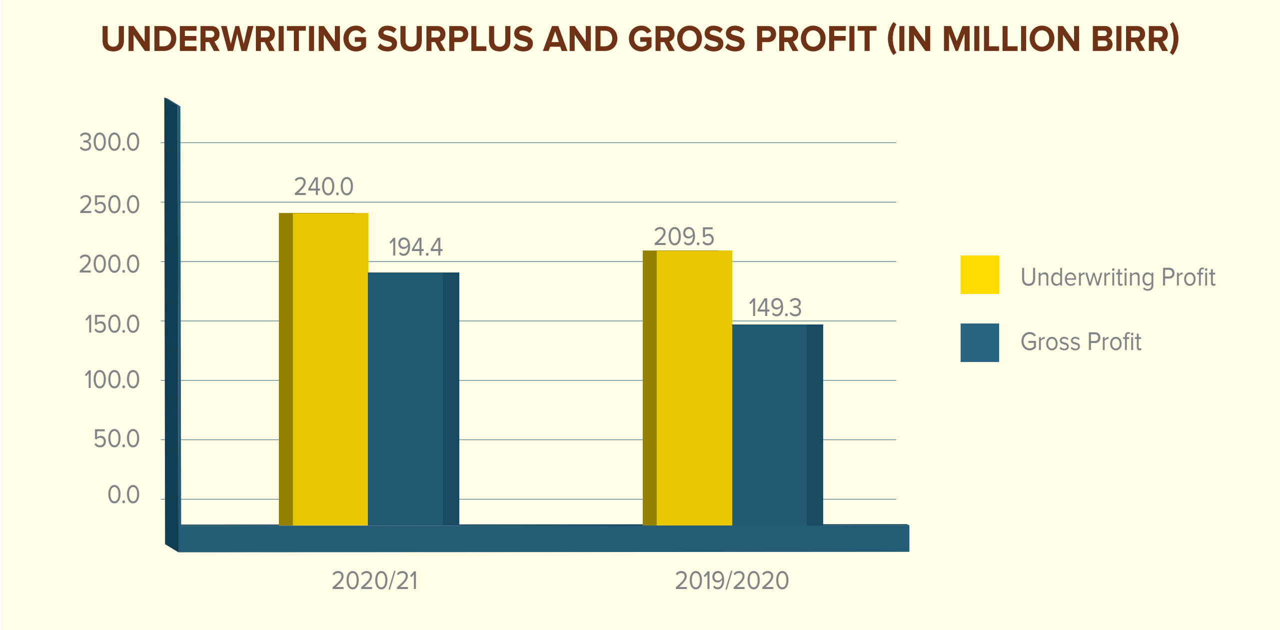


CLAIMS INCURRED

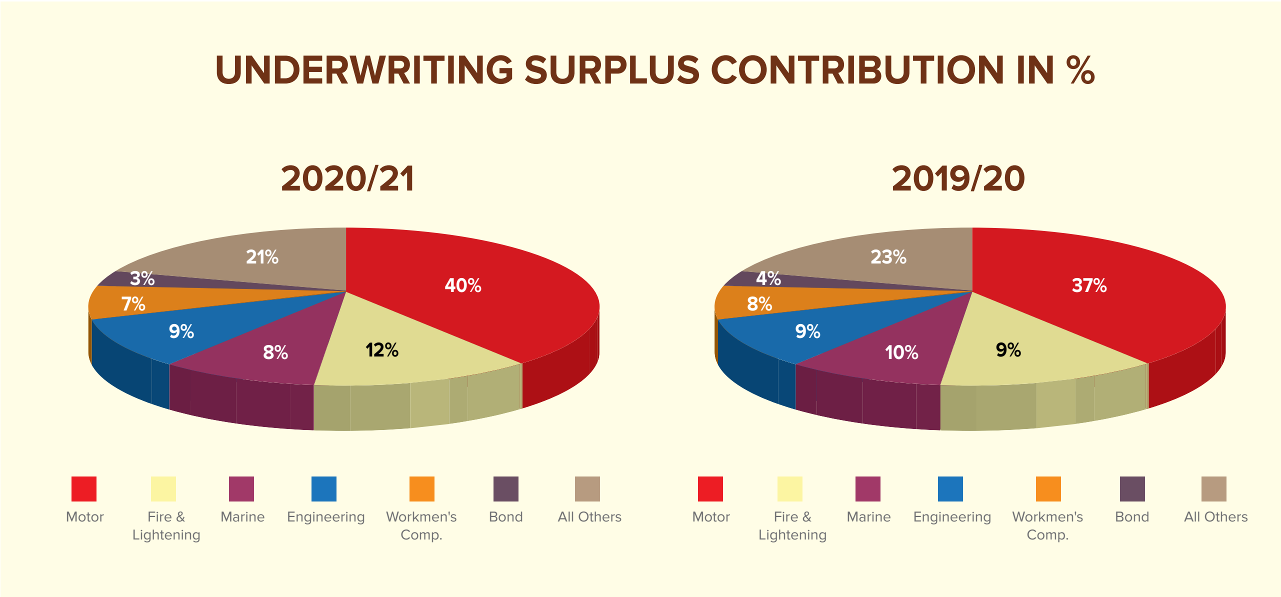
Net claims expenses during the year under review was Birr 183.1 million which is higher by 4.4% as compared to last year's actual of Birr 175.3 million. Net claims incurred with respect to the non-life insurance business amounted to Birr 104.2 million showing a 17.1% decrease from the previous year actual of Birr 125.7 million. Consequently, the loss ratio of the non-life insurance business resulted at 38%, which is lower by 10 percentage points from last year's claim ratio of 48%.

UNDERWRITING SURPLUS-GENERAL INSURANCE BUSINESS

The Company registered an underwriting surplus of Birr 160.6 million in 2020/21-fiscal year. As compared to last year's surplus of Birr 123.0 million, it is higher by Birr 37.6 million (30.6%). All class of businesses showed underwriting profit with motor class of business contributing the major share (39.9%) to the total underwriting surplus. Fire, Engineering, Marine, and Workmen's Compensation class of businesses have also contributed an 11.7%, 9.6%, 8.3% and 6.9% share respectively to the total underwriting surplus recorded in the year under review.



The growth in underwriting profit attributes to the company's reliability with respect to its prudent underwriting, efficient claim service, trained staff and its good work relationship with world class reinsurers and international partners.

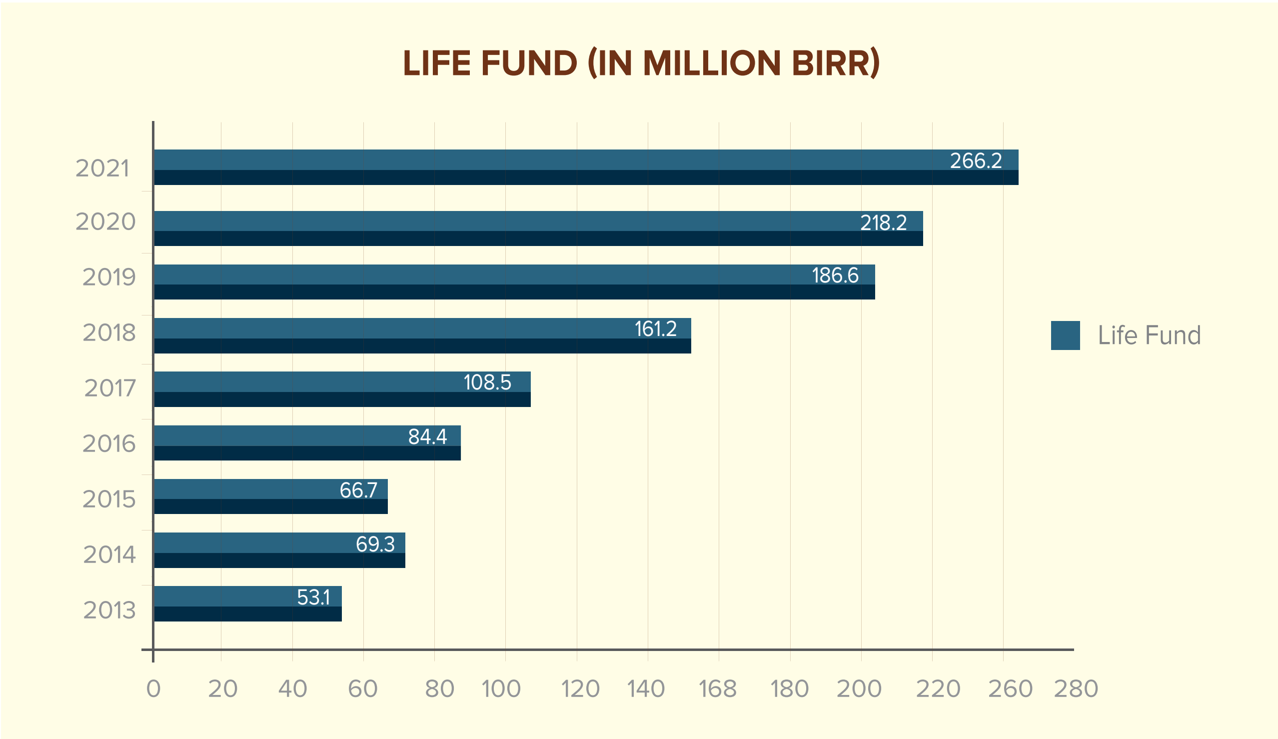


LONG TERM (LIFE) INSURANCE BUSINESS

The actuarial valuation of the long-term insurance business of the company is carried out for 2020/21 fiscal year by Zamara Actuary. In 2020/21-fiscal year gross written premium from long term insurance business stood at Birr 112.9 million registering a 12% growth from last year production of Birr 101.0 million. The net earned premium after deducting the reinsurer's share of premium was Birr 99.2 million and as compared with the previous year actual of Birr 84.6 million increased by 17.3%. Total income from life business including reinsurance commission and investment reached at Birr 136.7 million showing a 14.4% increase from Birr 119.6 million of last year.

On the other hand net underwriting expenses resulted at Birr 86.1 million showing a 58% increase from last year expense of Birr 54.5 million. Generally, both from its core business and investment, net increase in life fund for the year became Birr 47.6 million and compared to last year actual of Birr 62.0 million showed a 23% decrease.

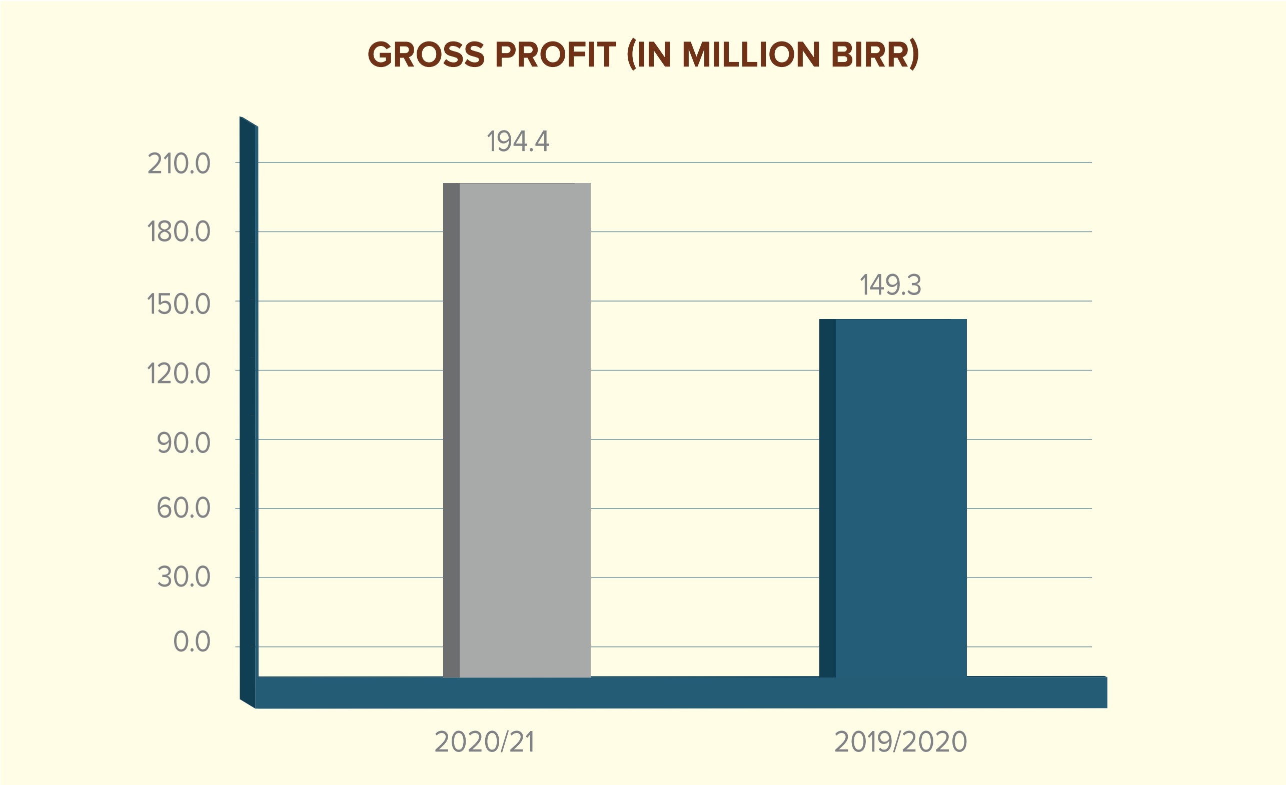
The actuarial valuation of the Company's Life Fund as at 30 June 2021 revealed an actuarial surplus of Birr 147.1 million. From the total actuarial surplus, the Actuary recommended Birr 30.0 million be made available to shareholders, while the remaining 117.1 million to be carried forward un-appropriated.



PROFIT

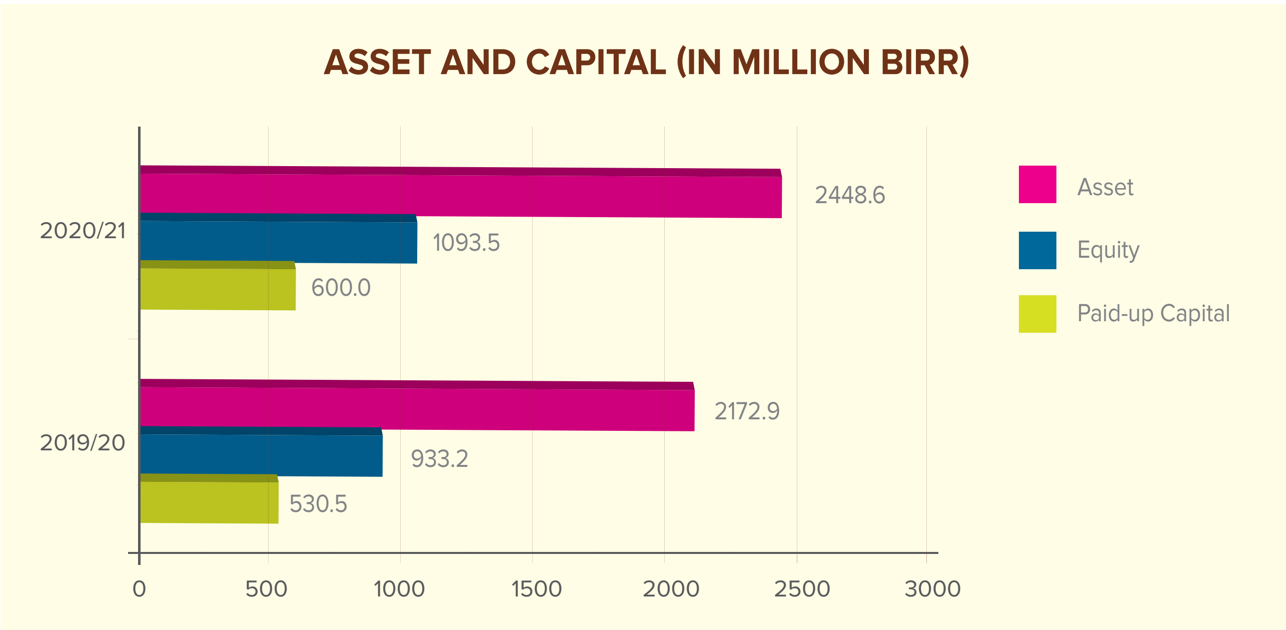
The year under review was difficult & more challenging both to the government, the public at large & the private sector in particular. Indeed amid these challenges the Company registered a record high gross profit before tax of Birr 194.4 million. As compared to last year's profit of Birr 149.3 million, it showed a 30.2% growth.

Looking into the income statement deeply, the Company able to register an income of Birr 400.2 million both from its operational and non-operational activities of both the General and Long-Term Insurance Business. Compared to the income in the preceding fiscal year of Birr 346.5 million, showed an increase by Birr 53.8 million (15.5%). On the other hand, total operating and administrative expenses during the year resulted at Birr 183.4 million showing a 14.4% increase as compared to last year's expense of Birr 160.3 million.



ASSET AND EQUITY STRUCTURE

The balance sheet as at June 30, 2021 indicates that the total asset of the company stood at Birr 2.5 billion, depicting an increase by 12.7% over similar period last year of Birr 2.2 billion. The increase of the Company's asset is resulted due to a substantial growth in total equity mainly as a result of capital investment by the shareholders. The paid up capital at the end of the year under review reached at Birr 600.0 million showing an increase by 13.1% from similar period last year of Birr 530.5 million. During the reporting period, the Company's liability has increased from Birr 1.2 billion at June 30, 2020 to Birr 1.4 billion at June 30, 2021 depicting a 9.3 growth.



PERFORMANCE HIGHLIGHTS

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

(In million Birr)

Description	2020/21	2019/20
Paid-up Capital	600.0	530.5
Total Asset	2,448.6	2,172.9
Gross Written Premium	678.0	565.3
Net income before tax	194.4	149.3
Underwriting profit	240.0	209.5
Profit tax expense	22.6	9.6
Net income after tax	171.8	139.8

OTHER MAJOR ACTIVITIES

HUMAN CAPITAL

At the end of the fiscal year 2020/21, the human capital of the Company reached 357 showing an increase by 3.8% from the preceding year. Out of the total employees as at June 30, 2021 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 57% are male, while the remaining 43% are female employees.

NISCO's selected strategy, namely differentiation on Service, is mainly based on the acquisition and retention of a highly trained, experienced and motivated employees that understands and lives its organizational values. In view of developing the knowledge and skill of the staff, NISCO has been providing different trainings to employees based on periodic skill gap assessment. Moreover, NISCO is under preparation to undertake the fifth round graduate trainee recruitment and training program (GTP-5) by employing a new recruitment strategy that ensures the retention of the trainees.

During the reporting period, career promotion has also been given to a number of staffs based on merit and the right person-for-the job principle.

"THE NEW BLOODS OF NISCO"

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 Logia and Debre Birehan Contact offices have been up-grade to full-fledged Service Centers. On the other hand by conducting a cost benefit analysis two Addis Ababa Service Centers i.e. Legehar and Lebu Service Centers have been merged with Beherawi and Lafto Service Centers respectively. As a result, 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 45 centers (37 Service Centers and 8 Contact Offices). And one new Branch is dedicated to avail our digital services.

THE LAUNCHING OF A NEW DIGITAL PRODUCT - ለMOBIሌ

During the reporting year, the Company has launched a new insurance product based on Insure-tech and digitalization, named ለ-Mobiሌ (means for my mobile, a portmanteau of English & Amharic). After conducting a rigorous study on the applicability and viability of the proposed insurance product, the company has become a pioneer in introducing and availing the product to the Ethiopian insurance market. The new product is designed to protect the hand-held mobile phones and it is being sold digitally in partnerships with Ethio-telecom and SZM Engineering. The policy provides cover for screen damage, mobile phones lost because of theft or any other related reasons.

NISCO Head Quarter Construction Project

The Head Quarter Building project could not be completed within the contract period for different reasons. Obtaining foreign currency permit from banks and COVID 19 pandemic were the major ones. The contractor has submitted a proposal on how to mitigate the problems and complete the project. From NISCO's side decision will be made by analyzing the cost benefit from the Company's perspective.

NISCO Enterprise Information System (NEIS) Project

The implementation of the 1st phase of NISCO Enterprise Information System (NEIS) Project has finalized except few work units and service centers. On the other hand, the implementation of the 2nd phase of the system which include Human Resource, Payroll, Fixed Asset, Inventory and Share Management is well underway.'

CORPORATE SOCIAL RESPONSIBILITY

Since its establishment, NISCO has been contributing a lot in supporting the economic development and social wellbeing, environmental and wildlife conservations, humanitarian aids and rehabilitation, etc. as part and parcel of discharging its corporate social responsibilities (CSR). Accordingly, during the reporting year the company has been supporting and working with different social and professional groups (handicapped, elderly people, traffic police and road safety, HIV/AIDS, professional associations, red cross, city chamber, etc.).

Nyala Insurance has been supporting the construction of Grand Ethiopian Renaissance Dam (GERD) by purchasing a number of Bonds

NISCO has also continued with its planting tree project under the theme "One-Tree per One Customer." Moreover, by advancing its full commitment, the company has also made big contribution for:

- Gebeta Lehager project,
- Combating the challenges of the COVID-19 pandemic,
- Supporting the national sovereignty and defense,
- Supporting the humanitarian aid to Tigray and Metekel regions,
- Supporting the Great Renaissance Dam, and
- Last but not least in collaboration with the Insurance Fund Administration Agency, NISCO committed to cover educational fees (from Kg all the way to higher education) for five children selected from traffic accident victim families.

CHALLENGES

Irrespective of service qualities, market competition through price and various affiliations were the main industry challenges faced the Company in the year under review. Moreover, the lingering impact of COVID 19, the war in the Northern part of Ethiopia, political instability, severe shortage of foreign currency and high inflation have also challenged the economic and business activities of the country in general and the insurance market in particular.

In the reporting year, the COVID-19 pandemic has substantially affected firms operations. Some of the businesses in the country completely ceased operations and reported no revenues as they were affected by a significant fall in the demand of their products/services. This in turn has impacted the insurance market as most of the firms have requested cancellation of policy and shrinking of policy coverage. Generally, a significant number of businesses in the country have substantially decreased their insurance/risk transferring appetite.

Similarly, due to the war in the Northern part of the Country the performance of our Service Centers operating in Tigray and Amhara Regions have decreased substantially. In addition, the marketing performance of Shashemene Service Center, which was destroyed by riot at the beginning of the year, is still staggering.

Despite the above market challenges however, NISCO has registered a good performance during the financial year under review.

THE WAY FORWARD

Although much is expected from the implementation of the Home-Grown Economic plan by the newly formed government, due to the political turmoil and continued macro-economic challenges, the economy in the upcoming fiscal year is expected to be sluggish and also challenging for the insurance industry. Thus, the Insurance Industry's survival may well depend, at least for the short term, more on cost effectiveness and management efficiency.

In the forthcoming fiscal year, NISCO will finalize formulating its second five-year Strategic Plan and start its implementation. Moreover, it will continuously scan, assess and evaluate the economic and socio-political environment in which it is operating to get the best out of its risk management endeavors.

TRIBUTE

Despite the continued macro-economic and socio-political challenges, 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 our honorable 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

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01 NYALA INSURANCE S.C.

Yared

YARED MOLA
CEO

THE AUDITORS' REPORT

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NYALA INSURANCE S.C.

NYALA INSURANCE SHARE COMPANY
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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 2021, 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 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 23,559,144 (2020: ETB 41,677,154).

Operating results

The Company's results for the year ended 30 June 2021 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 2021 ETB	30 June 2020 ETB
Net premiums	371,555,340	346,128,144
Profit before income tax	194,375,653	149,338,545
Income tax expense	(22,560,510)	(9,559,948)
Profit for the year	171,815,143	139,778,597
Other comprehensive income net of taxes		
Jnappropriated actuarial surplus/(deficit)	19,900,702	31,215,572
Remeasurement loss on retirement benefits obligations	(275,800)	566,300
Total comprehensive income for the year	191,440,045	171,560,469
Basic earnings per share (EPS)	303	295

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
October 2021

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NYALA INSURANCE SHARE COMPANY
FOR THE YEAR ENDED 30 JUNE 2021
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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
October 2021

Tafesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership

Yared Mola
Chief Executive Officer

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

TMS Plus
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NYALA INSURANCE SHARE COMPANY

Opinion

We have audited the financial statements of Nyala Insurance Share Company (S.C),which comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, or give a true and fair view of the financial position of the Company as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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 33% 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.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

Providers of Audit and Assurance ,Mangement Consultancy and Tax Advisory Services

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

Premium income

The recognition of premium revenue and determination of unearned premiums involves significant judgment. These balances require judgment to be applied by the Company for their valuation and their processing require adjustments to be made. Hence, we consider premium income 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.

Responsibilities of Directors and Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of your directors so far as it related to these financial statements and pursuant to Proclamation No. 1243/2021, Article 379 of the Commercial Code of Ethiopia and hence we recommend approval of the above mentioned financial statements.

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

Addis Ababa
08 October 2021

NYALA INSURANCE SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 ETB	2020 ETB As restated
Gross premium income	5	678,045,490	565,304,147
Change in unearned premium net	5	(10,341,703)	(6,415,676)
Gross earned premium		667,703,787	558,888,471
Less: Premium ceded to reinsurers	5	(296,148,447)	(212,760,327)
		371,555,340	346,128,144
Commission and fees income	6	73,537,010	56,455,890
Net Underwriting income		445,092,349	402,584,035
Net claims expenses	7	(183,060,501)	(175,298,696)
Commission and fees expense	8	(21,995,526)	(17,789,239)
Net Underwriting expenses		(205,056,027)	(193,087,935)
Underwriting profit		**240,036,322**	**209,496,100**
Investment income	9	146,736,125	130,302,144
Other income	10	13,474,706	6,652,815
Net income		400,247,153	346,451,059
Operating and administrative expenses	11	(183,433,078)	(160,338,779)
Finance cost	12	(4,804,981)	(4,753,302)
		212,009,094	181,358,977
Transfer to life fund	33.2	(47,633,441)	(62,020,432)
		164,375,653	119,338,545
Profit from life insurance as per actuarial valuation	34.4	30,000,000	30,000,000
Profit before income tax		194,375,653	149,338,545
Profit tax expense	13.1	(22,560,510)	(9,559,948)
Net profit for the year		**171,815,143**	**139,778,597**
Other comprehensive income			
Items that will be subsequently reclassified into profit or loss:			
Actuarial valuation of life fund	34.4	28,429,574	44,593,674
Deferred tax (charge)/credit on actuarial surplus	13.5	(8,528,872)	(13,378,102)
Items that will not be subsequently reclassified into profit or loss			
Remeasurement (loss)/gain on retirement benfit obligations	29	(394,000)	809,000
Deferred tax (charge)/credit on remeasurement gain or loss	13.5	118,200	(242,700)
		19,624,902	31,781,872
Total comprehensive income for the year		**191,440,045**	**171,560,469**
Basic earnings per share	14	303	295

The notes on pages 12 to 53 are an integral part of these financial statements.

NYALA INSURANCE SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	2021 ETB	2020 ETB
Assets			
Cash and balances with banks	15	925,761,522	734,639,838
Investment in financial assets			
– Financial assets measured at fair value	16	307,967,449	269,234,027
Other receivables	17	224,820,810	230,499,315
Deferred acquisition costs	18	9,124,376	7,255,731
Statutory deposit	19	90,000,000	63,250,000
Receivable arising from reinsurance arrangement (net)	20	595,434	9,928,455
Reinsurers' share of insurance contract liabilities	21	414,535,510	384,327,177
Property and equipment	23	338,065,008	328,786,707
Investment properties	24	113,885,275	116,446,731
Right-of-use asset	25	23,862,235	28,559,234
Total Assets		**2,448,617,620**	**2,172,927,214**
Liabilities			
Insurance contract liabilities (claims)	26	442,664,165	445,566,759
Unearned premium	27	340,862,762	314,844,609
Payables arising out of reinsurance arrangements	28	117,967,123	72,569,330
Actuarial value of policyholder liability	35	119,148,797	129,944,931
Retirement benefit obligation	29	14,100,000	11,114,000
Other payables	30	169,325,922	130,334,483
Dividends payable	31	2,258,336	10,544,955
Deferred commission income	6	42,587,056	32,535,909
Current income tax payable	13.2	11,692,069	6,718,381
Deferred tax liabilities	13.5	94,479,752	85,552,231
Total liabilities		**1,355,085,981**	**1,239,725,588**
Equity			
Paid up capital	34.1	599,999,000.00	530,457,000
Legal reserves	34.2	118,549,682.30	101,368,168
Retained earnings	34.3	148,281,821.97	93,102,144
Life fund reserve/Actuarial surplus	34.4	81,955,033.00	62,054,331
Other reserve	34.5	290,500.00	566,300
Revaluation surplus		144,455,601.96	145,653,684
Total equity		**1,093,531,639**	**933,201,626**
Total equity and liabilities		**2,448,617,620**	**2,172,927,214**

The notes on pages 12 to 53 are an integral part of these financial statements.

The financial statements on pages 8 to 53 were approved and authorized for issue by the Board of Directors on 07 October 2020 and were signed on its behalf by:

Getachew Birbo
Chairman, Board of Directors

Tafesse, Shisema & Ayalew
TMS Plus
Certified Audit Partnership

Yared Mola
Chief Executive Officer

NYALA INSURANCE SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	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 2019		**416,456,000**	**121,988,848**	**87,390,308**	**148,646,166**	**30,838,759**	**-**	**805,320,080**
Profit for the year		-	139,778,597	-	-	-	-	139,778,597
Other comprehensive income:								-
Unappropriated actuarial surplus net of deferred tax		-	-	-	-	31,215,572		31,215,572
Remeasurement gain/(loss) on retirment benfit plan (net of deferred tax)		-	-	-	-	-	566,300	566,300
								-
Total comprehensive income		416,456,000	261,767,445	87,390,308	148,646,166	62,054,331	566,300	976,880,549
Transaction with owners in their capacity as owners:								
Transfer to legal reserve		-	(13,977,860)	13,977,860	-	-	-	-
Dividend Paid		-	(40,686,444)	-	-	-	-	(40,686,444)
Transferred to paid-up capital		114,001,000	(114,001,000)	-	-	-	-	-
Re-measurement adjustment					(2,992,482)		-	(2,992,482)
As at 30 June 2020 (as restated)		**530,457,000**	**93,102,142**	**101,368,168**	**145,653,684**	**62,054,331**	**566,300**	**933,201,626**
As at 1 July 2020		**530,457,000**	**93,102,142**	**101,368,168**	**145,653,684**	**62,054,331**	**566,300**	**933,201,626**
Prior year adjustment			(6,351,808)					**(6,351,808)**
Profit for the year		-	171,815,143	-	-	-	-	171,815,143
Other comprehensive income:								
Unappropriated actuarial surplus net of deferred tax		-	-	-	-	19,900,702		19,900,702
Re-measurement gains on retirement benefit plans (net of deferred tax)		-	-	-	-		(275,800)	(275,800)
Total comprehensive income		530,457,000	258,565,477	101,368,168	145,653,684	81,955,033	290,500	1,118,289,862
Transaction with owners in their capacity as owners:								
Transfer to legal reserve		-	(17,181,514)	17,181,514	-	-	-	-
Transferred to paid-up capital		69,542,000	(69,542,000)	-	-	-	-	-
Dividend paid		-	(23,560,142)	-	-	-	-	(23,560,142)
Re-measurement adjustment		-		-	(1,198,080)	-	-	(1,198,080)
As at 30 June 2021		**599,999,000**	**148,281,822**	**118,549,682.30**	**144,455,602**	**81,955,033**	**290,500**	**1,093,531,639**

The notes on pages 12 to 53 are an integral part of these financial statements.

NYALA INSURANCE SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 ETB	2020 ETB
Cash flows from operating activities			
Cash generated from operations	36	190,292,714	117,830,157
Taxation paid	13.4	(17,069,999)	(15,150,262)
Net cash generated from operating activities		**173,222,714**	**102,679,895**
Cash flows from investing activities			
Additional deposits with financial institutions		(74,001,865)	(42,151,375)
Additional investment in securities-available for sale	16	(38,733,422)	(62,735,724)
Acquisition of property and equipment	23	(20,213,712)	(111,751,400)
Proceeds from sale of property	23	651,543	(83,631)
Right of use asset	25	(1,454,799)	(33,247,464)
Additional statutory deposit	19	(26,750,000)	(12,000,000)
Dividend income received	9	49,342,576	37,885,215
Interest income received	9	86,902,546	80,833,431
Net cash generated from /(used in) investing activities		**(24,257,134)**	**(143,250,948)**
Cash flows from financing activities			
Dividends paid	31	(31,845,763)	(41,677,154)
Net cash used in financing activities		**(31,845,763)**	**(41,677,154)**
Net (decrease)/increase in cash and cash equivalents		**117,119,818**	**(82,248,207)**
Cash and cash equivalents at 1 July		177,051,922	259,300,129
Cash and cash equivalents at end of the year	15	**294,171,740**	**177,051,922**

The notes on pages 12 to 53 are an integral part of these financial statements.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

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NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 2021 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.

Tafesse, Shisema & Ayalew TMS Plus Certified Audit Partnership

NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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 2021

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 2021

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	01 January 2019
Amendments to IAS 28: Long-term Interests in Associates	01 January 2019
Amendments to IAS 12 Income Taxes: Annual Improvements to	01 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	01 January 2019
Amendments to IAS 23 Borrowing Costs: Annual Improvements to	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 2020.

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:

i) recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

ii) recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

iii) 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 2021

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.

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NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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 2021

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 in come 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 has the right to pursue third parties for payment of some or all costs . Estimates of salvage recoveries are disclosed with there 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 differed 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 2021

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 2021

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.

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NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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 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.

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NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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.

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NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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.

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 2021

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 mate 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 .

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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 integral part of the EIR.

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
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FOR THE YEAR ENDED 30 JUNE 2021

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.

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 (e) is

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 2021

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:

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 2021 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 2021:

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4 Risk management objectives and policies (continued)

General insurance business	Amount	No stated	Contractual cash flows	
	30 June 2021	Maturity	with in 1 year	1 to 6 yrs.
assets	ETB	ETB	ETB	ETB
Equity securities:				
Investment securities	292,967,449	292,967,449	-	-
Loans and receivables from insurance and reinsurance contracts	595,434	-	595,434	-
Cash and bank balances	661,818,791	-	661,818,791	-
Total	955,381,674	292,967,449	662,414,225	-
Short term insurance liabilities:				
Insurance contract liabilities and unearned premium reserve	783,526,927	-	783,526,927	-
Payables arising from reinsurance arrangements	117,967,123	-	117,967,123	-
Less: assets arising from reinsurance contracts	(414,535,510)	-	(414,535,510)	-
Total	486,958,540	-	486,958,540	-
Difference in contractual cash flows	468,423,134	292,967,449	175,455,685	-

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 2021:

Life insurance business	**Carrying Amount**	**No stated**	**Contractual Cash Flows**	
Financial assets	**30 June 2021**	**Maturity**	**With in 1 year**	**1 to 6 years**
	ETB	**ETB**	**ETB**	**ETB**
Equity securities:				
Investment securities	15,000,000	15,000,000		
Cash and bank balances	263,942,732	-	263,942,732	-
Total	263,942,732	15,000,000	263,942,732	-
Long- term insurance liabilities:				
Insurance contracts -Long term	3,208,811		3,208,811	-
Payables arising from reinsurance arrangements	12,622,395		12,622,395	-
Total	15,831,207		15,831,207	-
Difference in contractual cash flows	248,111,525		248,111,525	-

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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:

	2021 ETB	2020 ETB
Financial assets		
Equity investments:		
– Financial assets measured at fair value	307,967,449	269,234,027
Receivables from reinsurance contracts	595,434	9,928,455
Cash and bank balances	925,761,522	734,639,838
Total	1,234,324,406	1,013,802,320

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

General insurance business

	2021			2020		
	Between 6 months and 1 year ETB	More than 1 year ETB	Total ETB	Between 6 months and 1 year ETB	More than 1 year ETB	Total ETB
Insurance contract liabilities	439,455,353		439,455,353	398,861,874	-	398,861,874
Payables arising from reinsurance arrangements	105,344,727		105,344,727	72,406,595	-	72,406,595
Other payables	149,734,253		149,734,253	113,619,040	-	113,619,040
Long term insurance business						
Actuarial value of policyholder liabilities	119,148,797	-	119,148,797	142,518,173	-	142,518,173
Insurance contracts liabilities	3,208,811	-	3,208,811	8,683,644	-	8,683,644
Payables arising from reinsurance arrangements	12,622,395	-	12,622,395	12,427,418	-	12,427,418
Other payables	19,591,669	-	19,591,669	8,725,149	-	8,725,149
	849,106,006	-	849,106,006	757,241,893	-	757,241,893

NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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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.

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5 Gross and net premium earned

	2021					2020
	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	201,929,874	(5,316,772)	196,613,102	(24,041,023)	172,572,079	167,281,363
Fire	99,594,774	(175,305)	99,419,469	(82,342,913)	17,076,556	8,095,705
Bonds and miscellaneous accident	64,008,950	(445,666)	63,563,284	(28,908,734)	34,654,551	38,152,123
Engineering	31,100,852	(85,593)	31,015,259	(23,187,968)	7,827,291	7,435,789
Marine	23,865,714	1,168,386	25,034,100	(17,061,796)	7,972,304	9,980,485
Workmen's compensation	22,910,492	(1,310,367)	21,600,125	(1,145,525)	20,454,600	17,744,829
Others	121,741,929	(4,176,387)	117,565,542	(105,808,897)	11,756,644	12,836,106
	565,152,585	(10,341,703)	554,810,882	(282,496,856)	272,314,026	261,526,400
Long term insurance business						
Medical	53,487,033	-	53,487,033	-	53,487,033	44,382,274
Group term	38,964,424	-	38,964,424	(10,922,464)	28,041,961	21,532,781
Individual endowment	13,363,387	-	13,363,387	(2,729,128)	10,634,259	14,036,336
Others	7,078,061	-	7,078,061	-	7,078,061	4,650,354
	112,892,905	-	112,892,905	(13,651,591)	99,241,314	84,601,745
Total gross earned premium	**678,045,490**	**(10,341,703)**	**667,703,787**	**(296,148,447)**	**371,555,340**	**346,128,145**

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		2021 ETB	2020 ETB
6	**Commission and fees income**		
	General insurance business		
	Gross commission income	79,174,682	52,327,723
	Add: Unearned commission income at 1 July	32,535,909	31,412,951
	Less: Unearned commission income at 30 June	42,587,056	(32,535,909)
		69,123,535	51,204,765
	Long-term insurance business		
	Commission income	4,413,475	5,251,125
		4,413,475	5,251,125
	Total commission and fees income	**73,537,010**	**56,455,890**
7	**Net claims expense**		
	General insurance business		
	Gross incurred claim	164,122,473	287,394,566
	Reinsurers' share	(59,900,037)	(161,646,064)
		104,222,436	125,748,502
	Long-term insurance business		
	Gross incurred claim	82,867,931	51,806,334
	Reinsurers' share	(4,029,866)	(2,256,139)
		78,838,065	49,550,194
	Total net claims expense	**183,060,501**	**175,298,696**
8	**Commission and fees expense**		
	General insurance business		
	Commissions paid during the year	16,556,196	15,035,584
	Add : Deferred acquisition cost at 1 July	7,255,730	5,078,634
	Less : Deferred acquisition cost at 30 June	(9,124,374)	(7,255,730)
	Net commission incurred	14,687,551	12,858,488
	Long-term insurance business		
	Commissions paid during the year	7,307,975	4,930,751
		7,307,975	4,930,751
	Total commission and fees expense	**21,995,526**	**17,789,239**

		2021 ETB	2020 ETB As restated
9	**Investment income**		
	General insurance business		
	Interest income on bank deposit	50,591,016	47,203,544
	Dividend income	47,130,977	37,885,215
	Rent income from investment properties	10,491,003	11,583,498
	Interest income on Government securities	5,459,438	3,922,159
		113,672,434	100,594,416
	Long-term insurance business		
	Interest income on bank deposit	30,336,210	29,390,297
	Interest income on Government securities	-	180,248
	Interest on policy loan	515,882	137,183
	Dividend income	2,211,599	
		33,063,691	29,707,728
	Total investment income	**146,736,125**	**130,302,144**

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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10 Other income

	2021 ETB	2020 ETB
General insurance business		
Recovery from salvage handling cost	12,381,422	6,428,049
Others	1,072,907	216,095
Gain on disposal of property and equipment	20,377	8,671
Total other income	**13,474,706**	**6,652,815**

11 Operating and administrative expenses

	General insurance business ETB	Life insurance business ETB	2021 ETB	2020 ETB
Employee benefits (note 11.1)	120,229,720	2,068,797	122,298,517	102,634,820
Other expenses (note 11.2)	39,481,931	276,859	39,758,790	39,819,398
Depreciation (note 23 and 24)	12,808,084	98,508	12,906,592	11,134,886
Right of use asset depreciation (note 25)	7,995,682	358,496	8,354,178	6,252,875
Audit fee	115,000	-	115,000	496,800
Total operating and administrative expenses	**180,630,418**	**2,802,660**	**183,433,078**	**160,338,779**

11.1 Employee benefits

	General insurance business ETB	Life insurance business ETB	2021 ETB	2020 ETB
Salaries	63,270,481	1,675,445	64,945,925	50,786,391
Other benefits	29,286,677	142,471	29,429,147	29,136,220
Key management remuneration	14,566,480	-	14,566,480	11,907,825
Pension and provident fund contributions	10,455,254	250,882	10,706,135	8,409,904
Education and training	2,650,830	-	2,650,830	2,394,480
Total employee benefits	**120,229,720**	**2,068,797**	**122,298,517**	**102,634,820**

11.2 Other expenses

	General insurance business ETB	Life insurance business ETB	2021 ETB	2020 ETB
Donation	4,289,483	-	4,289,483	9,421,227
Advertisement and promotion	4,871,107	48,960	4,920,067	5,554,324
Miscellaneous	7,273,572	79,602	7,353,174	2,469,975
Repair and maintenance	4,220,182	53,787	4,273,969	4,066,216
Stationery and printing	2,470,954	66,080	2,537,034	2,511,635
Fuel and lubricants	2,957,338	67,163	3,024,502	2,497,372
Communication	2,476,152	26,672	2,502,824	2,328,701
Bank service charge	3,051,449	47,290	3,098,739	2,176,540
Investment property administrative cost	1,034,218	-	1,034,218	1,587,105
Per-diem and transportation	817,692	-	817,692	1,434,688
Rent	46,235	-	46,235	1,034,529
Office cleaining &Supplies	1,383,590	3,052	1,386,642	974,331
Insurance	1,543,128	-	1,543,128	842,031
Professional fees	347,682	(141,514)	206,167	828,723
Entertainment	1,395,764	25,434	1,421,199	803,790
Security fee	559,354	-	559,354	592,931
Penalty	37,835	-	37,835	451,718
Utilities	672,104	-	672,104	205,264
Legal and registration fee	34,092	333	34,425	38,299
Total other expenses	**39,481,931**	**276,859**	**39,758,790**	**39,819,399**

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12	Finance cost	General insurance business ETB	Life insurance business ETB	2021 ETB	2020 ETB
	Interest on lease liability	3,038,643	136,339	3,174,981	3,335,302
	Interest on retirement benefit liability	1,630,000	-	1,630,000	1,418,000
		4,668,643	**136,339**	**4,804,981**	4,753,302

13 Company income and deferred tax

13.1	Current income tax	General insurance business ETB	Life insurance business ETB	2021 ETB	2020 ETB
	Current income tax (note 13.2)	22,631,457	(587,797)	22,043,660	14,676,602
	Deferred income tax/(credit) to profit or loss (note 13.5)	516,849	-	516,849	(5,116,654)
	Total charge to profit or loss	23,148,307	(587,797)	22,560,510	9,559,948
	Deferred tax charge (credit) on other comprehensive income (note 13.5)	-	8,410,672	8,410,672	13,620,802
	Total tax in statement of comprehensive income	**23,148,307**	**7,822,875**	**30,971,182**	**23,180,750**

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	2021 ETB	2020 ETB
Profit before tax (note 32.2)	164,375,653	30,000,000	194,375,653	149,338,545
Non-deductible expenses				
Depreciation per IFRS	12,808,084	98,508	12,906,592	11,134,886
Donation	4,289,483	-	4,289,483	6,104,477
Directors tax benefit	6,406,660	-	6,406,660	5,196,748
Severance cost	962,000	-	962,000	1,374,000
Interest on retirement benefit obligation	1,630,000	-	1,630,000	1,418,000
Entertainment	1,395,764	25,434	1,421,199	803,790
Medical expense - NISCO family	843,923	31,705	875,627	652,229
Penalty	37,835	-	37,835	451,718
Excess transportation allowance	643,107	-	643,107	378,021
Subsistence allowance	206,709	-	206,709	193,855
Reimbursable business expense				28,330
Lease amortization	9,831,205	432,839	10,264,044	
	39,054,770	588,486	39,643,256	27,736,054
Less:				
Depreciation as per tax				
Property and equipment (Annex I)	10,023,969	-	10,023,969	6,122,389
Investment property (Annex-II)	2,848,572	-	2,848,572	3,440,069
Income taxed at source				
Interest income	56,050,454	30,336,210	86,386,663	80,696,248
Dividend income	47,130,977	2,211,599	49,342,576	37,885,215
Gain on disposal of fixed assets	20,377	-	20,377	8,671
Rent expense	11,917,883		11,917,883	
	127,992,232	32,547,808	160,540,040	128,152,592
Taxable income	75,438,191	(1,959,323)	73,478,869	48,922,007
Income tax expense at 30%	**22,631,457**	**(587,797)**	**22,043,661**	**14,676,602**

NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

13 Company income and deferred tax (continued)

13.3 Reconciliation of effective tax to statutory tax	**General insurance business ETB**	**Life insurance business ETB**	**2021 ETB**	**2020 ETB**
Profit before tax (note 33.2)	164,375,653	30,000,000	194,375,653	149,338,545
Profit tax at the applicable rate of 30%	49,312,696	9,000,000	58,312,696	44,801,564
Tax effect of disallowed expenses	11,716,431	176,546	11,892,977	8,320,816
Tax effect of income not subjected to tax	(38,397,669)	(9,764,343)	(48,162,012)	(38,445,778)
Tax expense	22,631,457	(587,797)	22,043,661	14,676,602

13.4 Current income tax liability	**2021 ETB**	**2020 ETB**
Balance at the beginning of the year	6,718,408	7,192,041
Charge for the year (note 13.2)	22,043,661	14,676,602
Withholding tax	(10,351,591)	(7,958,221)
Payment during the year	(6,718,408)	(7,192,014)
Balance at the end of the year	**11,692,069**	**6,718,408**

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 2021 are related to the following assets and liabilities:

Deferred income tax assets/(liabilities):	**notes**	**1 July 2020 ETB**	**Credit/ (charge) to ETB**	**Credit/ (charge) to equity ETB**	**30 June 2021 ETB**
Unappropriated actuarial surplus	**13.5.1**	(26,594,713)	-	(8,528,872)	(35,123,585)
Property and equipment	**13.5.2**	(36,510,430)	-1,208,314	-	(37,718,744)
Investment property	**13.5.3**	(25,716,791)	-86,135	-	(25,802,926)
Retirement benefit obligation	**13.5.4**	3,334,200	777,600	118,200	4,230,000
Deferred tax from accelerated allowances		(64,497)	-	-	(64,497)
Deferred tax assets/(liabilities)		**(85,552,231)**	**(516,849)**	**(8,410,672)**	**(94,479,752)**

Deferred income tax assets/(liabilities):		**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)		**(77,048,083)**	**5,116,654**	**(13,620,802)**	**(85,552,231)**

	2021 ETB	**2020 ETB**
To be recovered after 12 months	(94,479,752)	(85,552,231)
To be recovered within 12 months	-	-
	(94,479,752)	(85,552,231)

NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

13 Company income and deferred tax (continued)

13.5 Deferred tax (continued)

13.5.1 Unappropriated actuarial surplus (UAS)

	2021 ETB	2020 ETB
Carrying amount	(117,078,618)	(88,649,044)
Less: Tax written-down value	-	-
Total timing difference	(117,078,618)	(88,649,044)
Deferred tax asset/(liability) on UAS:	(35,123,585)	(26,594,713)

13.5.2 Property and equipment (PE)

	2021 ETB	2020 ETB
Tax written-down value (Annex-I)	212,335,862	207,085,275
Less: Carrying amount of PE (note 23)	338,065,008	328,786,707
Total timing difference	(125,729,146)	(121,701,432)
Deferred tax asset/(liability) on PE:	(37,718,744)	(36,510,430)

13.5.3 Investment property (IP)

	2021 ETB	2020 ETB
Tax written-down value (Annex-II)	27,875,522	30,724,095
Less: Carrying amount of IP (Note 24)	113,885,275	116,446,731
Total timing difference	(86,009,753)	(85,722,636)
Deferred tax asset/(liability) on IP:	(25,802,926)	(25,716,791)

13.5.4 Retirement benefit obligation (RBO)

	2021 ETB	2020 ETB
Tax written-down value	-	-
Less: Carrying amount (Note 29)	14,100,000	(11,114,000)
Timing difference	14,100,000	11,114,000
Deferred tax asset/(liability) on RBO:	4,230,000	3,334,200

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.

	2021 ETB	2020 ETB
Profit attributable to ordinary shareholders'	171,815,143	139,778,597
Weighted average number of shares during the year	566,657	473,457
Basic earnings per share	**303**	**295**

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	2021 ETB	2020 ETB
Cash on hand	3,481,398	-	3,481,398	5,655,172
Deposit with local banks	658,337,392	263,942,732	922,280,124	728,984,666
Total cash and bank balance	**661,818,791**	**263,942,732**	**925,761,522**	**734,639,838**

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NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

		2021 ETB	2020 ETB
15	**Cash and bank balances (continued)**		
	Maturity analysis		
	Current	925,761,522	734,639,838
	Non- current	-	-
		925,761,522	734,639,838

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

	2021 ETB	2020 ETB
Cash in hand	3,481,398	5,655,172
Short-term deposits with local banks	290,690,342	171,396,749
	294,171,740	177,051,921
Deposits with maturity period of more than 3 months (Fixed time deposit)	631,589,782	557,587,917
	925,761,522	**734,639,838**

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

At fair value	**General insurance business ETB**	**Life insurance business ETB**	**2021 ETB**	**2020 ETB**
Equity investment	292,967,449	15,000,000	307,967,449	269,234,027
	292,967,449	**15,000,000**	**307,967,449**	**269,234,027**

The Company holds equity investments in the following entities;

	30 June 2021		**30 June 2020**	
	Number of shares	**Percentage of ownership**	**Number of shares**	**Percentage of ownership**
Dashen Bank S.C	213,513	4.87%	213,513	5%
Ethiopian Reinsurance S.C	5,000	6.35%	5,000	6.35%
African Reinsurance S.C	4,603	0.16%	4,603	0.16%

		General insurance business ETB	**Life insurance business ETB**	**2021 ETB**	**2020 ETB**
17	**Other receivables**				
	Other receivables (note 17.1)	192,049,686	216,132	192,265,818	195,918,991
	Staff advances	28,987,989	1,003	28,988,991	31,149,091
	Policy loan	-	1,962,785	1,962,785	1,744,657
	Deposits and prepayments	1,603,217	-	1,603,217	1,686,575
		222,640,891	**2,179,919**	**224,820,810**	**230,499,315**

17.1 Other receivables includes the following advance payment:

	2021	2020
Construction advance (CHINA WU YI)	159,643,865	159,677,618
Advance payment for development of ICT	21,601,631	17,938,624
	181,245,496	177,616,242

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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		General insurance business ETB	Life insurance business ETB	2021 ETB	2020 ETB
18	**Deferred acquisition cost**				
	At the beginning of the year	7,255,731	-	7,255,731	5,078,635
	Commission incurred during the year	16,556,196	-	16,556,196	15,035,584
		23,811,927	-	23,811,927	20,114,219
	Less: Income statement charges for the year	(14,687,551)	-	(14,687,551)	(12,858,488)
	At the end of year	**9,124,376**	**-**	**9,124,376**	**7,255,731**

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	2021 ETB	2020 ETB
19	**Statutory deposit**				
	At the beginning of the year	57,400,500	5,849,100	63,249,600	51,250,000
	Additions	26,750,400	-	26,750,400	12,000,000
	At the end of the year	**84,150,900**	**5,849,100**	**90,000,000**	**63,250,000**

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 27.5 million is paid as a result of an increase in paid up capital by Birr(114 Million 2020& Birr 64 million 2021) as decided by the share holders and the

		General insurance business ETB	Life insurance business ETB	2021 ETB	2020 ETB
20	**Receivable arising from reinsurance arrangement (net)**				
	Amounts due from reinsurers	4,600,042	-	4,600,042	12,114,354
	Less: Provision for doubtful debts	(4,004,608)	-	(4,004,608)	(2,185,900)
		595,434	-	**595,434**	**9,928,455**

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	2021 ETB	2020 ETB
21	**Reinsurers' share of insurance contract liabilities**				
	Reinsurers share of outstanding claim	161,886,251	-	161,886,251	151,194,458
	Reinsurers share of Unearned Premium Reserve	223,942,169	-	223,942,169	208,265,720
	Incurred But Nor Reported (reinsurers' share)	28,707,089	-	28,707,089	24,867,000
		414,535,510	-	**414,535,510**	**384,327,177**

		2021 ETB	2020 ETB
22	**Policy loans**		
	At the beginning of the year	1,451,250	1,858,530
	Additions	182,547.15	(700,688)
	Interest accrued	328,988	293,407
	At the end of the year	**1,962,785**	**1,451,250**

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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.

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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 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	-	-	-	-	-	-
Remeasurement	-	-	-	(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
As at 1 July 2020	75,797,347	67,054,508	11,372,867	6,156,696	220,384,239	380,765,657
Additions	-	13,799,161	2,111,998	1,274,354	3,028,199	20,213,712
Disposal	-	(2,593,997)	(70,704)	(85,001)	-	(2,749,702)
As at 30 June 2021	75,797,347	78,259,672	13,414,161	7,346,049	223,412,438	398,229,667
Accumulated depreciation						
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
As at 1 July 2020	10,759,673	31,556,314	5,467,435	4,195,528	-	51,978,950
Additions	973,259	6,669,478	1,773,899	888,295	-	10,304,931
Disposal	-	(1,985,280)	(27,889)	(84,990)	-	(2,098,159)
Adjustment on Op bal.	-			(21,064)	-	(21,064)
As at 30 June 2021	11,732,932	36,240,512	7,213,445	4,977,769	-	60,164,658
Net book value						
As at 30 June 2020	**65,037,674**	**35,498,194**	**5,905,432**	**1,961,168**	**220,384,239**	**328,786,707**
As at 30 June 2021	**64,064,415**	**42,019,160**	**6,200,716**	**2,368,280**	**223,412,438**	**338,065,008**

23.1 The company had started to construct it's 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 2021.

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.

24 Investment property

	2021 ETB	2020 ETB
Cost		
Balance at July 1, 2020	141,397,741	141,397,741
Additions	-	-
As at June 30, 2021	141,397,741	141,397,741
Accumulated depreciation		
Balance at July 1, 2020	24,951,010	22,389,554
Charge for the year	2,561,455	2,561,456
As at June 30, 2021	27,512,465	24,951,010
Net book value	**113,885,275**	**116,446,731**

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24 Investment property (continued)

24.1 Amounts recognised in profit or loss for investment properties

	2021 ETB	2020 ETB
Rental income (note 9)	10,491,003	11,583,498
Depreciation	2,561,455	2,561,456
Administrative cost (note 11.2)	1,034,218	1,587,105
	3,595,674	4,148,561

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 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 2021.

25 Right-of-use asset

	Land ETB	Office space ETB	Total ETB
Cost			
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
As at 1 July 2021	2,412,300	33,247,464	35,659,764
Additions	-	1,454,799	1,454,799
As at 30 June 2021	2,412,300	34,702,263	37,114,563
Accumulated depreciation			
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
As at 1 July 2020	887,860	6,212,670	7,100,530
Additions	40,205	6,111,593	6,151,798
As at 30 June 2021	928,065	12,324,263	13,252,328
Net book value			
As at 30 June 2020	**1,524,440**	**27,034,794**	**28,559,234**
As at 30 June 2021	**1,484,235**	**22,378,000**	**23,862,235**

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.

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	2021 ETB	2020 ETB
Payables arising from reinsurance arrangements and insurance arrangements	105,344,727	12,622,395	117,967,123	72,569,330

29 Retirement benefit obligation

	2020 ETB	2020 ETB
Defined benefits liabilities:		
– Severance benefit plan (note 29.1)	14,100,000	11,114,000
Liability in the statement of financial position	**14,100,000**	**11,114,000**
Income statement charge included in personnel expenses:		
– Severance cost (note 29.2)	2,592,000	2,792,000
Total defined benefit expenses	2,592,000	2,792,000
Remeasurements for:		
Remeasurement (gains)/losses (note 29.3)	394,000	(809,000)
	394,000	(809,000)

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	14,100,000	11,114,000
	14,100,000	11,114,000

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:

	2021 ETB	2020 ETB
Liability recognized in the financial position		
Retirement benefit liability	14,100,000	11,114,000

29.2 Amount recognized in the profit or loss

Current service cost	962,000	1,374,000
Interest cost	1,630,000	1,418,000
	2,592,000	2,792,000

29.3 Amount recognised in other comprehensive income:

Remeasurement (gains)/losses arising from changes in assumptions	1,606,000	-
Actuarial (Gains)/Losses on experience	(1,212,000)	(809,000)
	394,000	(809,000)

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29 Retirement benefit obligation (Continued)

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

	2021 ETB	2020 ETB
At the beginning of the year	11,114,000	9,131,000
Current service cost	962,000	1,374,000
Interest cost	1,630,000	1,418,000
Actuarial (Gains)/Losses from change in assumptions	(1,212,000)	(809,000)
Actuarial (Gains)/Losses from change due to experiance	1,606,000	
At the end of the year	**14,100,000**	**11,114,000**

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 they materialise.

	2021 ETB	2020 ETB
Discount rate (p.a)	14.25%	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 14.25% (30 June 2020: 13.5%), based on the prevailing long term saving rate and average lending rate as described by the National Bank of Ethiopia quarterly buletin

(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.

30 Other payables	**General insurance business ETB**	**Life insurance business ETB**	**2021 ETB**	**2020 ETB**
Advance collections from policy holders	84,715,147	18,086,300	102,801,447	60,559,257
Accrued charges	26,771,969	511,084	27,283,053	26,562,061
Lease payables	18,637,769	714,897	19,352,666	22,998,059
Sundry payables	16,268,084	38,730	16,306,814	17,014,251
Micro insurance fund	450,490	-	450,490	1,794,138
Other tax payables	2,890,794	240,658	3,131,452	1,406,717
	149,734,253	**19,591,669**	**169,325,922**	**130,334,483**

31 Dividend payable	**2021 ETB**	**2020 ETB**
As at 1 July	10,544,955	11,535,665
Declared during the year	23,559,144	40,686,444
Paid during the year	(31,845,763)	(41,677,154)
As at 30 June	**2,258,336**	**10,544,955**

32 Prior year adjustment

During the adoption of IFRS in 2016 the new standard required to hold additional reserve which resulted a reduced profit due to new reserves. Thus the company assumed more profit tax has been paid in the previous year and the tax authority should refund the company the overpaid tax amount of Birr 6,210,946.23. However while requesting the refund in letter the tax authority refuse to accept thus charged againist retained earning.

NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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.

33.1 Segment reporting
Statement of financial position
As at 30 June 2021

	General Insurance Business ETB	Long Term Insurance Business ETB	2021 ETB
Assets			
Cash and balances with banks	661,818,791	263,942,732	925,761,522
Investment in financial assets			
– Financial assets measured at fair value	292,967,449	15,000,000	307,967,449
Other receivables	222,640,891	2,179,919	224,820,810
Deferred acquisition costs	9,124,376	-	9,124,376
Statutory deposit	84,150,900	5,849,100	90,000,000
Receivable arising from reinsurance arrangement (net)	595,434	-	595,434
Reinsurers' share of insurance contract liabilities	414,535,510	-	414,535,510
Property and equipment	337,845,545	219,464	338,065,008
Investment properties	113,885,275	-	113,885,275
Right-of-use asset	22,972,734	889,501	23,862,235
Total Assets	**2,160,536,904**	**288,080,716**	**2,448,617,620**
Liabilities			
Insurance contract liabilities (claims)	439,455,353	3,208,811	442,664,165
Unearned premium	340,862,762	-	340,862,762
Payables arising out of reinsurance arrangements	105,344,727	12,622,395	117,967,123
Actuarial value of policyholder liability	-	119,148,797	119,148,797
Retirement benefit obligation	14,100,000	-	14,100,000
Other payables	149,734,253	19,591,669	169,325,922
Dividends payable	2,258,336	-	2,258,336
Deferred commission income	42,587,056	-	42,587,056
Current income tax payable	4,747,110	6,944,960	11,692,069
Deferred tax liabilities	59,291,670	35,188,082	94,479,752
Intra company account	57,335,035	(57,336,210)	(1,175)
Total liabilities	**1,215,716,302**	**139,368,504**	**1,355,084,806**
			-
Equity			-
Paid up capital	561,005,000	38,994,000	599,999,000.00
Legal reserves	109,836,995.70	8,712,686.60	118,549,682.30
Retained earnings	129,381,821.86	18,900,000	148,281,821.86
Life fund reserve	-	81,955,033	81,955,033.00
Other reserve	290,500	-	290,500.00
Revaluation surplus	144,305,111	150,491	144,455,601.96
Total equity	**944,819,429**	**148,712,211**	**1,093,531,639**
Total Equity and liabilities	**2,160,535,730**	**288,080,715**	**2,448,616,445**

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NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

33 Segment reporting (Continued)

33.2 Statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	General Insurance Business	Long Term Insurance Business	2021 ETB
Gross premium income	565,152,585	112,892,905	678,045,490
Change in unearned premium	(10,341,703)	-	(10,341,703)
	-		
Gross earned premium	554,810,882	112,892,905	667,703,787
	-		
Less: Premium ceded to reinsurers	(282,496,856)	(13,651,591)	(296,148,447)
	-		
	272,314,026	99,241,314	371,555,340
Commission and fees income	69,123,535	4,413,475	73,537,010
Net underwriting income	341,437,561	103,654,789	445,092,349
Net claims expenses	(104,222,436)	(78,838,065)	(183,060,501)
Commission and fees expense	(14,687,551)	(7,307,975)	(21,995,526)
Net underwriting expenses	(118,909,987)	(86,146,040)	(205,056,027)
Underwriting profit	222,527,573	17,508,749	240,036,322
Investment income	113,672,434	33,063,691	146,736,125
Other income	13,474,706	-	13,474,706
Net income	349,674,713	50,572,440	400,247,153
Operating and administrative expenses	(180,630,418)	(2,802,660)	(183,433,078)
Finance cost	(4,668,643)	(136,339)	(4,804,981)
	164,375,653	47,633,441	212,009,094
Transfer to life fund	-	(47,633,441)	(47,633,441)
	164,375,653	0	164,375,653
Profit from life insurance as per actuarial valuation	-	30,000,000	30,000,000
Profit before taxation from reportable segment	**164,375,653**	**30,000,000**	**194,375,653**
Profit tax expense	(23,148,307)	587,797	(22,560,510)
Net profit for the year	**141,227,346**	**30,587,797**	**171,815,143**
Other comprehensive income			
Items that will not be subsequently reclassified into profit or loss:			
Actuarial valuation of life fund Unappropriated actuarial surplus/(deficit)	-	28,429,574	28,429,574
Deferred tax (charge)/credit on actuarial surplus	-	(8,528,872)	(8,528,872)
Remeasurement (loss)/gain on retirement benefits obligations			-
Deferred tax (charge)/credit on remeasurement gain or loss	(275,800)		(275,800)
	(275,800)	19,900,702	19,624,902
Total comprehensive income for the year	**140,951,546**	**50,488,499**	**191,440,045**
Total assets	2,160,536,904	288,080,716	2,448,617,620
Total liabilities	1,215,716,302	139,368,504	1,355,084,806
Net assets	944,820,602	148,712,212	1,093,532,814
Revenue			
Net premium earned	272,314,026	99,241,314	371,555,340
Net underwriting income	341,437,561	103,654,789	445,092,349
Investment income	113,672,434	33,063,691	146,736,125
Other income	13,474,706	-	13,474,706
Total revenue	468,584,701	136,718,479	605,303,180
Profit before taxation from reportable segment	164,375,653	30,000,000	194,375,653
Reportable segment assets	2,160,536,904	288,080,716	2,448,617,620
Reportable segment liabilities	1,215,716,302	139,368,504	1,355,084,806

NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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

	2021 Number of shares	2021 Share Capital ETB	2020 Number of shares	2020 Share Capital ETB
General insurance business				
Authorized ordinary shares of ETB 1,000 each				
Issued and fully paid up share capital	561,005	561,005,000	491,463	491,463,000
Long-term insurance business	38,994	38,994,000	38,994	38,994,000
Issued and fully paid up share capital	**599,999**	**599,999,000**	**530,457**	**530,457,000**

During the 18th extraordinary meeting of shareholders unanimously resolved that the capital of the company be increased from ETB 530,457,000,to 599,999,000 out of which ETB 561,005,000 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 69,542,000 was raised for capital growth from unappropriated profit balance of ETB 93,102,144 which has been accumulated as retained earnings as at 30 June 2021.

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 147,078,618 as of 30 June 2021, ETB 30,000,000 be transferred to distributable profit to shareholders and the remaining balance of ETB 81,955,033 kept as a reserve to policyholders liabilities net off 30% deferred tax. The movement is as follows:

	2021 ETB	2020 ETB
Actuarial surplus as per the actuarial valuation	147,078,618	118,649,044
Transfer to distributable profit to shareholders	(30,000,000)	(30,000,000)
	117,078,618	88,649,044
Less: Deferred tax	(35,123,585)	(26,594,713)
Life fund reserve	**81,955,033**	**62,054,331**
Current year movement through Other comprehensive income (OCI)		
Actuarial surplus as per the actuarial valuation	147,078,618	118,649,044
Transfer to distributable profit to shareholders	(30,000,000)	(30,000,000)
	117,078,618	88,649,044
Less: Balance at 1 July	(88,649,044)	(44,055,370)
Unappropriated actuarial surplus/(deficit) for the year	**28,429,574**	**44,593,674**

NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

34 Equity (continued)

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.

	2021 ETB	2020 ETB
Actuarial gains/(Losses) on experience	(394,000)	809,000
Less: Deferred tax	(118,200)	(242,700)
	(275,800)	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 polices as at 30 June 2021.

Summary of valuation of policy

Types of insurance	Number of policy	Amount of sum insured ETB	Amount of Office Premium ETB	Amount of liabilities ETB
Endowment Assurance	688	155,681,822	11,554,409	28,505,424
Mortgage Redemption Insurance	1324	1,218,145,181	11,309,838	26,301,809
Individual term insurance	17	17,564,435	181,466	20,666
Group term Life Assurance	64	7,526,669,038	29,172,512	15,391,673
group Medical Cover	102	28,907,107,200	54,953,595	34,257,458
Group Riders	64	3,511,170,503	9,535,699	9,535,699
Individual Riders	705	33,260,419	151,126	136,067
Contingent Reserve		-	-	5,000,000
Total	**2964**	**41,369,598,598**	**116,858,645**	**119,148,796**

36 Notes to the statement of cash flows

Reconciliation of profit before tax to cash generated from operations:

	Notes	2021 ETB	2020 ETB
Profit before taxation		194,375,653	149,338,545
Adjustments for non cash items:			
Depreciation			
Property and equipment	23	10,304,931	8,573,431
Investment property	24	2,561,455	2,561,456
Depreciation - Right of use asset	25	6,151,798	6,252,875
Severance cost	29.2	962,000	1,374,000
Interest on retirement benefit liability	29.2	1,630,000	1,418,000
Interest on lease liability	12	3,174,981	3,335,302
Dividend income	9	(49,342,576)	(37,885,215)
Interest income	9	(86,902,546)	(80,833,431)
Gain on fixed asset disposal	10	(20,377)	(8,671)
Prior year adjustment	32	6,351,808	36,307,312
Remeasurement adjustment to revaluation reserve		1,198,080	2,992,482
Provision for doubtful debt		1,818,708	-
Adjustment in PPE		(21,064)	-
Changes in operating assets and liabilities:			
Change in other receivables	17	5,106,494	25,140,061
Change in receivables arising out of reinsurance arrangements	20	9,333,021	(4,087)
Change in reinsurers' share of insurance contract liabilities	21	(30,208,333)	(18,377,284)
Change in insurance contract liabilities	26	(2,902,594)	38,021,241
Change in unearned premium	27	26,018,153	(3,696,931)
Change in payables arising out of reinsurance arrangements	28	45,397,793	(12,264,684)
Change in actuarial value of policyholder liability	35	(10,796,134)	(12,573,242)
Change in other payables	30	38,991,439	8,158,996
Change in deferred commission income		10,051,147	-
Change in deffered tax Liability		8,927,521	
Change in DAC		(1,868,645)	
Net cash generated from operations		**190,292,714**	**117,830,157**

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26 Insurance contract liabilities (claims)

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

	2021			2020		
	Gross ETB	Reinsurer ETB	Net ETB	Gross ETB	Reinsurer ETB	Net ETB
At the beginning of the year						
Notified claims	373,201,092	(150,174,345)	223,026,747	346,956,931	(122,219,359)	224,737,572
Incurred but not reported as at 30 June	52,940,000	24,867,000	77,807,000	51,904,943	(25,352,207)	26,552,736
	426,141,092	(125,307,345)	300,833,747	398,861,874	(147,571,566)	251,290,308
Cash paid for claims settled in year	(154,648,301)	49,208,243	(105,440,058)	(259,630,139)	132,670,965	(126,959,174)
Increase /decrease in liabilities	271,492,791	(76,099,102)	195,393,689	139,231,735	(14,900,601)	124,331,134
Current and prior year claim	167,962,562	(56,834,810)	111,127,752	286,909,357	(110,406,744)	176,502,613
At the end of the year	439,455,353	(132,933,912)	306,521,441	426,141,092	(125,307,345)	300,833,747
Comprising						
Notified Claims (notified plus disputed)	383,104,511	(161,641,001)	221,463,510	373,201,092	(150,174,345)	223,026,747
Incurred but not reported	56,350,843	28,707,089	85,057,932	52,940,000	24,867,000	77,807,000
	439,455,353	(132,933,912)	306,521,441	426,141,092	(125,307,345)	300,833,747
Long Term Insurance Business						
Current and prior year claim	3,208,811	-	3,208,811	19,425,667	-	19,425,667
Total insurance contract liabilities (claims)	**442,664,165**	**(132,933,912)**	**309,730,253**	**445,566,759**	**(125,307,345)**	**320,259,414**

Zamara Actuaries, Administrators and Consultants Limited were engaged by the management to determine the best estimates of the insurance liabilities as of 30 June 2021. 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 2021 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:

	2021			2020		
	Gross ETB	Reinsurer ETB	Net ETB	Gross ETB	Reinsurer ETB	Net ETB
At the beginning of the year	314,844,609	(208,265,720)	106,578,890	318,541,540	(217,435,927)	101,105,613
Net change in the period	26,018,153	(15,676,449)	10,341,704	(3,696,931)	9,170,207	5,473,277
At the end of the year	**340,862,762**	**(223,942,169)**	**116,920,593**	**314,844,609**	**(208,265,720)**	**106,578,890**

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NYALA INSURANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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 64,467,836.87. 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 2021 the Company contributed ETB 5,421,952.08 for Provident Fund and ETB 5,082,181.51 for pension contribution 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:

	2021 ETB	2020 ETB
Gross Written premium	21,408,010	17,216,416
Claims paid	25,304,272	1,141,821
Interest earned on time deposits	8,597,500	3,562,500

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

	2021 ETB	2020 ETB
Fixed deposits – Dashen Bank S.C	70,000,000	30,000,000

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 2021

		2021	2020
39	**Related party transactions (continued)**		
39.3	**Loans to directors of the company (continued)**	**ETB**	**ETB**
	Salaries	9,653,676	7,629,828
	Other benefits	2,497,419	768,791
		12,151,095	8,398,619

39.4 Directors' remuneration

	2021 ETB	2020 ETB
Directors' emoluments	1,200,000	1,050,000
Transportation allowance	1,215,385	1,061,540
	2,415,385	2,111,540

The number of directors during the current year were eight.

40 Capital commitment

Commitment made with China Wiyu for HQ Construction

Total contract value	832,133,400
Paid to date	(343,872,353)
	488,261,047

41 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.

42 Incorporation

The Company is incorporated and domiciled in Ethiopia under the Commercial code of Ethiopia.

43 Currency

The financial statements are presented in Ethiopian Birr (ETB).

44 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..

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Powering Prosperity

Appendix E: Actuary's Solvency Certificate

Nyala Insurance S.C.

Actuarial Valuation as at 30 June 2021

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 2021 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 146,956,378.

…………………………………………………………………..

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

Nairobi, Kenya

September 2021

Nyala Insurance has received a recognition award from the Prime Minister of Ethiopia for it's Tax Contribution

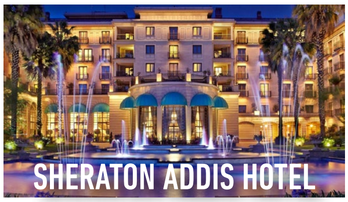
Nyala Insurance has continued it's effort to implement it's "one tree per customer" project for 5 consecutive years

THE SNAPSHOTS OF
NISCO'S FAMILY DAY
(2013 E.C.)

SOME OF OUR
CORPORATE CUSTOMERS

Radisson BLU

HYATT REGENCY



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DERBA CEMENT

DANGOTE

National Oil Ethiopia

SNV

CRS
CATHOLIC RELIEF SERVICES

BRITISH COUNCIL

Juniper Glass Industries PLC

NATIONAL AIRWAYS
The spirit of a rising nation

GOAL ETHIOPIA

WFP
World Food Programme

World Health Organization

World Vision

AIR DJIBOUTI
RED SEA AIRLINES

MEDECINS SANS FRONTIERES

Thank You for Believing in us!

SOME OF OUR RE-INSURERS

Munich RE

A.M. BEST: A+

Swiss Re

A.M. BEST: A+

Africa Re
African Reinsurance Corporation

A.M. BEST: A

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

A.M. BEST: B+

EA Re

A.M. BEST: B

MAPFRE ASSISTANCE

A.M. BEST: A

Ethiopian Reinsurance

Tunis Re

A.M. BEST: B+

CONTINENTAL REINSURANCE

A.M. BEST: B+

Navigators
Insuring a World in Motion

A.M. BEST: A+

KEMAH CAPITAL

SCR
Société Centrale de Réassurance
GROUPE CDG

SOME OF OUR BROKERS AND INTERNATIONAL PARTENERS

AFRO-ASIAN INSURANCE SERVICES LTD
ZURICH
Willis
KMD
MARSH
Reinsurance Solutions
APEX INSURANCE

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	011-470-5671	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	011-155-5500/01	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	Merkato	011-277-3616	011-213-2235	091-124-8355	12753
9	Corporate-West	011-467-1050	011-467-0190	091-120-7532	12753
10	Corporate -East	011-618-0493	011-663-9637	092-272-5630	12753
11	Life & Health	011-663-9065	011-662-6713	091-120-7392	12753
12	Kazanchis	011-515-6496	011-515-6441	091-122-2937	12753
13	Megenagna	011-667-3581/83	011-667-3532	092-272-5013	12753
14	Lafto	011-371-5402	011-372-8807	092-272-7477	12753
15	Wuha Limat (Main Branch)	011-662-6710	011-663-9617	091-112-3529	12753
16	Lideta	011-557-3452	011-557-3465	096-673-8936	12753
17	Ras Desta	011-126-7902	011-126-7901	090-067-1713	12753
18	Digital Insurance Service Center	011-663-9637	011-662-6706	094-263-6363 094-264-6464	12753
19	Beherawi	011-557-9321	011-557-7436	091-112-3528	12753
20	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	Shashemene	046-110-0468 046-211-4696	046-211-2222		
14	Logia	033-550-0771	033-550-0771	091-308-3513	
15	Debre Berhan	011-681-3082	011-681-3082	093-791-4244	
16	Assosa	057-775-2432	057-775-2432	091-717-1393	
17	Debre Markos	058-771-6951	058-771-6952	091-210-1537	
18	Dila	046-331-3350	046-331-3350	090-478-1714	
19	Gambella	047-551-1779	047-551-1780	091-783-5063	
20	Nekemt	057-661-6519	057-661-6519	091-105-4610	
21	Woldiya	033-331-210	033-331-2103	091-021-5382	
22	Arbaminch	046-881-3809	046-881-3809	092-905-4903	
23	Hossaena	046-555-1989	046-555-1989	092-905-4902	
24	Mizan Teferi	047-135-0006	047-135-0006	091-324-2512	410
25	Asebe Teferi	025-551-2022	025-551-2022	0942-695050	

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