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THE UNITED INSURANCE COMPANY SC
<UNIC-ETHIOPIA>

Annual Report 2013


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THE UNITED INSURANCE COMPANY S.C
Tomorrow's Company Today
TRAVEL INSURANCE
FOR INTERNATIONAL TRAVELLERS
EUROPE PLAN
Schengen Including UK
WORLDWIDE PLAN
Basic And Plus
AFRICA PLAN
Basic
HAJJ & UMRAH
Protection
Medical expenses & hospitalization abroad
Repatriation of family member travelling with the insured
Transport or repatriation in case of illness or accident
Location and forwarding of baggage and personal effects
Travel of one immediate family member
Loss of passport, driving license, national identity card abroad
Repatriation of mortal remains
Advance of fund
Compensation of in-flight loss of checked in baggage
Alpaulo Building,
Debrezeit Road
Tel: +251 011 465 56 56
Fax: +251 011 465 32 58
P.O.Box: 1156 Addis Ababa, Ethiopia
Email: united.insurance@ethionet.et
www.unitedinsurancesc.com

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THE UNITED INSURANCE COMPANY SC

ANNUAL REPORT
2012/ 2013

MISSION STATEMENT

VISION

<UNIC-ETHIOPIA> aims to be ***The Best Insurance Company in the country: Most Professional, Most Commercial and Most Responsible.***

MISSION

To provide Complete Insurance Cover at economic rates, Honest, Prompt and Courteous Claims Services to Fully Satisfy all its constituencies: ***Customers, Shareholders, Employees, Society and the Environment.***

Striving for Excellence

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BOARD OF DIRECTORS

Zafu Eyessus W Zafu
Chairman

Negussie Aberra

Yemane Bisrat

Ayele Yebasa

Taye Dibekulu

Abera Mulat

Meseret Bazabih

Kidanemariam Abadi

Ambanesh Kebede

EXECUTIVE MANAGEMENT

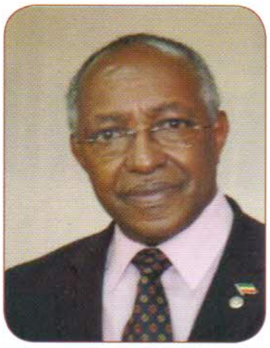
Meseret Bezabih
Managing Director

Ayele Yebasa
DGM - Finance & Administration

Azalech Yirgu
DGM - Life & Medexin

Fasil Asnake
DGM - Legal Services

Zufan Abebe
DGM - Operations non - Life



Zafu Eyessus W Zafu
Technical Advisor (Non - Executive)

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 418 & 419 OF THE COMMERCIAL CODE OF ETHIOPIA 1960 AND ARTICLE 3(4) OF THE COMPANY'S ARTICLES OF ASSOCIATION, NOTICE IS HEREBY GIVEN TO ALL SHAREHOLDERS THAT THE **NINETEENTH ANNUAL GENERAL MEETING** OF THE UNITED INSURANCE COMPANY SC <UNIC-ETHIOPIA> WILL BE HELD AT THE **ADDIS ABABA HILTON** ON 24TH OCTOBER 2013 FROM 11:00 AM TO TRANSACT THE FOLLOWING BUSINESS:

1. To consider the Report of the Board of Directors;
2. To consider and approve the Accounts for the year ended 30 June 2013 and receive the Auditors' Report thereon;
3. To decide on the appropriation of net results of the Company's operations;
4. To elect and/or re-elect Directors;
5. To appoint/reappoint the Company's Auditors for the Financial Year 2013/2014 and to authorize the Board of Directors to negotiate their remuneration;
6. To approve sale and/or transfer of the Company's shares up to and including 30June 2013.

BY ORDER OF THE BOARD

Israel Tekle
Secretary to the Board

Dated at Addis Ababa this First day of October 2013.

NOTE: A Shareholder entitled to attend and vote at the General Meeting may appoint a **PROXY** in his/her stead. A **PROXY** need not be a shareholder of the Company. To be valid, the enclosed **PROXY FORM** must be completed and presented to the Secretary of the Board at or before the General Meeting.

CHAIRMAN'S LETTER TO SHAREHOLDERS

It is my pleasure to welcome you all, on behalf of the Board of Directors and on my own behalf, to the Nineteenth Annual General Meeting of Shareholders of The United Insurance Company SC.

In accordance with the Company's past practice, the Board of Directors had decided to have the Annual Report printed and presented to the Annual General Meeting on the strict understanding that it will not be distributed to third parties until after its approval by the Annual General Meeting of shareholders.

On 30 June 2013, our Company concluded the financial year with the highest operating profit ever achieved and recorded commendable successes in other critical areas that would make its stakeholders particularly proud. Details of those achievements shall be given in the body of the main Report of Directors.

In preparing the accounts, the Company had taken into account all existing relevant laws and international accounting standards as are applicable to the Company's business. In accordance with Article 3(4) of the Company's Articles of Association as amended by the First Annual General Meeting of Shareholders which held on 12 October 1995, as well as in compliance with Directives issued by the Supervisory Authority, the National Bank of Ethiopia, this Report of the Directors and Accounts covers the financial year ended 30 June 2013.

In accordance with Articles 418 and 419 of the Commercial Code of Ethiopia 1960 and Article 3(4) of the Company's Articles of Association, I present, for your consideration and approval, as appropriate, the Report of the Directors, the Audited Financial Statements together with the Report of the External Auditors for the Financial Year ended 30 June 2013.

ZAFU EYESSUSWORK ZAFU
Chairman, Board of Directors &
Annual General Meeting

REPORT OF THE BOARD OF DIRECTORS

In line with the Company's long established tradition, the Nineteenth Annual Report of Directors reviews the trading landscape with specific mention of the main events and elements with significant effects on the performance of the industry, the Company's operations and results for the period under report as well as the prospects for the immediate future.

TRADING ENVIRONMENT

Unaudited data from the Supervisory Authority indicated that without a doubt, the increased tempo of economic activities spearheaded by huge public project initiatives during the year under report had positively influenced the 22.24% growth of the country's Non-life market premiums. Reflecting the country's heavy engagement in the development of basic infrastructure (such as power, roads and railways), the highest premium growth of 210% was registered in the Engineering class of business. The next highest premium growth of 16.4% occurred in the Fire & General Accident class followed by the group of small premium classes (PA/GPA, WC/EL & LIAB). Augmented by the implementation of the recently proclaimed Compulsory Third Party Motor Insurance, the Motor class, which represents 50% of the total market premium, recorded an increase of nearly 13%. Marine was one class of business which did not only fail to grow but actually recorded negative growth of nearly 9% during the year under report.

Understandably, the distribution of these premiums among companies was heavily influenced by their prevailing ownership/equity structures. The preponderant investor, consumer and employer being government, a large portion of the premiums generated by the economy went to the state insurer. Nonetheless, the other companies, whose number, including ours, had increased to 15 at the time this report was being written, also shared from the recorded growth.

During the year under report, the Ethiopian insurance industry retained less (67%) of the premiums generated by the economy than in the previous year (73%). Although there are other reasons as well, the main culprit for such a development continued to be the absence of any market initiative for meaningful cooperation among domestic companies to share in most of the insurances of the mega risks before exporting the business to insurers/reinsurers outside the country.

Operating in the foregoing trading environment, our Company recorded only a nominal premium growth of 4.2%. The highest premium growth of 55% occurred in the Fire & Accident class while Marine and Engineering registered declines of 32.6% and 11.3% respectively. Both the national and our Company's negative premium growth performance in Marine could perhaps be attributed in the main to the apparent fall in the country's export earnings, impacting directly on the business sector engaged mainly in importing. Of important significance both for our Company and the nation was, however, the fact that <UNIC-ETHIOPIA> retained 80% of the premiums it wrote during the year.

Up until April 2013, the initial/start-up paid up capital requirements for doing insurance business remained minimal (Br3 million for Non-life, Br. 4 million for Life and Br7 million to write both Life and Non-Life). In the past, possible proliferation of insurance companies as a result of very low entry requirements may have been discouraged mainly by the lack of professionally qualified personnel and partly by the absence of sufficient business to justify their existence and ensure their survival. Beginning April 2013, however, in addition to the chronic dearth of professionals, investors wishing to set up new insurance companies would require much higher initial paid up capital of Br. 60 million for short term and Br15 million for long term insurances or Br75 million to write both.

A look at the insurance industry today would suggest that many of the companies were created by banks, which saw them not only as profitable investments but also as means of mobilizing cash for them to intermediate. The not-so-recent increase in paid up capital requirements for banks from Br75 million to Br500 million is expected to make it more difficult for new banks to enter the industry, and such a development could pose yet another serious hurdle to the entry of new bank-sponsored insurance companies into the industry. The situation could only be exacerbated by the continued liquidity squeeze of domestic banks by the increasingly tight regulatory mechanisms such as the requirement to purchase 27% in Government bonds of every credit private commercial banks extend to their borrowers.

Given the foregoing scenario and the already apparent tempering down of profitability of banks, not many new insurance companies, or banks for that matter, may enter the industry in the short term.

Status Report on Miscellaneous Matters Raised in Previous Reports

Every year, our Company's Annual Report of Directors attempts to indicate issues considered relevant to the industry along with proposals of measures that may need to be taken. Such issues are kept alive by repeating our comments until appropriate actions are taken by any of the appropriate parties, the Supervisory Authority, the insurance companies or Government or all three as the case may be.

The Board of Directors wishes to seize this occasion to once again pay special tribute to the Supervisory Authority for several Directives it recently issued to implement certain provisions of the new Insurance Proclamation during the period under report.

Implementation of Article 48 – No Premium No Cover

It will be remembered that in their report last year, your Directors congratulated the Supervisory Authority for incorporating, among other things, in the revised Proclamation No. 746/2012, the critical provision of *"No Premium No Cover"*, and hoped for its speedy implementation. At the same time, your Directors also expressed their wish to see an implementation Directive for more robust capitalization of insurance companies during the following financial year.

The much-anticipated letter from the Supervisory Authority, requiring insurance companies to put into effect the said "No Premium No Cover" provision came in August 2012. Its positive effect on the liquidity of insurance companies was almost instant. On the other hand, many customers seemed to be caught unprepared, as they were unable to buy much needed insurance for substantial portions of the risks they are exposed to. A collateral impact of the new law has, therefore, been a significant drop in non-public market premiums, the effects of which have already become apparent.

Directive No. SIB/33/2013 – Requirements for Licensing and License Renewal of Insurance Business

This Directive was issued in February 2013 and was soon followed by three more Directives in April 2013:

Directive No. SIB/34/2013 – Minimum Paid up Capital for Insurers

In last year's Report of Directors, we had expressed our hope that in accordance with the provisions of Article 19 of Proclamation No.746/2012, the Supervisory Authority would issue a directive requiring insurance companies to implement new, higher minimum capital thresholds to reflect the obvious higher risk exposures many of the existing companies had already assumed as well as to guide prospective investors wishing to establish new insurance companies in the future. That long-awaited prayer was answered by the above Directive which stipulated that thenceforth new entrants would require minimum levels of paid up capital of: Br60 million to conduct general insurance business; Br15 million to transact long-term (Life) insurance; and, Br75 million to underwrite both Life and Non-Life. Insurance companies whose paid up capital fell below the stipulated minimums on the effective date of the Directive were required to comply latest by 31 December 2015;

Directive No. SIB/35/2013 – Time limit for Reduction and/or Relinquishing Shareholdings in excess of 5% of the subscribed capital of an insurer

According to this Directive a person who holds shares in an insurer, either on his own or jointly with his spouse or with a person who is below the age of 18 years and related to him by consanguinity to the first degree, in excess of 5% of the subscribed capital of the insurer shall reduce such holding to 5% or less within 36 months from the effective date of the Directive (12 April 2013). The above Directive further stipulated that an influential shareholder in an insurer (holding 2% of the subscribed capital) shall relinquish his shareholdings in another insurer.

Directive No. SIB/36/2013 – Information Exchange Scheme on Outstanding Premium

This Directive requires all insurers to compile lists of defaulters with balances exceeding Br10,000 in a prescribed form, **Information Exchange Template**, and deliver it to the Association of Ethiopian Insurers; and, report immediately to the Association all subsequent addition to and deletion from the list of defaulters. The Directive having set 31 December 2014 as the deadline for phasing out all outstanding premiums, further stipulates that insurers shall be required to maintain 100% provisions against all premiums not collected by that date.

New Proclamation on Compensation Scheme for Road Traffic Accident Victims

It is to be recalled that last year's report of the Company's Directors contained a fairly long section in respect of the above subject. In particular, the report welcomed the law but expressed reservations about certain provisions including the limit of liabilities for Emergency Medical Expenses (Article 34 of Proclamation No. 559/2008 – Vehicle Insurance Against Third Party Risks, of the Proclamation). A new law (Proclamation No.799/2013), which came into effect on 23 July 2013, was subsequently issued. Among other things, the new law had attempted to fill gaps already identified (like the increased limit of Emergency Medical Expenses) as well as significant improvements in the extent of cover enumerated under Article 16 of the new Proclamation.

The Dangers of Uneconomic Premiums

Unfortunately, the year under report did not bring much change regarding the price-driven competition strategy the insurance market followed in previous years. As in the past, our Company continued to consolidate the few remedial steps it took in earlier years. The ultimate industry solution appears likely to be forced on the industry by the claims experience of each player in the market. As a matter of fact, now that the use of granting unwarranted credits is effectively removed as a tool of competitive marketing, there is a clear danger that price-focused competition may become even more dangerous.

Lack of Level Playing Field

As cited in reports of previous years, the uneven nature of the industry's playing field continues to perpetuate the prevailing market distortion. Those entities receiving special advantages continue to be deprived of the single most important benefit of a market-oriented economic regime - that of competition. Our decision to cease Membership of the Association, while not having the desired effect, may have deprived us of the opportunity to influence events from within. It was, therefore, in this spirit that the Company re-joined the Association.

The Need for Establishing a Capital Market

For the 15th year running, the Company's Board of Directors wish to register their belief that the establishment and operation of a well regulated equity market could enhance initiatives to establish new and expand/ diversify existing businesses by providing venture capital and the flexibility to exit from or simply change investment portfolios. They continue to hold the view that such a market, driven by the private sector remains a viable complement to the government-driven Commodities Exchange Market already established.

The Need to Increase Domestic Market Retention

Needless to say, not much has changed in the past year to enhance the nation's insurance market retention. A substantial portion of the market premiums of the relatively larger risks continued to be exported in the form of reinsurance premiums except the modest shares that our own continental reinsurer, Africa Re was able to accept on facultative basis because of its physical presence in our midst. The Board of Directors continues to believe that exporting premiums that could be safely retained within the country (without endangering claims paying ability), is unwise and outrightly unfair to the national economy.

The Need to Establish a National Reinsurance Company – ETHIOPIA RE

Starting with a presentation at the 2nd Workshop of Society of Insurance Professionals back in October 2005, the Company's Management had strongly advocated for the establishment of a national reinsurance company to be owned by the country's financial institutions. It was thought that with Africa Re establishing a physical presence in our market, the idea of establishing a national reinsurer would get serious attention both by the industry and the Supervisory Authority. And perhaps, that thinking was not far from the truth: what may be considered the first serious study to establish such a reinsurer was presented at a recent public workshop which held at the Addis Ababa Hilton.

The impression one gained at that workshop was that, in principle, a commendable study had been carried out. Fair opinions were expressed as to the major focus as well as to the different options available regarding its equity structure. Responding to a subsequent questionnaire sent to us by the Supervisory Authority, our Company expressed ambitious proposals: 1) that Ethiopia's current economic performance, the relative peace and stability prevailing in the country and the increasing change for the better in the perception of others represent national assets/opportunities ripe and ready for transformation into meaningful business successes; 2) that the proposed National Reinsurer needs to start with a respectably big seed capital to make it a substantial reinsurance capacity with not just a domestic market focus but one that also considers the sub-region and the continent; 3) that aims primarily not just to reduce foreign exchange transfer outside the country in the form of reinsurance premiums but also to bring in foreign exchange by selling reinsurance capacity to neighbouring markets; and, 4) that the National Re be a truly public-private partnership project with the financial sector playing the leading role.

GENERAL

As a result of the decision of the Seventh Extra-Ordinary General Meeting of Shareholders, which was held on 28 October 2011, to increase the Company's paid-up capital to EBr100 million by offering for subscription 40,000 new shares, such paid up capital had reached Br79,766,708 as at 30th June 2012. By the close of the financial year under report, 30th June 2013, that amount had reached Br91,534,475. It is expected that as at the time of the 19th AGM, either the full Br100,000,000 would have been paid or a date not going beyond 30th November 2013 would have been fixed for settlement of any and all subscriptions to enable the Company to retain a substantial portion of the profits by way of capital increase.

Your Board of Directors held 7 regular and one Extra-Ordinary meetings between 01 July 2012 and 30 June 2013. Matters requiring special attention were referred to the two Board Committees: a) Finance Committee which dealt with the detailed work of matters such as the Choice of External Auditors, Income and Expenditure Budget, Investments, Staff Benefits, and the like; b) Business Development Committee which was mostly engaged in following up progress, rendering assistance to and guidance on activities relating to the two construction projects on hand and advising on the acquisition of the new property at the Bole Medhane Alem area.

It will be recalled that after listening to comments from shareholders regarding the term (number of years) that the Company's current External Auditors had served, the 18th Annual General Meeting invited the Board to put the services to tender. Accordingly, an elaborate and thorough exercise was carried out by the Finance Committee of the Board, which included among others: a) establishment of a set of technical criteria with 60%

weight; b) Financial proposal with 40% weight; c) obtaining the list of most qualified external auditors from the Office of the Auditor General; d) inviting such firms to submit their offers; and, e) evaluating the results of the offers received. The Committee invited 3 Class A and 15 Class B audit firms to tender for the service. It received 1 written apology, 1 late delivery and 8 duly completed offers. Following its analysis and evaluation of the offers received, the Finance Committee submitted the results of its findings with its recommendations to the 156th regular meeting of the Board, which held on 27 April 2013. The Board in turn having considered in detail the comprehensive work done by the Finance Committee and considering further its recommendations that the then audit firm, M/S Kokeb Moges & Co., now known as M/S Kokeb & Melkamu Audit Partnership, had proved professionally competent, ethically correct and most competitive in its fees, unanimously agreed with the recommendations and decided to propose their appointment to the 19th Annual General Meeting of Shareholders to serve as the Company's external auditors for the financial year ended 30th June 2013.

Almost 20 years after its adoption by the Board, the monthly Transport Allowance of Directors was increased from Br500.00 to Br1,000.00.

During the year under report, the Company opened one new branch (Kazainchis) and relocated two branches (CMC and Gotera) to better appointed office premises and more strategic locations expected to improve its services to its ever increasing and demanding customers.

As part of its corporate social responsibility, your Company has continued to truly maintain its exemplary image as a fair and equal opportunity employer. On 30 June 2013, the Company's total staff complement stood at 234 employees compared to 225 the previous year. Out of the total, 214 or nearly 91.5% were regular and the rest were casual. Of the regular staff, 107 or 50% were female and 107 male while the casual workers comprised 15 women and 5 men. Out of the 234 staff members, 130 of them were degree holders (8 Masters and 122 BAs), 63 had Diplomas while 41 were known to hold Certificates and other pre College papers.

The construction project at Akaki-Kality did not progress at the rate it was planned mainly because of serious financial constraints experienced by the Contractor. Fortunately, as at the time of this report, the tempo of work had increased substantially and more encouraging progress is being recorded.

Special Department Stores & Recreation Centre (Under Construction) - Akaki -Kality

On the other hand, the construction tender for the structure of the Company's Headquarters at Tewodros Square had been won by M/S ZAMRA CONSTRUCTION and work started at the site.

Future Head Quarters (Under Construction) - Tewodros Square

While reporting on the development of the Company's landed properties, it may be appropriate to mention a recent decision by the Board of Directors, (outside the financial year under report), to acquire a 6-storey building at Bole Medhane Alem area (where the Company has had a branch office for some years now) at the


(Front)


(Back)

Mixed Use Building - Near Bole Medhane Alem wining price of Br. 94 million. The building rests on about 500 square metres of land (gross area of 3,871 and rentable area of 3,483 square metres leaving another 1,100 square metres) for either future expansion or any new project as may be considered appropriate. The property currently fetches an annual rent income of around Br7 million.

One other investment decision made during the year was to exercise the Company's pre-emptive right to double its shareholding (from Br5 million to Br10 million) in the Raya Brewery SC project, whose offer for an additional capital of Br250 million was over subscribed.

In view of the anticipated significant cash outlay in connection with the financing needs of: a) the two new construction projects currently under way; b) the newly acquired building at Bole Medhane Alem area; c) the need to exercise the Company's pre-emptive right to acquire additional shares in United Bank SC which had earlier decided to raise its subscribed/paid up capital to Br1 billion; and the remarkable profits achieved for the period under report, your Directors hold the view that this may be the most opportune moment for the Company to capitalize part of such profits by issuing cash shares to Shareholders of record as at 30 June 2013.

In accordance with the decisions of the 5th Extra-Ordinary Meeting of Shareholders to harmonize the tenure of Directors with the provisions of Article 350 (5) of the Commercial Code of Ethiopia, the tenure of three of the Directors would have expired by the time of the 19th Annual General Meeting of Shareholders. Accordingly, three Directors shall be elected/re-elected to replace those whose tenure would have expired.

FINANCIAL PERFORMANCE AND RESULTS - NON LIFE

Gross Premiums Written

At the close of business on 30 June 2013, the Company's Non-Life premium had reached Br248,937,746, recording a minimal increase of nearly 4.2% over the previous year. Except Marine Cargo/Transit and Engineering, which experienced negative growth of 32.6% and 11.3% respectively, all the other classes recorded growth during the financial year under report. The highest growth of 55.2% occurred in the Fire & General Accident class (from Br7,011,771 in 2012 to Br10,881,796 in 2013). The next highest growth of 32.3% was registered by the Pecuniary class while growths in the Motor and the combined production of the "small premium" classes (Personal and Group Personal Accident, Workmen's Compensation and General Liability) were limited to 2.2% and 1.3% only.

Retention and Reinsurance

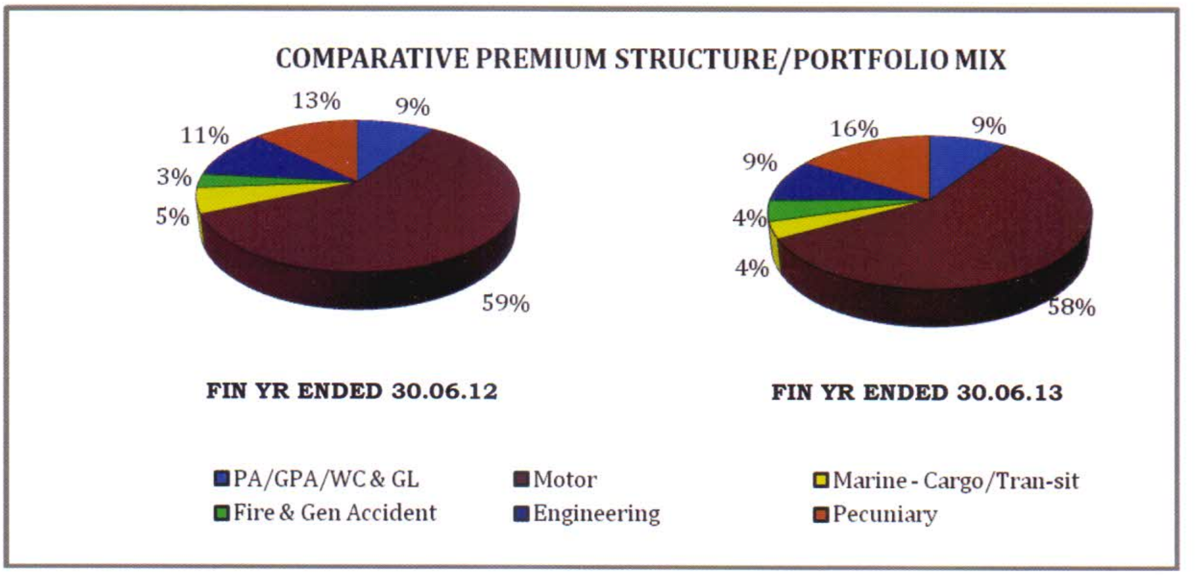
With a retained premium of Br198,729,946 for the reporting year, compared to Br191,430,533 for the previous year, the ratio of Retained to Written premiums remained almost the same at about 80% for the two years (79.8% this year and 80.1% the previous year). Predictably, the lowest retention ratios of 53.0% and 55.6% were registered respectively by the Pecuniary and Engineering classes of business. Retentions in the Motor and the group of "small premium classes" remained characteristically high again this year. Such ratios for the year under report stood at 90.7% and 90.5% respectively.

Portfolio Mix

To a large extent, the pattern of the Company's premium mix in the year under report was very much as planned and had remained pretty much the same as in the previous year. As in the previous year, the share of Marine Cargo/Transit class in the portfolio mix dropped significantly (from 5.44% last year to only 3.52% this year). A relatively less significant fall of 1.59% was also recorded by the Engineering class of business (from 10.69% last year to 9.10% in the year under report).

Two other classes of business, namely Pecuniary and Fire & General Accident registered increases in their shares in the portfolio mix. While the first accounted for 16.10% of the portfolio of the year under report against 12.68% the previous year, the comparative proportions for the latter stood at 4.37% against 2.93%.

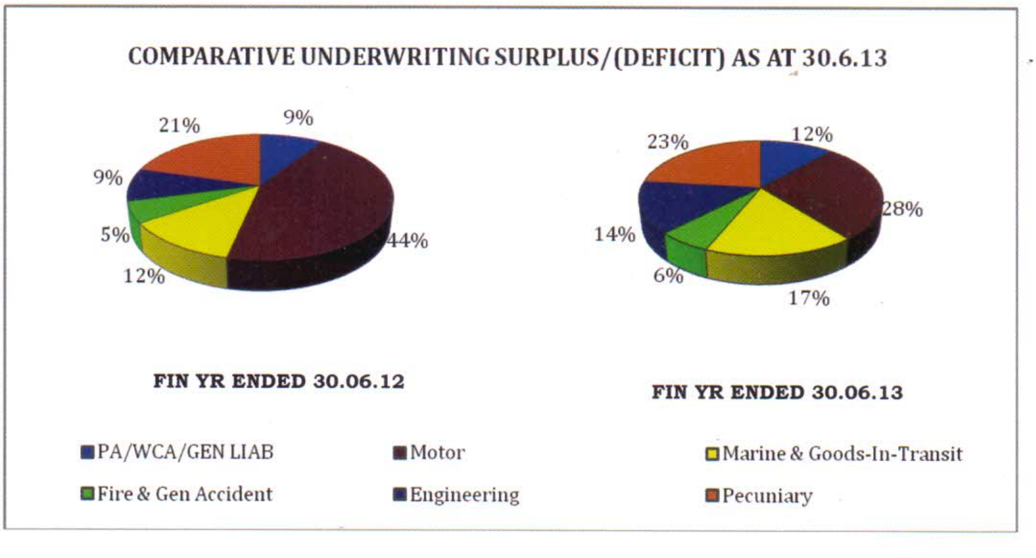
Only minor variations were recorded for the remaining two classes of business: Motor accounted for 57.83% in 2012/2013 against 58.92% in 2011/2012 while the "small premium classes" of Personal/Group Personal Accident, Workmen's Compensation & General Liability, recorded shares of 9.08% and 9.34% respectively.



Claims and Profitability - Contribution to Underwriting Surplus/(Deficit)

In the year under report, the Company's over all claims experience recorded yet another positive development. The corporate loss ratio, which had dropped from 71.30% in 2010/11 to 64.13% in 2011/2012, registered yet another significant fall to stand at 54.47% as at 30 June 2013. The market average for the same period was more than 60%.

Although there occurred a slight increase of 2.4% in the absolute figure of losses incurred in 2012/13 compared to the previous year, its negative impact was more than compensated for by a robust increase of nearly 20.6% in Premiums Earned during the same period (from Br146,428,481as at 2012 to Br176,561,438 as at 2013). Combined, the two factors produced a remarkably high increase of 52.1% in Underwriting Surplus for the year under report (from Br52,675,137 the previous year to Br80,098,405 as at 30th June 2013).



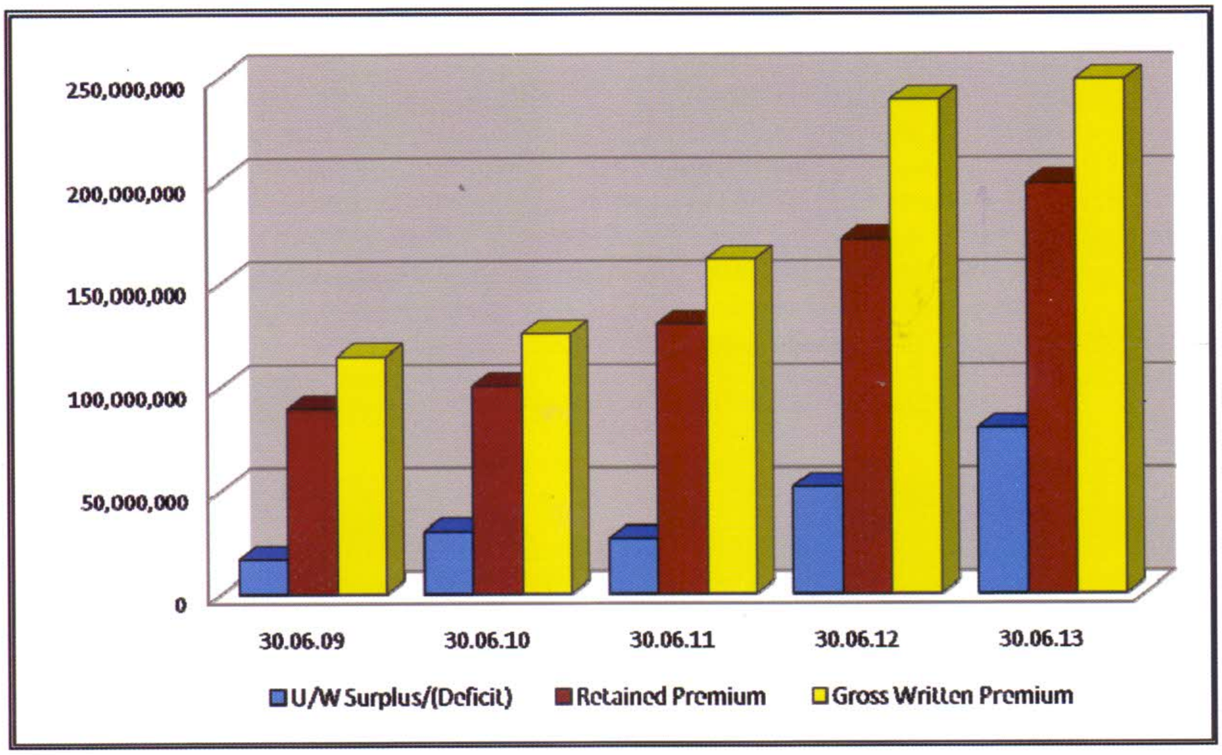
The largest contribution to the year's Underwriting Surplus of 44.14% came from the Motor class. Always constituting more than half of the Company's total premium income (nearly 58% for the year under report), any improvement in its loss ratio was bound to have a substantial, positive effect on the final outcome of the Company's performance.

Although the percentage contributions of all the other classes to the year's Underwriting Surplus were dwarfed by the relatively very high contribution of the Motor class, it was gratifying to note that, as was the case the previous year, all classes of business except Engineering, not only made positive contributions but such contributions were also higher this year in absolute terms compared to the previous year.

In recognition of our professional obligation to disclose as well as our desire to be transparent, your Directors wish to state that the Company had received claim notifications from M/S Ethiopian Roads Autority (ERA) in connection with Construction Advance Payment and Performance Bonds issued to a construction company (M/S Tibeb Construction plc). In accordance with policy conditions, both claims have been referred to arbitration. Nevertheless, admitted claims under the Advance Payment Bond stand at Br52,615,308.35 of which the Company's net retained liability amounts to Br600,186.19. Amounts in excess of Br40 million have been already collected from rensurers.

With 20.59% of total, the Pecuniary class came second to Motor in its contribution to Underwriting Surplus, followed by Marine Cargo/Transit with 12.09%, the "small premium group" of PA/GPA, WC/GL coming third with 9.21%, Engineering and the Fire & General Accident classes with 8.59% and 5.37% respectively tailing the list.

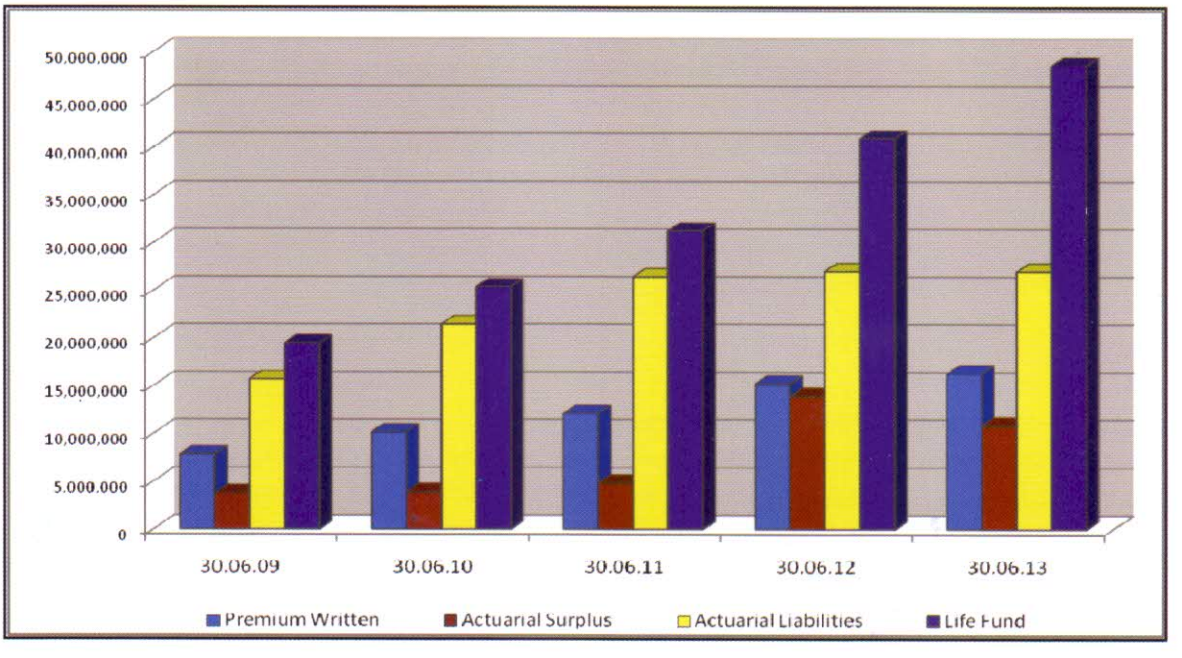
NON-LIFE BUSINESS



LIFE & MEDEXIN - Premium Growth & Overall Performance

During the year under report, the Company's written premiums for Long-term Insurance business reached Br16,288,640 compared to Br15,199,870 for the same period the previous year thus recording a growth rate of nearly 7.2%. In accordance with the Company policy, which requires that its Life business be submitted for valuation by external Actuaries every two years, and such valuation having been carried out last year, no such valuation by external consultants was carried out this year. Nonetheless the Company's own in-house valuation had shown that remarkable strengthening of the portfolio had been achieved during the year under report. Although an Actuarial Surplus of Br10,868,079 was carried forward from the previous year (as at 30 June 2012), the year under report had recorded Actuarial Liabilities of Br27,036,535 and a Life Fund of Br48,606,236 as at 30 June 2013. Needless to say, since no Actuarial Surplus was being declared for the period, no surplus shall be taken to the Profit and Loss Account for distribution to shareholders.

LIFE & MEDEXIN BUSINESS



Performance Development

Admittedly, the premium growth of 4.2% recorded by our Company during the year under report was far below the industry average of 22%. However, the substantial increase of 52.1% in the Underwriting Surplus transferred to the Profit & Loss Account as at 30 June 2013 was a truly remarkable achievement. Its persistence in prudent underwriting with emphasis on good ultimate performance results was clearly demonstrated in several ways: it retained substantial shares (80% for the last two consecutive years) of the premiums it wrote; its Profit after Tax increased by 65% (from Br36,234,766 in 2011/12 to B59,872,622 as at 30 June 2013); against a significant decline in market share (from 6.9% in 2011/12 to 5.8% in 2012/13), it commanded shares of 8.9% and 10.4% respectively of the market's Profit after Tax.

In light of the foregoing performance indicators, your Directors remain consistent in their conviction that the commercial and professional quality of an insurance company may be best judged mainly by, (among others), the final results produced. And by such measures, our Company has, during the year under report, produced a most commendable performance.

The substantially increased Underwriting Surplus of Br80,098,404 was augmented by a respectable level of investment income, particularly interest income of Br13,594,390, which was 61.8% higher than for a similar period last year. Clearly, Total Income as at 30 June 2013 had gone up by 46.8% from its level the previous year. While one may be proud about such a positive development, the most interesting development occurred on the Expenses side of the Profit & Loss Account.

Contrary to all expectations and logic, Total Expenses for the year under report decreased by 4.7% (from Br29,443,973 on 30 June 2012 to Br28,072,999 on 30 June 2013). The dramatic outcome was almost entirely attributable to the unprecedented positive fall in Provision for Doubtful Debts (from Br6,981,024 on 30 June 2012 to Br(136,833) on 30 June 2013).

Closer analysis clearly indicated that the two factors that contributed to the successful performance in the year (increased interest income and lower provision for doubtful debts) were both outcomes of a more favourable legal environment in general and the implementation of the provision of "No Premium No Cover" which came into effect in August 2012. Predictably, with the growth of business and the increasing cost of doing business generally, Staff and General Administrative Expenses rose by 37.4% and 18.6% respectively.

The financial year ended 30 June 2013 produced yet another record Net Profit before Tax of EBr74,858,269 or 84.0% more than for the previous year. After making the necessary provisions for Income Tax, Legal Reserves, Directors' Remunerations and Prior Year Adjustments, Net Profit before Appropriations stood at EBr51,378,820 or 69.4% higher than the amount recorded for the previous year. Earnings per Share grew by nearly 31.5% to reach Br677.13 compared to Br514.89 the previous year.

FUTURE PROSPECTS

With the promise of continued growth for the nation's economy, our Company is expected to share in that growth in some small way. However, the structural imbalance in growth (the most appreciable growth continuing to occur in the public sector) and the uneven playing field that continues to prevail, much of the gain in written premiums may not translate into a significant income for our Company. On the other hand, the three Directives issued by the Supervisory Authority back in April 2013 could be expected to have a combined effect of limiting the number of new entrants into the industry which in turn may limit the pressure from unhealthy, often price-focused competition such new entrants tend to bring with them.

Should the idea of establishing a national reinsurer receive serious attention, the project may serve as a focal point for insurance companies to co-operate around the idea of building a viable insurance industry, to start sharing larger risks between them before shipping/ceding large portions of premiums outside the country, and the like.

VOTE OF THANKS

The Board of Directors, Management and Staff of <UNIC-ETHIOPIA> wish to express their deep gratitude to all the wonderful Customers of the Company for their continued support and patronage.

The Board and Management also wish to record their appreciation for the association the Company enjoys with its reinsurers and the mutually advantageous business relations it has developed with both domestic and international brokers.

A special **thank you** is due to all its field officers who have played and continue to play a pivotal role in the Company's growth. They help it identify the needs of the insuring public on the one hand and they serve as its ambassadors on the other hand.

Last but not least, both on behalf of the Board and in my own name, I wish to confirm once again that the Company's Management and Staff demonstrated their commitment to the Company's continued strive for **EXCELLENCE**: in their professionalism, commercialism and strong team spirit without which the commendable results achieved would have not been possible.

Zafu Eyessuswork Zafu
Chairman, Board of Directors &
Annual General Meeting

Meseret Bezabih
Managing Director/CEO

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS
OF THE UNITED INSURANCE COMPANY SC

We have audited the financial statements of **The United Insurance Company SC <UNIC-ETHIOPIA>** for the year ended 30 June 2013, set out on pages 17 to 33, which are prepared under historical cost convention and the accounting policies on page 24 to 26.

Respective responsibilities of Management and Auditors

The Management of **<UNIC- ETHIOPIA>** is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the management in preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of its results and cash flows for the year then ended in accordance with the accounting policies adopted by the Company.

We have no comment to make on the report of your Board of Directors so far as it relates to the financial statements and pursuant to Article 375(2) of the Commercial Code of Ethiopia 1960, and recommend approval of the financial statements.

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia

Addis Ababa
22 September 2013

P. O. Box 33645 Addis Ababa, Ethiopia
Telephone 251-11-515-07-52
E-mail: kok.melk@ethionet.et
Mobile Tel. 251-91-120-37-78/51-61-46
Fax 251-11-552-26-88

THE UNITED INSURANCE COMPANY SC
BALANCE SHEET
AS AT 30 JUNE 2013

Currency: Birr

	Notes	General Insurance	Long term Insurance	Total	30.06.12
ASSETS EMPLOYED					
CURRENT ASSETS					
Cash and bank balances		53,142,007	588,531	53,730,538	61,089,812
Bank deposits at interest		218,155,535	38,979,084	257,134,619	189,026,843
Debtors, deposit and prepayments	1(j),2	67,888,780	1,042,946	68,931,726	65,369,293
Due from reinsurers		-	3,775,292	3,775,292	6,381,244
Current account with Life Operations		(33,841)	33,841	-	-
		339,152,481	**44,419,694**	**383,572,175**	**321,867,192**
CURRENT LIABILITIES					
Outstanding claims	1(c),3	106,799,250	939,947	107,739,197	85,875,617
Profit tax payable	4	12,861,821	-	12,861,821	6,004,408
Due to reinsurers		28,762,098	4,402,226	33,164,324	31,597,083
Other creditors, accruals & provisions	5	25,998,728	1,104,038	27,102,766	22,160,288
		174,421,897	6,446,211	180,868,108	145,637,396
NET CURRENT ASSETS		**164,730,584**	**37,973,483**	**202,704,067**	**176,229,796**
NON-CURRENT ASSETS					
Deferred charges	1(f)	5,281	-	5,281	24,763
Investment	1(i),6	40,175,000	13,262,175	53,437,175	48,200,300
Leasehold land	7	3,092,327	-	3,092,327	3,164,727
Fixed Assets	1(e),8	36,651,507	910,666	37,562,173	21,302,875
Statutory deposit	9	13,130,171	600,000	13,730,171	11,965,042
		93,054,286	14,772,841	107,827,127	84,657,707
NET TOTAL ASSETS		**257,784,870**	**52,746,324**	**310,531,194**	**260,887,503**
FINANCED BY					
NON-CURRENT LIABILITIES					
Land lease payable	10	1,041,336	-	1,041,336	1,115,717
TECHNICAL PROVISIONS					
Unearned premiums	1(b)	88,083,685	-	88,083,685	86,267,708
Other Technical Provisions	1(d)	4,902,168	-	4,902,168	5,266,615
Life Fund	1(g),16	-	48,606,236	48,606,236	37,904,614
Profitability bonus for Life Policy holders		-	140,088	140,088	133,734
		92,985,853	**48,746,324**	**141,732,177**	**129,572,671**
SHAREHOLDERS' FUNDS					
Paid-up share capital	11	87,534,475	4,000,000	91,534,475	79,766,949
Share Premium		3,585,000		3,585,000	4,516,000
Legal reserve	12	21,259,386	-	21,259,386	15,577,439
Profit & loss account		51,378,820	-	51,378,820	30,338,727
		163,757,681	**4,000,000**	**167,757,681**	**130,199,115**
TOTAL NON CURRENT LIABILITIES, TECHNICAL PROVISIONS & SHAREHOLDERS' FUNDS		**257,784,870**	**52,746,324**	**310,531,194**	**260,887,503**

Zafu Eyessuswork Zafu
Chairman, Board of Directors
Annual General Meeting

Meseret Bezabih
Managing Director/CEO

THE UNITED INSURANCE COMPANY SC
PROFIT AND LOSS ACCOUNT AND APPROPRIATION OF PROFIT
FOR THE YEAR ENDED 30 JUNE 2013

Currency: Birr

	Notes			30.06.12
NET PROFIT BEFORE TAX - GENERAL INSURANCE			74,858,269	40,689,445
PROFIT FROM LONG TERM INSURANCE			-	3,000,000
			74,858,269	43,689,445
PROVISION FOR PROFIT TAX	4		(14,985,647)	(7,454,679)
NET PROFIT AFTER TAX			59,872,622	36,234,766
TRANSFER TO LEGAL RESERVE	12		(5,987,262)	(3,623,477)
			53,885,360	32,611,289
PROFIT BROUGHT FORWARD		30,338,727		25,126,241
ADD:SHARE PREMIUM AVAILED FOR DISTRIBUTION		1,072,000		1,008,600
LESS: DISTRIBUTED DIVIDEND		(28,169,193)		(23,945,817)
DIRECTORS' REMUNERATION	15	(3,000,243)		(1,852,724)
			241,291	336,300
			54,126,651	32,947,589
LESS:PRIOR YEAR ADJUSTMENTS	20		(2,747,831)	(2,608,862)
NET PROFIT BEFORE APPROPRIATIONS			51,378,820	30,338,727
APPROPRIATIONS			-	-
BALANCE CARRIED TO BALANCE SHEET			51,378,820	30,338,727
Earnings per share	21		677.13	514.89

THE UNITED INSURANCE COMPANY SC
GENERAL INSURANCE BUSINESS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013

Currency: Birr

	Notes		30.06.12
INCOME			
Underwriting surplus	1(a)	80,098,404	52,675,137
Interest income		13,594,390	8,403,562
Dividend income		7,876,440	7,878,376
Rent income		491,067	454,571
Other income-miscellaneous		870,967	721,772
Total income		102,931,268	70,133,418
EXPENSES			
Employees' salaries & benefits	14	9,398,773	6,839,888
Directors' fixed emoluments	15	96,900	53,550
Depreciation & amortization		4,727,493	3,932,709
Provision for doubtful debts		(136,833)	6,981,024
Audit fee		62,129	62,129
Financial expenses		514,847	269,569
General & administrative expenses	17	13,409,690	11,305,104
Total expenses		28,072,999	29,443,973
NET PROFIT BEFORE TAX		74,858,269	40,689,445

THE UNITED INSURANCE COMPANY SC
GENERAL INSURANCE BUSINESS
REVENUE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013

Currency: Birr

	Notes		30.06.12
Gross written premiums		248,937,746	239,016,853
Less: Premium ceded		70,560,331	67,550,453
Net written premium		178,377,415	171,466,400
Less: Change in uneanred premium		1,815,977	25,037,919
Net earned premium		176,561,438	146,428,481
Add: Commission from Re-insurers		20,352,531	19,964,133
		196,913,969	166,392,614
Less:			
Net claims incurred		96,181,512	93,899,577
Commissions		11,293,602	10,141,024
Increase in technical provisions	13	(364,446)	2,478,018
Other technical expenses		9,704,897	7,198,858
		116,815,565	113,717,477
Underwriting surplus transferred to profit & loss account	1(a)	80,098,404	52,675,137

THE UNITED INSURANCE COMPANY SC
LONG TERM INSURANCE BUSINESS

REVENUE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013

Currency: Birr

	Notes		30.06.12
INCOME			
Life assurance fund at 30 June 2012		37,904,614	31,352,155
Outstanding claims at 30 June 2012		36,559	251,581
Net premium income		6,227,079	5,614,059
Commissions income		3,424,057	3,105,904
		47,592,309	40,323,699
LESS:			
Life assurance fund at 30 June 2013		48,606,236	37,904,614
Outstanding claims at 30 June 2013		939,947	36,559
Net claims incurred		(120,100)	1,279,334
Commission expense		499,507	407,238
Policy holders' dividend		-	47,684
Other outgo		7,471	7,009
		49,933,061	39,682,438
Gross operating Income		(2,340,752)	641,261
Other income			
Interest and others		4,742,662	4,020,064
		2,401,910	4,661,325
EXPENSES			
Employees' salaries and benefits		857,949	665,775
Directors' fixed emoluments	15	17,100	9,450
Depreciation and amortization		230,371	41,057
Audit fee		10,964	10,964
Actuaries' fee		-	90,000
Financial expenses		56,291	17,279
General and administrative expenses	17	1,229,235	826,800
		2,401,910	1,661,325
Profit appropriated		-	3,000,000

THE UNITED INSURANCE COMPANY SC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

Currency: Birr

	Notes			**30.06.12**
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		91,414,263	69,188,777
RETURNS ON INVESTMENTS & SERVICING OF FINANCE				
Share premium availed for distribution		1,072,000		1,008,600
Interest, rent income & dividend received		23,339,056		18,928,640
Dividend paid		(29,603,408)		(24,504,687)
			(5,192,352)	(4,567,447)
TAXATION				
Profit tax paid		(6,004,408)		(1,020,400.00)
Withholding tax-Current year		(2,123,826)		(1,450,271)
			(8,128,234)	(2,470,671)
INVESTING ACTIVITIES				
Investment		(5,236,875)		(7,975,862)
Adjustment for disposal of fixed asset		22,425		78,449
Acquisition of fixed assets		(21,202,122)		(6,374,985)
			(26,416,572)	(14,272,398)
Net cash inflow before financing			51,677,105	47,878,261
FINANCING				
Proceeds from sales of shares		10,836,526		27,498,717
Deposit at the National Bank of Ethiopia		(1,765,129)		(3,598,697)
			9,071,397	23,900,020
INCREASE IN CASH AND CASH EQUIVALENTS	19		60,748,502	71,778,281

THE UNITED INSURANCE COMPANY SC
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

Currency: Birr

	Paid up Capital	Share premium	Legal Reserve	Retained Earnings
Balance as as 1 July 2011	55,775,632	1,008,600	12,243,836	25,126,240
Proceeds from sales of shares	13,235,179	4,516,000	-	1,008,600
Premium distributed as dividend	-	(1,008,600)	-	-
Amount reinvested from profit	10,828,757	-	-	(10,828,757)
Dividend and remuneration paid	-	-	-	(14,969,784)
Prior year adjustment			(289,874)	(2,608,862)
Net profit for the year	-	-	-	36,234,766
Transfer to legal reserve	-	-	3,623,477	(3,623,477)
	24,063,936	3,507,400	3,333,603	30,338,726
Balance as at 30 June 2012	**79,839,568**	**4,516,000**	**15,577,439**	**30,338,726**
Changes for 2012/2013				
Prior year adjustment			(305,315)	(2,747,831)
Premium availed for distribution		(1,072,000)		1,072,000
Amount reinvested from profit	8,391,391	-		(8,391,391)
Proceeds from sales of shares	3,303,516	141,000		
Dividend and remuneration paid	-	-		(22,778,045)
Net profit for the year	-	-	-	59,872,622
Transfer to legal reserve	-	-	5,987,262	(5,987,262)
	11,694,907	(931,000)	5,681,947	21,040,093
Balance as at 30 June 2013	**91,534,475**	**3,585,000**	**21,259,386**	**51,378,819**

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The Company had adopted the following major accounting policies for its financial statements, which are prepared under the historical cost convention and are consistently applied in preparing the present accounts. As the Company commenced to transact life assurance business since 1st September 1997, separate accounts are also prepared for this line of business.

(a) Revenue Account

The revenue account surplus is net of reinsurance, provision for unearned premiums, claim paid, outstanding claims and other technical provisions [see (b), (c) and (d) below.]

(b) Unearned Premiums

The provision for unearned premiums represents premiums relating to periods beyond the balance sheet date, and is calculated on a time basis using the 24th method of the net premium retained in line with Directive No. S/B/17/98 issued by the National Bank of Ethiopia.

(c) Outstanding Claims

This represents provision for the cost of incidents notified on or before the balance sheet date, estimated on the basis of currently available information as well as provisions for claims incurred but not reported (IBNR) up to the balance sheet date. IBNR is applied only to non-life insurance. Differences arising from subsequent settlements of outstanding claims and any recoveries made from previous payments are shown in the revenue accounts of the period in which the settlements and recoveries are made except recoveries from bonds.

(d) Other Technical Provisions

These are amounts provided to help meet the costs of any future loss accumulations arising from specified natural and man-made perils, and are determined by cumulating to the balance sheet date the excess of income over outgo in respect of those perils. This class of account also includes provisions held for 15% of claims in dispute in line with Directive No.SIB/24/2004 of the National Bank of Ethiopia.

(e) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed as per the Income Tax Proclamation No. 286/2002, which requires application of straight-line method for buildings & constructions on cost and pooling system for the others. Accordingly, the depreciation rates per annum are as follows:

(i)	Computers	25% pooling
(ii)	All other business assets	20% pooling
(iii)	Buildings and Constructions	5% straight line method

(f) Deferred Charges

These represent the unamortized portions, at the balance sheet date, of costs incurred in connection with establishment costs, the cost of stationery on hand at the end of the period and other costs with benefits accruing to the Company for periods extending over one year.

All such costs are amortized individually on straight-line basis at ten percent (10%), whereas the cost of stationery items is charged to expenses when consumed.

(g) Life Fund

The actuarial valuation of the Life Insurance Fund is required to be undertaken annually during the first five years after commencement of such business and at least once every three years thereafter. Until this is done, the profit or loss on this business for a given financial year is transferred to the Life Insurance Fund. Transfers of any profits from the Life Insurance Fund to Profit and Loss Account are made on the recommendation of the actuaries following actuarial valuation.

(h) Land Leasehold

The Company amortizes the cost of land lease over the lease period.

(i) Investments

The Company's investments are stated at cost of acquisition.

(j) Provision for doubtful debts

Provision for doubtful debts is maintained on the basis of Directive (SIB/26/2004) issued by the National Bank of Ethiopia as follows:

(i) 25% of the Trade Debtor's balances outstanding for 91-180 days from the effective date of the policy;
(ii) 50% of the Trade Debtor's balances outstanding for 181-360 days from the effective date of the policy;
(iii) 75% of the Trade Debtor's balances outstanding for over 360 days from the effective date of the policy.

In compliance with the newly issued Insurance Business Proclamation 746/2012, the Company ceased to give insurance on credit, except for governmental organizations, since August 22, 2012.

(k) Investment income

Investment income is stated net of relevant taxes. Interest income is recognized in the period in which it is earned. Dividend is recognized in the period in which it is declared.

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

2. DEBTORS, DEPOSITS AND PREPAYMENTS

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.12
Trade Debtors	13,986,795	-	13,986,795	46,085,788
Staff Debtors	388,052	-	388,052	265,766
Deposit and Prepayment	42,809,515	16,061	42,825,576	12,195,102
Accrued Interest Receivable	7,417,081	1,021,814	8,438,895	4,241,866
Sundry Debtors	3,287,337	5,071	3,292,408	2,580,771
	67,888,780	**1,042,946**	**68,931,726**	**65,369,293**

2.1 Trade Debtors of Br 13,986,795 is net of provisions for doubtful debts of Birr 23,617,038.

2.1 Deposit and prepayments include Br 13,382,839 and Birr 28,003,865, which are advances paid to Magercon PLC and Zamra Construction PLC in connection with at Akaki-Kality mixed building project and Head Office building construction at Tewodrose Square site, respectively.

3. OUTSTANDING CLAIMS

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.12
Life - Group Term	-	939,947	939,947	36,559
Personal Accident	1,415,381	-	1,415,381	946,109
Workmen's Compensation	2,374,726	-	2,374,726	2,121,823
Motor	87,998,223	-	87,998,223	72,934,904
Marine Cargo & Transit	1,920,036	-	1,920,036	5,621,504
Fire & General Accident	773,100	-	773,100	530,484
Engineering	2,791,972	-	2,791,972	1,315,837
General Liability	4,989,639	-	4,989,639	444,336
Pecuniary	4,536,173	-	4,536,173	1,924,061
	106,799,250	**939,947**	**107,739,197**	**85,875,617**

Out of the total outstanding claims of Br106,799,250 for general insurance, Br 17,656,144 relates to provisions for claims incurred but not reported (IBNR).

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

4. PROFIT TAX PAYABLE

a. This amount is arrived at as follows

		30.06.12
Profit before tax	74,858,269	43,689,445
Add: Disallowable expenses	1,281,149	1,373,821
	76,139,418	**45,063,266**
	-	
Less: Income taxed at source		
Dividend income (Life and Non-life)	(10,427,940)	(10,429,876)
Interest on bank deposits (Life and Non-life)	(15,759,320)	(9,784,459)
Taxable profit	**49,952,158**	**24,848,931**
Provision for tax (30%)	14,985,647	7,454,679
Prepaid Profit tax (Life 233,820, Non Life Br 1,890,006)	(2,123,826)	(1,450,271)
Profit tax payable	**12,861,821**	**6,004,408**

b. Taxation assessments have been made by the Ethiopian Revenue and Customs Authority (ERCA) in respect of profit, VAT, withholding taxes up to 30 June 2007.

5. OTHER CREDITORS, ACCRUALS AND PROVISIONS

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.12
Sundry creditors	8,457,059	770,631	9,227,690	5,695,916
Commission payable	6,071,883	-	6,071,883	8,318,953
Provisions	4,951,944	127,239	5,079,183	3,147,204
Accrued charges	680,906	206,168	887,074	727,307
Dividend payable	5,836,936	-	5,836,936	4,270,908
	25,998,728	**1,104,038**	**27,102,766**	**22,160,288**

Sundry creditors include, among other items, Br 2,036,412 debtors with credit balances, Br1,332,469, deferred income on policies incepted after 30.06.2013, Br1,688,364 balance due to various claimants not yet collected, and Br718,655 retention fee payable to the contractor for the Company's Building at Bahir Dar and Kality ,and Br 1,089,192 insurance fund charge payable. Provisions include Br3,746,072 for staff leave and bonus pay, Br700,000 for possible expenses in connection with the Annual General Meeting of Shareholders and Customers' Evening.

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

6. INVESTMENTS

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.12
Equity Investment				
United Bank SC	24,250,000	7,875,000	32,125,000	32,125,000
Share premium at United Bank SC	375,000	125,000	500,000	500,000
Raya Beer SC	5,000,000	5,000,000	10,000,000	5,000,000
Share premium at Raya Beer SC	250,000	250,000	250,000	250,000
Habesha Cement SC	5,000,000	-	5,000,000	5,000,000
Share premium at Habesha Cement SC	300,000	-	300,000	300,000
Government bond	5,000,000		5,000,000	5,000,000
Loans to life policy holders	-	12,175	12,175	25,300
	40,175,000	**13,262,175**	**53,187,175**	**48,200,300**

The Company acquired a Government bond amounting to Br 5,000,000, which bears 3% interest per annum and matures in 2016.

7. LEASEHOLD LAND

Leasehold periods for the land acquired at Bahir Dar and Kality are 60 and 50 years respectively.

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.12
Cost or valuation				
Bahir Dar	707,400	-	707,400	707,400
Kaliti	3,264,729	-	3,264,729	3,264,729
	3,972,129	-	3,972,129	3,972,129
Accumulated Amortization				
Bahir Dar	170,190	-	170,190	158,400
Kaliti	709,612	-	709,612	649,002
	879,802	-	879,802	807,402
NET BOOK VALUE	**3,092,327**		**3,092,327**	**3,164,727**

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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8. FIXED ASSETS

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.12
Cost or Valuation				
Motor vehicles	16,571,692	1,242,628	17,814,320	13,575,365
Furniture and equipment	4,136,186	94,907	4,231,093	3,409,159
Computer and accessories	9,053,021	77,974	9,130,995	7,973,038
Building at Bahir Dar	5,737,019	-	5,737,019	5,737,019
Land and property at Tewodros Square	4,250,592	-	4,250,592	4,250,592
Land and property at Kaliti	16,643,256	-	16,643,256	2,329,542
	56,391,766	**1,415,509**	**57,807,275**	**37,274,715**
Accumulated Depreciation				
Motor vehicles	8,775,223	395,289	9,170,512	7,605,714
Furniture and equipment	2,717,092	64,036	2,781,128	2,431,118
Computer and accessories	5,912,578	45,518	5,958,096	4,002,970
Building & construction	2,335,366	-	2,335,366	1,932,038
	19,740,259	504,843	20,245,102	15,971,840
Net Book Value	**36,651,507**	**910,666**	**37,562,173**	**21,302,875**

Computers and accessories include Br6,756,648, being cost of software, hardware, servers, installation, implementation, networking and other related costs in connection with an integrated insurance management information system implementation project.

9. STATUTORY DEPOSIT

This is an amount deposited in cash with the National Bank of Ethiopia in satisfaction of Article 9 of the Licensing and Supervision of Insurance Business Proclamation No. 86/1994 which stipulates that "every insurer shall, in respect of each main class of insurance business he carries on in Ethiopia, deposit and keep deposited with the Bank, an amount equal to fifteen percent (15%) of his paid up capital, in cash or Government Securities" as part of security arrangements for the benefit of policy holders as a body.

10. LAND LEASE PAYABLE

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.12
Land lease payable	1,859,529	-	1,859,529	1,859,529
Less: Down payment 06/07	(371,906)	-	(371,906)	(371,906)
Installments paid to-date	(446,287)	-	(446,287)	(371,906)
	1,041,336	**-**	**1,041,336**	**1,115,717**

11. SHARE CAPITAL (PAR VALUE @ BIRR 1,000 EACH)

	AS AT 30 JUNE 2013		
	No. OF SHARES	AMOUNT	30.06.12
Authorized	250,000	250,000,000	250,000,000
Subscribed	100,000	100,000,000	1,000,000
Fully paid	91,534	91,534,475	79,766,949

The amount stated as subscribed capital represents the total outcome of the provisions of Resolution No. UNIC/AGM17/03/2011 of the 7th Extra-Ordinary meeting of shareholders which was held on 27 October 2011 as stipulated under Article 8, 9 and 13 of the Article of Association of the Company.

12. LEGAL RESERVE

This is a reserve constituted in accordance with Article 12 of Proclamation No. 86/1994 Licensing and Supervision of Insurance Business, and is built up by the transfer of ten percent (10%) of annual profits after tax until the amount of the reserve equals the amount of the paid up capital.

13. INCREASE IN TECHNICAL PROVISION

The provisions represent:

		30.06.12
Increase in provision for natural and man made perils as per 1 (d)	1,451,531	2,478,019

14. EMPLOYEES' SALARIES AND BENEFIT

Employee's salaries and benefits directly attributable to the Company's Non-Life operations are charged to the Revenue Account as follows:

		30.06.12
Total employees salaries and benefits	19,030,264	13,870,199
Less : Apportioned to Life Operations	(232,718)	(190,423)
	18,797,546	13,679,776
Employees salaries and benefits transferred to Revenue Account (50%)	(9,398,773)	(6,839,888)
Balance on Profit and Loss Account (50%)	**9,398,773**	**6,839,888**

15. DIRECTORS' REMUNERATION

In accordance with Article 5 of the Company's Articles of Association and Resolution No. UNIC/AGM03/05/97 of the Third Annual General Meeting of Shareholders inviting the Board of Directors to propose an incentive scheme that would link such remuneration to the profitability of the Company, and its adoption by the AGM, a fixed sum of Br114,000 (Br96,900 for Non-Life and Br17,100 for Life) and 7.5% of Net Profit after Tax and Legal Reserve are to be paid to the Directors as profit incentive.

However, owing to the appreciation in transport cost from time to time, the Board of Directors has raised the fixed fee from Br63,000 to Br114,000 (Br96,900 for None-Life and Br17,000 for Life) at its meeting held on 22 September 2012 (Minutes No. 152) and this became effective from 1 July 2012.

16. ACTUARIAL VALUATIONS

As per the accounting policy stipulated under Note 1 (h) herein the actuarial valuation was not done for the year ended 30 June 2013.

17. GENERAL & ADMINISTRATIVE EXPENSES

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.12
Shareholders' meeting expenses	690,238	121,807	812,045	1,010,167
Advertising and promotions	1,172,155	227,342	1,399,497	1,445,157
Stationeries, printing & office supplies	1,829,112	294,841	2,123,953	1,214,171
Rent	4,707,162	58,246	4,765,408	3,951,811
Communication	1,147,447	111,660	1,259,107	1,209,802
Transport and travel	1,582,456	66,230	1,648,686	1,410,102
Repairs and maintenance	988,417	22,256	1,010,673	774,878
Property insurance	319,564	10,508	330,072	209,463
Professional services other than audit	454,693	0	454,693	65,816
Other general and admin. expenses	518,446	316,345	834,791	840,537
	13,409,690	**1,229,235**	**14,638,925**	**12,131,904**

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FOR THE YEAR ENDED 30 JUNE 2013

18. RECONCILATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATION

		30.06.12
Profit for the year	74,858,269	43,689,445
Prior year adjustment	(3,053,146)	(2,898,735)
Interest and dividend income	(27,536,085)	(20,647,530)
Depreciation and amortization	5,012,281	3,919,175
(Increase)/Decrease in debtors(excluding interest receivable)	634,596	(17,641,756)
Increase (Decrease) in amount due from reinsurers	2,605,952	(6,381,244)
Increase in amount due to reinsurers	1,567,241	18,267,674
Increase in outstanding claims	21,863,580	14,423,234
Increase in technical provisions	12,159,506	34,158,398
Increase in other creditors, accruals and provisions (excluding dividends and tax thereon)	3,376,450	2,374,497
Decrease in land lease payable	(74,381)	(74,381)
Net cash inflow from operations	**91,414,263**	**69,188,777**

19. CASH AND CASH EQUIVALENT

	2013	2012	CHANGE	30.06.12
Cash & bank balances	53,730,538	61,089,812	(7,359,274)	26,802,617
Bank deposits at interest	257,134,619	189,026,843	68,107,776	44,975,663
	310,865,157	**250,116,655**	**60,748,502**	**71,778,280**

20. PRIOR YEAR ADJUSTMENT

The Value Added Tax Proclamation No. 285/2002 states that activities such as "rendering of financial services are exempted from VAT'. Disposal of salvages on which total loss had been paid being part and parcel of rendering insurance services; the Company did not collect VAT on such transactions for a long time. The Federal Revenue Customs Authorities have given its own interpretation of the law saying that only insurance premiums are exempted from VAT. The strong protest by insurance companies notwithstanding, our Company had to pay VAT it did not collect for the period 1st July 2007 to 31st December 2010.

The balance is arrived at as follows

Total VAT paid	3,053,146
Less: Decrease in legal reserve (10%)	(305,315)
Decrease in retained profit	**2,747,831**

21. EARNINGS PER SHARE

Earnings per share is calculated by dividing net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

22. CAPITAL COMMITMENT

The Company has a remaining capital commitment of Br 126,000,000 in connection with Akaki-Kality mixed building project and Head Office building construction at Tewodrose Square site.

23. COMPARATIVE FIGURES

In order to facilitate comparison, certain figures as at 30.06.12 were rearranged in these accounts.

MARKET OUTLETS

Mindful of the convenience of its ever-growing customers, the Company operates via 26 outlets: 17 City and 9 Regional Offices.

CITY BRANCHES

Location	✉	☎	FAX
Main Branch-Head Office	1156	011 465 5656	011 465 3258
Addis Ketema Branch	183091	011 276 2575	011 276 6868
Arada Branch	25869	011 155 8787	011 155 8788
Ayer-Tena Branch	1156	011 347 1798	011 347 1799
Beklo Bet Branch	17340	011 665 5225	011 465 5246
Bole Medhanialem Branch	1156	011 662 5799	011 662 5814
Megenagna Branch	1156	011 646 6260	011 646 6271
Gotera Branch	1156	011 465 2724	044 465 2724
Gullele Branch	183091	0111559986	0111579898
Kality Branch	1156	011 442 3917	011 442 3916
Kazanchis Branch	1156	011 558 5097	011 558 5038
Kirkos Branch	42285	011 550 2956	011 550 9898
Lideta Branch	40045	011 554 5756	011 554 5755
Lion Branch	661/1110	011 551 5656	011 553 4799
Mesalemia Branch	50118	011 275 5268	011 275 5271
Misrak Branch	10164	011 662 8121	011 662 3599
Teklehaimanot branch	1156	011 276 6608	011 213 9107

UP-COUNTRY BRANCHES

Adama Branch	896	022 111 3426	022 112 0207
Awassa Branch	931	046 220 6610	046 220 3793
Bahir Dar Branch	1082	058 220 1777	058 220 1798
Dessie Branch	1185	033 111 1128	033 111 1129
Dire Dawa Branch	2199	025 111 0280	025 111 4099
Gonder Branch	39	058 111 4626	058 111 4616
Jimma Branch	1308	047 111 9440	047 111 9490
Mekelle Branch	1395	034 440 3934	034 440 3933
Hosaena Branch	419	046 555 2151	046 555 3091

CORPORATE OFFICE

Alpaulo Building, Debrezeit road

☎ 00251 114 65 56 56 Fax 00251 114 65 32 58 ✉ 1156

E-mail United.insurance@ethionet.et

www.unitedinsurancesc.com

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THE UNITED INSURANCE COMPANY SC
<UNIC-ETHIOPIA>

Corpoarate Head Office: Al-Paulo Building, Debre Zeit Road
P.O. Box 1156, Addis Ababa, Ethiopia Tel. 011 465 56 56 Fax. 011 465 32 58
e-mail: united.insurance@ethionet.et

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Tel. +251-11-466 5781/82