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THE UNITED INSURANCE COMPANY SC

**Annual Report
2014/15**



THE UNITED INSURANCE
COMPANY SC



GET INSURED AND EARN MILES!



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BOARD OF DIRECTORS



Ato Zafu Eyessuswork Zafu
Chairman



Ato Yemane Bisrat



Ato Abera Mulat



Ato Taye Dibekulu



Wo Bethelihem Bekele



Ato Negussie Abera



Ato Berhanu Getaneh



Ato Kidanemariam Abadi



Ato Getachew Ashine

EXECUTIVE MANAGEMENT



Wo Meseret Bezabih
General Manager/CEO



Wo Zufan Abebe
DGM Operations-Non-Life



Ato Dawit G/Ammanuel
DGM Finance & Admin.



Wo Azalech Yirgu
DGM Life & Medexin



Ato Fasil Asnake
DGM Legal Services



Wt Bethelihem Mekbib
Director, U/W & Tech. Serv.



Ato Tefera Wondimu
Director, Claims and Eng.



Wo Assefash Abate
Director, HR & Admin.



Ato Engida Kassaye
Director, Fin. & Investment



Wt Emebet Alemayehu
Director, Compliance & Risk Mgt



Ato Aliye Mohammed
A/Manager, IT



Ato Mesfin Eyasu
Manager, Marketing

MISSION STATEMENT

VISION

< UNIC-ETHIOPIA > aims to be the best insurance company in 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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NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING OF SHAREHOLDERS

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 TWENTY FIRST ANNUAL GENERAL MEETING OF THE UNITED INSURANCE COMPANY SC <UNIC-ETHIOPIA> WILL BE HELD AT THE ADDIS ABABA HILTON ON 22ND OCTOBER 2015 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 2015 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 2015/2016 and to authorize the Board of Directors to fix their remuneration;
6. To approve sale and/or transfer of the Company's shares up to and including 30 June 2015; and,
7. To elect Members of the Nomination Committee and fix their Terms of Service.

BY ORDER OF THE BOARD

Teferra Wondimu
Secretary to the Board

Dated at Addis Ababa this 01st day of October 2015.

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 TWENTY FIRST 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 2015, our Company successfully concluded its 21st year of business. While the full details are contained in the body of this report, I wish you to know at the outset that the net results of the Company's Non-Life operations were almost identical, Br 72,611,669 for 2014/15 against Br 72,201,186 for the previous year.

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 2015.

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 2015.

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 Twenty First 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 during and results for the period under report as well as the prospects for the immediate future.

TRADING ENVIRONMENT

Having broken new grounds with the Company's 20th Annual Report of Directors by comparing the Company's place in the industry using certain well established technical and financial indicators, your Directors have decided to continue with the practice in light of comments received and appreciations expressed by those who read the report including those doing research in the area. Accordingly, we have once again collected industry data for the financial year under report (2014/15) from the National Bank of Ethiopia, to which we wish to express our thanks and appreciation.

STATUS OF ETHIOPIAN INSURANCE INDUSTRY 2011-2015

Currency '000' Birr

DESCRIPTION	2011	2012	2013	2014	2015
Number of Companies	14	15	17	17	17
Total number of Outlets	221	243	273	332	377
<UNIC-ETHIOPIA>	24	24	25	29	29
Market Gross Premiums (Non-Life)	2,422,415	3,724,760	4,497,666	4,687,657	5,242,085
<UNIC-ETHIOPIA>	161,911	239,014	248,938	274,311	296,465
Market share - %	6.7	6.4	5.5	5.9	5.7
Market Growth - %	32.7	53.8	20.8	4.2	11.2
<UNIC-ETHIOPIA> - %	28.9	6.7	4.2	10.2	8.1
Market Retention Ratio - %	69	73	69	73	77
<UNIC-ETHIOPIA> - %	81	80	80	81	81
Market Loss Ratio - %	74	67	65	65	63
<UNIC-ETHIOPIA> - %	71	64	55	52	53
Underwriting Surplus – Market	418	759	960	1,000*	1,119*
<UNIC-ETHIOPIA> - %	6.5	7.0	8.3	8.1	8.2
<UNIC-ETHIOPIA>'s % Share of:					
Total Market Assets	8.6	8.4	8.3	8.4	8.4
Total Market Paid-up Capital	5.9	6.7	5.8	5.7	5.9
Total Market Profit after Tax	8.2	9.4	10.1	8.0	7.3

* Unable to obtain the industry's Underwriting Surplus as at 30 June 2015, we chose to employ a derived/projected figure by using the Gross Premiums written, the Retention and Loss ratios of previous years.

Industry data collected from the National Bank of Ethiopia showed that our Company recorded a small deterioration (3.4%) in its market share which fell from 5.9% the previous year to 5.7% in the year under report.

Among other reasons, its slightly lower premium growth of 8.1% against a market average of 11.2% and its decision not to open new outlets during the year while the market as a whole added 45 new branches could be said to have contributed to this development. Its strategy to employ new marketing initiatives like its new and special partnership project for Ethiopian Airlines Sheba Miles customers (whereby such customers would be awarded Sheba Miles when they buy insurance from <UNIC-ETHIOPIA>) and the like, did not generate any meaningful premium during the just concluded financial year but could do so in future years.

The foregoing minor setbacks notwithstanding, <UNIC-ETHIOPIA> continued to perform better than the industry by maintaining higher Retention and lower Loss ratios. For the year under report, our Company recorded a Retention ratio of 81.2% against the market's 78.0% and a Loss ratio of 53.3% against 63.0% for the industry. But perhaps, our Company's well recognized qualities of technical, professional and commercial competencies were clearly reflected by the 14% increase it recorded in Underwriting Surplus for the year under report.

Although our Company's Loss ratio recorded a slight deterioration, the market as a whole registered a noticeable improvement, from 65% the previous year to 63% for the financial year ended 30 June 2015. As a result, our Company's market share of Profit after Tax was marginally lower in 2014/15 (7.3%) than in 2013/14 (8.0%).

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 the Directives it recently issued to implement certain provisions of the new Insurance Proclamation during the period under report.

Directive No.: SRB/1/2004 - Reinsurance Company Establishment

In last year's Annual Report of Directors, we welcomed and admonished the issuance of the subject Directive and expressed our sincere wish and encouragement towards establishing a strong, truly national, public-private partnership Reinsurer that could attract substantial foreign exchange by way of "Inward" reinsurance business.

In what may be considered a most innovative challenge and opportunity, the Association of Ethiopian Insurers was invited to undertake the task of organizing the establishment of the first reinsurance company in the country with national financial institutions but primarily insurance companies as its shareholders. The Association went ahead and established a Steering Committee of 5 Member Companies, which in turn proposed a reinsurance company with a subscribed capital of Br1 billion of which Br500 million or 50% would be paid up. The Committee also proposed payment of Service Fees of 1% of the subscribed capital to be settled by each prospective shareholder when submitting a written subscription commitment. Furthermore, the Steering Committee hired a consulting firm to prepare an economic feasibility study and other relevant manuals to facilitate subscriptions and eventual submission to the Supervisory Authority for registration and licensing. The latest information we have is that although the Committee members have been engaged in fairly extensive travels (including visits to international markets) to collect relevant data for the preparation of various manuals, the most critical document for prospective investors, the feasibility study is yet to be issued. Prospective investors are currently awaiting the feasibility study to enable their Boards to consider and decide up on their respective investments.

Directive No.: SIB/42/2015 on Corporate Governance

The first Draft Directive on Corporate Governance was sent to all insurance companies with invitation for comments and suggestions in April 2015. Several discussion meetings were held subsequently resulting in a 2nd Final Draft that was sent to all insurance companies on 1st January 2015, with invitation to Board Chairs of all Insurers for a discussion meeting with the Honourable Vice-Governor of the National Bank of Ethiopia back on 29th January 2015.

The Chairman attended the meeting which was held in the Boardroom of the National Bank and the discussion was characterised by frank and “give and take” exchanges of opinions and ideas. In his report to the Board, he appreciated the initiative but felt that certain aspects of the Directive especially those relating to “Nomination Committee” could be unduly cumbersome and expensive to implement.

As at the time of the completion of this Report, the Directive had come into force on 1st October 2015 and the 21st AGM of our Company scheduled to hold on 22nd October 2015 would be required to establish the first Nomination Committee.

Draft Directive:– Manner and Criteria of Transacting Reinsurance by Insurers

This is a Directive that should have been issued and implemented yesterday. It is intended to facilitate reinsurance exchange between and among all domestic insurance companies to raise the national retention thereby reducing foreign exchange outflow in the form of reinsurance premium and help consolidate the domestic companies by effectively raising their premium income by engaging their retention capacities with business exchanges between them. Indeed the first draft directive on the subject was issued back in July 2004 when the then Supervision Department of the National Bank of Ethiopia, by its letter ref. No. SD/176/04 of 14 July 2004 invited suggestions/comments on a draft directive it enclosed with the letter.

For reasons not known to the industry, the matter was abandoned and no further initiatives were taken until now. Needless to say, your Directors had repeatedly indicated in previous reports including that of last year, that failure to implement a directive requiring insurers in the market to exchange business at least by way of facultative reinsurance before exporting such business abroad had been exacerbating the Nation’s foreign exchange position during all these years. Firmly believing in the wise saying that “***It is never too late to do the right thing***”, your Directors encourage and support the current initiative of the Supervisory Authority to finally implement this scheme in the interest of both the individual companies and the Nation!

Draft Directive on: Prudential Requirements for Reinsurers

Following the issuance, in May 2014, of Directive No.: SRB/1/2014 on Reinsurance Establishment, and in light of the practical steps being taken to establish the first national reinsurance company in the country, preliminary discussions had started to take place on the modus operandi of reinsurance companies. Although there still remains substantial work to be done, credit is due to the Supervisory Authority for the initiative taken in this connection.

Directive on: Monitoring the Nationality of Shareholders in an Insurer/Reinsurer

A Draft Directive which requires the Board of Directors “to put in place and notify the National Bank a mechanism to ensure that all shareholders of the insurer/reinsurer at all times are Ethiopian Nationals” and monitor its implementation, was sent to Chairpersons of Boards of all private insurance companies for their comments.

The response of our Company's Directors at the time was that since the Draft Directive represented nothing more than an instrument to help implement what was clearly expressed in Article 10 of the mother Proclamation no. 746/2012 which explicitly prohibits ***“foreign nationals or organizations fully or partially owned by foreign nationals from owning an insurance company or carry on insurance business or operate branch offices or subsidiaries of foreign insurers in Ethiopia or acquire the shares of Ethiopian insurers”***, it did not find it necessary to make further suggestions. However, Directors seized the opportunity to invite the Supervisory Authority to revisit the matter in light of Ethiopia's often expressed and officially announced plans to join such international institutions as COMESA FTA and WTO, both of which anticipate reciprocal opening up of economies of Member countries.

Directive No.SIB/41/2015-Monitoring the Nationality of Shareholders in an Insurer/Reinsurer came into force from 1st October 2015 and the Board may have to take measures to ensure that all shareholders in general and those attending the 21st AGM in particular meet the requirements of the Directive.

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 solution would likely be forced on the industry by the claims experience of each player in the market. Even with the slight deterioration in Loss ratio experienced in the year under report, our Company's Loss ratio of 53% for 2014/15 was still significantly better than the market average of 63%.

There is, of course, a long term danger of this phenomenon continuing unchecked for long. The price-driven competition mentioned above is most acute in the Motor/Auto class of business which constitutes well over 50% of each insurer's premium portfolio. Although the loss ratio for the class has been deteriorating over the years, no significant compensatory improvement in premium rates had occurred. May be the time has come for the Supervisory Authority to consider the adoption of some market-supported “tariff” at least for Motor/Auto business.

Lack of Level Playing Field and Its Harmful Effects on the Industry

Hitherto, Directors repeatedly pointed out the uneven nature of the industry's playing field and its role in perpetuating the industry's market distortion. They openly expressed their views that entities receiving special advantages continue to be deprived of the single most important benefit of a market-oriented economic regime - that of fair competition.

The Need for Establishing a Capital Market

For the 17th year running, the Company's Board of Directors wishes to register its belief that among other things, 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 as well as the flexibility to exit from or simply change investment portfolios and attract a credible volume of foreign direct investment. Directors 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.

GENERAL

During the preceding two Annual General Meetings (19th and 20th), your Directors strongly recommended to shareholders who considered and approved the increase of our Company's paid up capital first by Br 25 million (from Br 100 to Br 125 million) and next by Br 50 million (from Br 125 to Br 175 million) respectively basing their decisions, among others, on the pragmatic reasons provided including the Company's engagement in relatively large investment projects and its anticipated participation in the establishment of a domestic reinsurance company.

While the two construction projects would continue to require substantial cash outlays during the next two years, participation in the share capital of the domestic reinsurer still stands. For reasons already explained in a foregoing paragraph, disbursement of 50% of the Company's subscription did not happen during the financial year under report on account of the delay in the submission of an economic feasibility report by the Association of Ethiopian Insurers. It is very likely however, that the disbursement would have been made by the time of the 21st AGM of the Company.

Shareholders would recall that during the 20th Annual General Meeting which held at the Addis Ababa Hilton Hotel on 11 November 2014, a shareholder had raised certain questions regarding the matter of the ON-SITE EXAMINATION of the Company's state of health by the Supervisory Authority. Your Directors wish to inform you that following thorough discussions with the Insurance Supervision Directorate of the Authority, the final result of the examination was ranked "Satisfactory" or **CRA-2, which means that there is moderate net risks and acceptable risk mitigation system with strong capital strength position.**

As one of the complementary measures to maintain our Company's financial strength during a time of intense wealth creation and consolidation, your Directors hold the strong view that this is a most opportune juncture in its period of growth to take a more emboldened decision to increase its capital base from Br 250 million to Br 500 million Authorized and from Br 175 million to Br 250 million Subscribed. A more detailed and concrete proposal would be submitted to a 10th Extra-Ordinary General Meeting of Shareholders that would precede the 21st Annual General Meeting of Shareholders. Depending on the decision of the 10th Extra-Ordinary General Meeting of Shareholders, the amount of profits appearing on the Balance Sheet as at 30 June 2015 may be fully applied towards the aforementioned increase of capital which would ultimately be appropriated to shareholders of record as of 30 June 2015.

The Board of Directors held 6 regular and 2 Extra-Ordinary/Urgent meetings between 01 July 2014 and 30 June 2015. As in the past, matters requiring special attention were referred to the two Board Committees: a) Finance Committee which met 6 times, 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 held 3 formal meetings in addition to several on-site visits/meetings, was mostly engaged in following up progress, rendering assistance to and guidance on activities relating to the two construction projects on hand.

The Company did not open any new branches during the year under report. As one of its strategies to grow its premium income, however, it established a special partnership agreement with Ethiopian Airlines by which Sheba Miles customers would be granted such Miles when they buy insurance from <UNIC-ETHIOPIA>.

As part of its corporate social responsibility, your Company has continued to maintain its exemplary image as a fair and equal opportunity employer. On 30 June 2015, the Company had a total staff complement of 275 employees compared to 257 the previous year. Of these, 263 or nearly 95.6% were regular and the rest were casual. Of the regular staff, 140 or nearly 53.2% were female and 123 were male while casual workers comprised 8 women and 4 men. Out of the 275 staff members, 149 of them were degree holders (6 MAs and 143 BAs), 70 had Diplomas while 56 held Certificates and other pre College papers.

During the year ended 30 June 2015, 124 of the Company's staff received training: 39 In-House, 83 Local External and 2 outside the country.

Shareholders would recall previous reports by the Board regarding the delay in completing the construction of the structure of the Akaki-Kality special Department Stores and Recreation Centre Project. Even when it was finally completed, there had already arisen differences between the Contractor, M/S Magercon GC which sought compensation for price escalations on the one hand and our Company as the Employer claiming liquidated damages for delays attributable to failures by the Contractor. Preliminary calculations worked out with our Consulting Architects had shown that our Company's claim for liquidated damages exceeded the amount the Contractor was claiming for price escalations. The matter has not gone to court up to now but that possibility could not be ruled out.

The foregoing notwithstanding, finishing work of the said Project is presently in progress and is expected to be completed and made available for rent in the first quarter (January-March) 2016. The expected rent income from this property would significantly augment the Company's revenues for the current budget year.

As would be described in more detail under the appropriate section of this Annual Report, Shareholders could also legitimately expect a substantial amount of surplus from the Company's Life Operations at the end of the current financial year as no actuarial valuation was undertaken and consequently no transfer of surplus authorized for the year under report.



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

Report of the Board of Directors

The structure work of the Company's Head Office building project at Tewodros Square is expected to be completed before the end of 2015. The bidding process for the finishing work is currently in progress. It is expected that a contract for the finishing work would be concluded at least a month before the handing over of the completed structure.



Head Office Building-Under-Construction (Tewodros Square)

In light of the considerable financing needs of the two construction projects, Management and the Board had already taken initiatives to obtain financing from banks. Indications are that the Company would be able to borrow the required amount from the banking system at reasonable terms.

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 terms of three of the Directors would have expired by the time of the 21st Annual General Meeting of Shareholders. Accordingly, three Directors shall be elected/re-elected to replace those whose tenure would have expired. Furthermore, in line with the requirements of the new Insurance Corporate Governance Directive No.: SIB/42/2015, which came into effect as of the 1st day of October 2015, Directors who may have served 6 and/or more consecutive years would also be replaced.

FINANCIAL PERFORMANCE AND RESULTS - NON LIFE

Gross Premiums Written

As at 30 June 2015, the Company had written a Non-Life premium of EBr 296,465,285, recording an increase of 8.1% over that of the previous year. On the other hand, compared to the Nation's Non-Life premium growth of 11.2%, our Company could not be said to have met its expectations in that respect. Much of the modest growth recorded was the result of a massive 91.0% increase observed in the Pecuniary class of business. While growth in Motor premium was marginally more than the growth of the Company's total premium portfolio (8.8% against 8.1%), two classes of business, Marine & Inland Transit and Engineering recorded negative growth (-26.9% and -23.3%) respectively. The combined premiums of what our Company refers to as the "group-of-small-premium" classes (Acc & Health/PA/WCA/GEN/LIAB) achieved a growth rate of 6.8% while premiums for the Fire & Gen Accident business grew by 5.3%.

Retention and Reinsurance

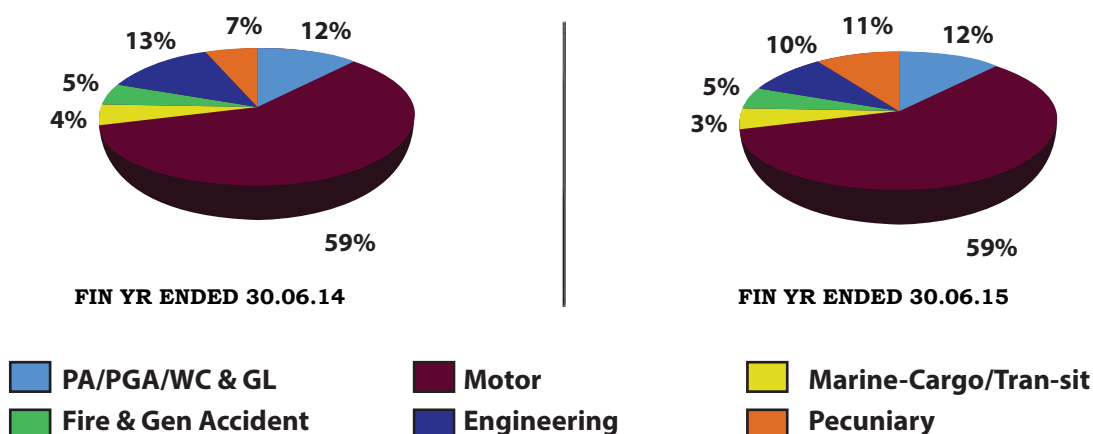
With a total Retained premium of Br 240,707,364 (217,808,919+22,898,445) as at 30 June 2015 compared to Br 222,449,474 (Br 203,074,207+19,375,267) for the previous year, the ratio of Total Retained to Total Written premiums recorded a negligible increase in the year under report: 81.2% compared to 81.1% for the previous year.

A more detailed analysis of the Company's retention performance exhibited mixed results. Relative retentions recorded reductions for most classes with the highest such reduction occurring in the Pecuniary class which fell from 60.1% for the previous year to 52.6% as at 30 June 2015. Retentions for Marine fell from 86.4% to 81.4% while that of Fire & General Accident fell from 60.8% to 59.8% for the same period. On the other hand the Company's Retention in the Engineering class went up significantly following the treaty capacity increase it negotiated and concluded back in July 2014. Compared to a retention ratio of 44.3% for the previous year, it recorded a ratio of 51.1% for the year under report. The Motor class of business recorded a slight increase, from 90.7% in 2013/14 to 91.5% in 2014/15. The group of "small-premium-class" of business maintained the same Retention ratio of 91.1% for the two consecutive years.

Portfolio Mix

With a written premium of Br 174,542,617, Motor/Auto insurance continued to account for the largest premium volume in the Company's total premium portfolio as at 30 June 2015. At nearly 58.9%, it was even marginally higher than its share in the previous year, which was 58.5%.

PREMIUM STRUCTURE AS AT 30.06.15



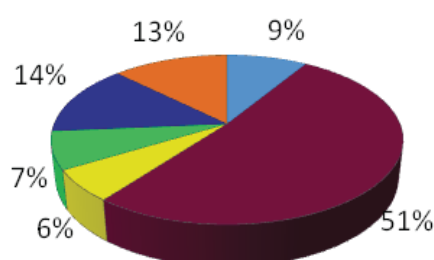
The Engineering class of business became a very far second with a share of 13.49% followed very closely by what the Company had classified as “small premium classes” (Personal Accident, Workmen's & General Liability) with 12.33%. While Pecuniary and Fire& General Accident contributed up 6.50% and 4.90% respectively to total premium, Marine Cargo and Inland Transit accounted for only 4.28%.

There was no surprise in Management's projections of the Company's portfolio mix of the premiums achieved as it followed the ranking initially estimated and adopted in the Company's production budget.

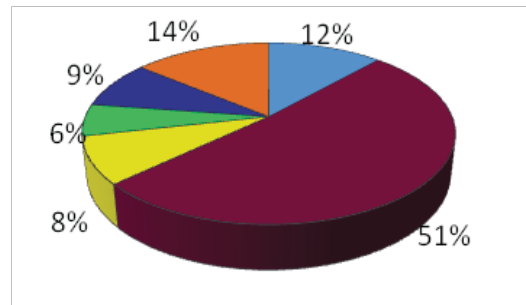
Claims and Profitability – Loss Ratio and Underwriting Surplus/(Deficit)

Though still better by far from the market loss ratio of 63%, the Company's over all claims experience in the year under report recorded a marginal deterioration. Compared to a loss ratio of 52.3% for the previous year, financial year 2014/15 experienced a loss ratio of 53.3%. The increase in losses occurred under Engineering (from 15.7% the previous year to 22.5% in 2014/15), the group of small-premium-classes of business (from 49.9% the previous year to 53.4% in 2014/15) and the Motor class of business from 60.1% to 61.0%. Needless to say, Motor accounting for almost 59% of the total premium portfolio of the Company, the nearly 1.5% increase recorded in the loss ratio of that class was most significant. Two other classes of business, Marine Cargo & Transit and Fire & General Accident recorded negative loss ratios. While the former dropped from 31.6% in 2013/14 to -8.0% in 2014/15, the later fell from 8.7% to -5.4% during the same period.

UNDERWRITING SURPLUS AS AT 30.06.15



FIN YR ENDED 30.06.14



FIN YR ENDED 30.06.15

PA/WCA/GEN LIAB
Fire & Gen Accident

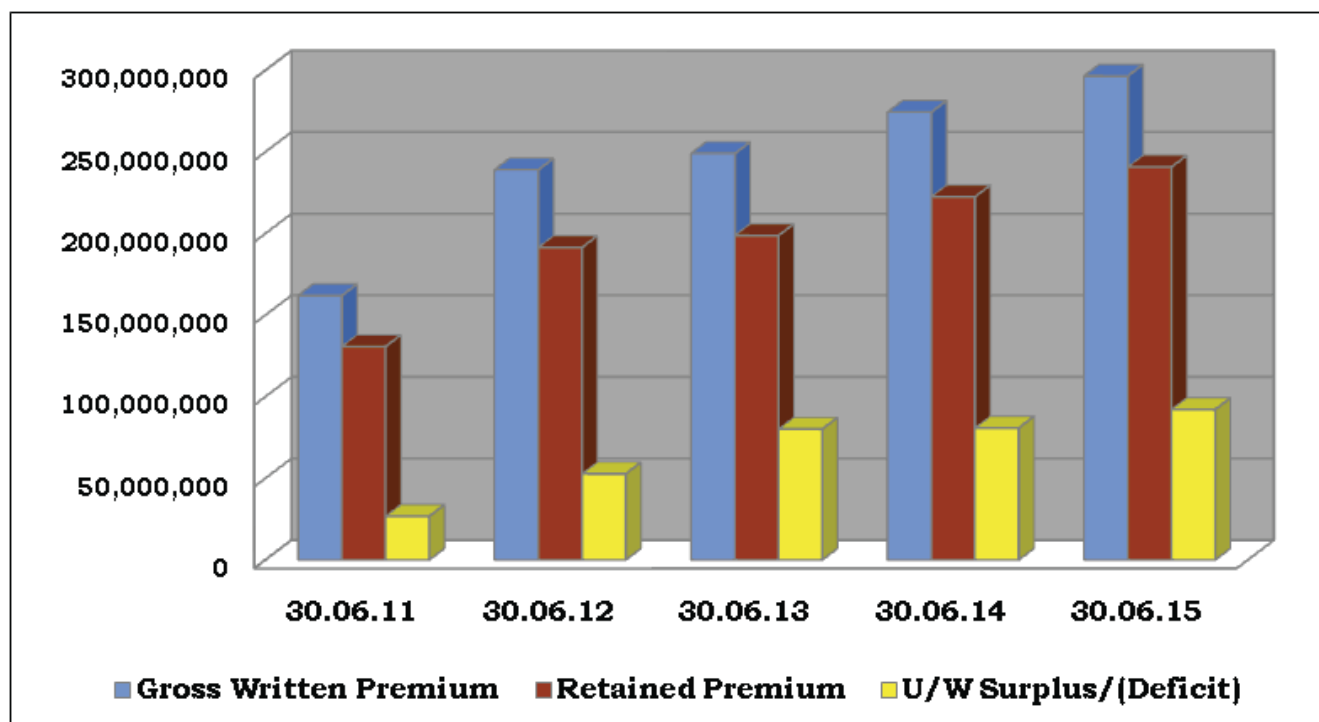
Motor
Engineering

Marine & Goods-in-Tran-sit
Pecuniary

During the year under report, the Company's proven quality of prudent underwriting was also borne out once again by the fact that every class of business it underwrote produced positive technical results. On 30 June 2015, the Company had achieved an Underwriting Surplus of Br 92,115,626 compared to a similar result of Br 80,800,348 for the previous year (2013/14), a respectable increase of 14% especially when its total written premiums grew by only 8.1%.

Though slightly less than for the previous year in percentage terms (51.55%), the Motor class of business again accounted for the lion's share (51.35%), of the Company's total Underwriting Surplus for the year ended 30 June 2015. The Pecuniary class of business with only 14.21%, was a very far second followed by the group of "small-premium" classes (Accident & Health/Personal Accident/Workmen's Compensation and General Liability) which produced 11.84% of the Surplus. The contribution of the Engineering class at 8.55% was significantly lower than the previous year (13.64%).

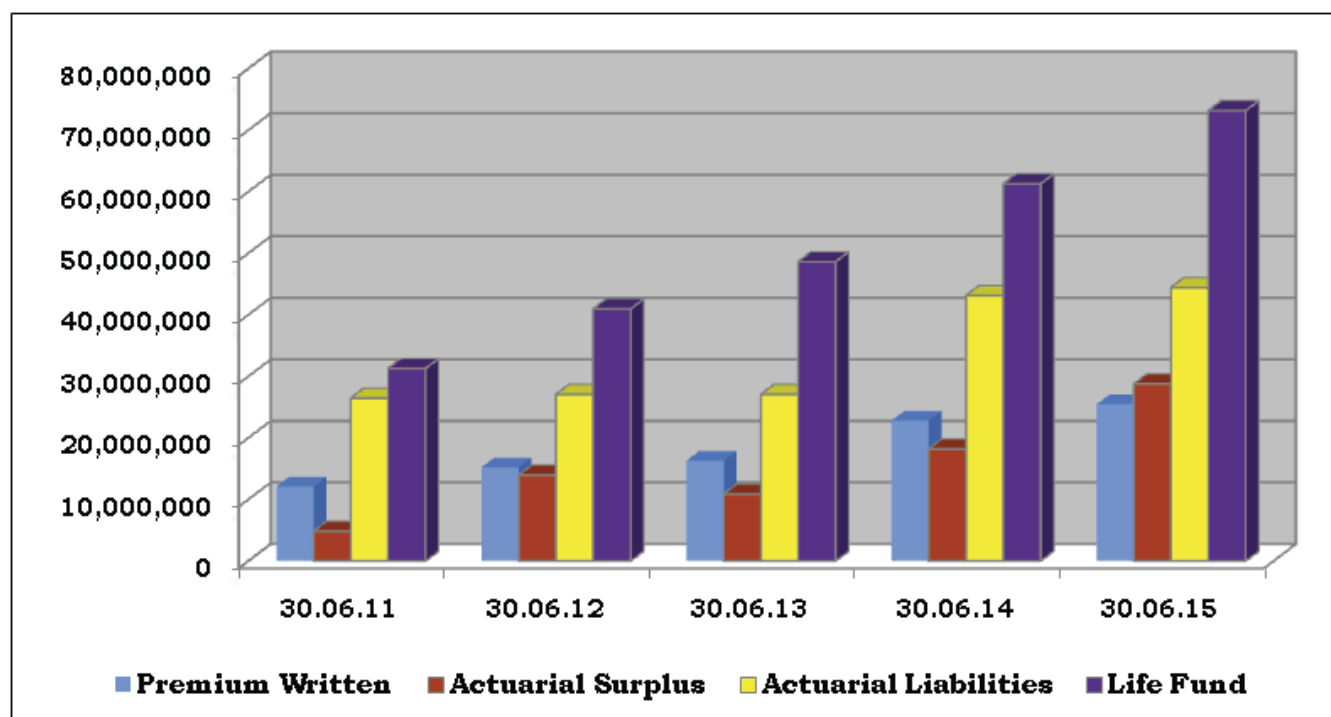
NON-LIFE BUSINESS



LIFE & MEDEXIN - Premium Growth & Overall Performance

At the close of the financial year on 30 June 2015, the Company's Life premiums had grown by 11.6% to reach Br.25,439,022. Having had an actuarial valuation carried out the previous year, the next such valuation will be carried out at the close of the current financial year, 30 June 2016. However, it has been the Company's practice to carry out its own internal valuation of the Life portfolio as of the Balance Sheet date to facilitate the drawing up of the Company's financial statements.

Using values obtained through such a procedure, we saw that while the two technical indicators of Actuarial Surplus and the Life Fund recorded robust increases of 58% and 31% respectively, the third technical indicator, Actuarial Liability increased by only 12%.

LIFE & MEDEXIN BUSINESS

Needless to say, the large increases in the first two indicators bore testimony to the progressively improving health and strength of our Company's Life Portfolio, the relatively low increase recorded by the third indicator reflected the commendable underwriting quality and prudent management of the Department's portfolio.

Performance Development - Consolidated

As had been explained earlier, our Company's Non-Life, written premium had grown by 8.1% while that of Life grew by 11.5% producing a combined Life and Non-Life premium of Br 321,904,307 for the year under report. The comparative figure for the previous year was Br 297,111,082. Though still much better than the industry average of 63%, the Company's Loss Ratio for the financial year ended 30 June 2015 reached 53%, thus recording a slight deterioration of 1% compared to the previous year.

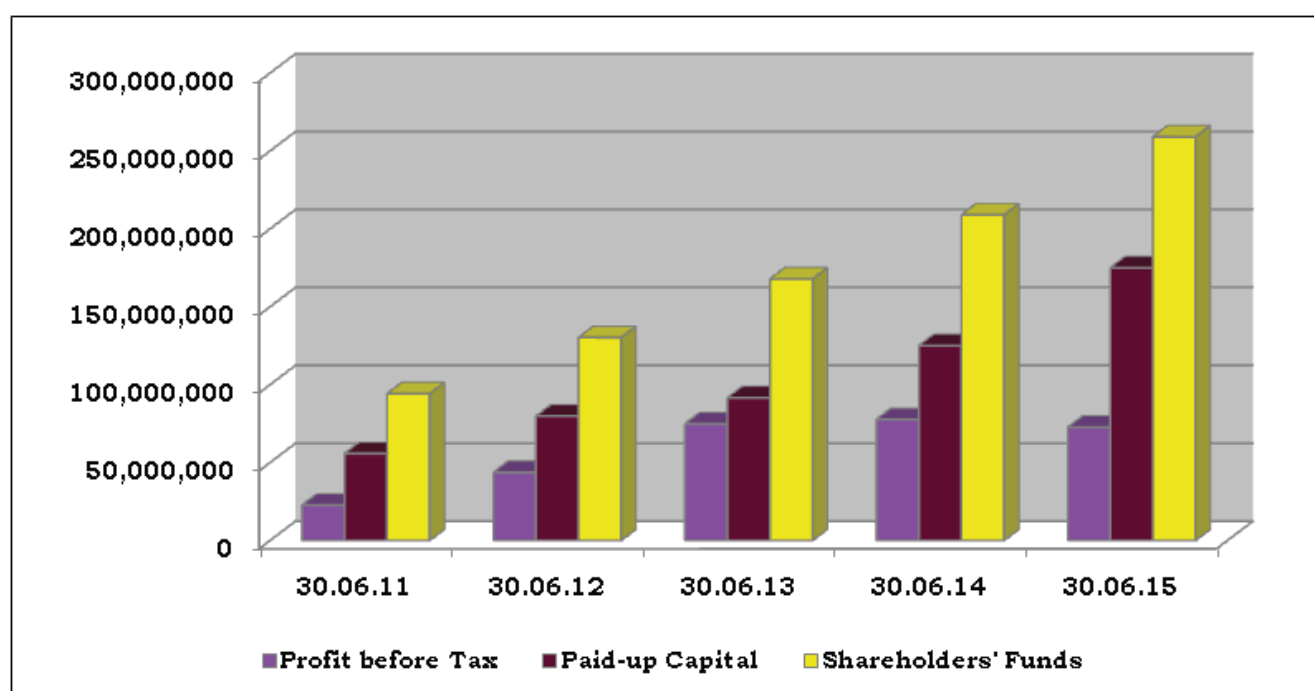
The year under report also witnessed a commendable increase in the market's retention ratio from 73% as at 30 June 2014 to 77% as at 30 June 2015. Our Company's retention ratio of 81% as at 30 June 2015 remained unchanged from that of the previous year.

Both its lower-than-market average premium growth as well as the slight deterioration in its Loss ratio notwithstanding, the Company's Non-Life portfolio had achieved, at the close of business on 30 June 2015, an Underwriting Surplus of Br 92,115,626, which was 14% more than the comparative result for the previous year. This was augmented substantially by incomes from such sources as Interest, Dividends and Rent, which combined to contribute Br 31,354,151 or 25.4% of the financial year's Total Income of Br 123,628,342. While the Total Income achieved was 14% higher than the comparative figure as at 30 June 2014, Total Expenses for the same period (Br 51,016,673) had increased by a significantly high rate of 34%. However, closer scrutiny of the figures revealed that the major contributor to such growth of Total Expenses was "Provision for Doubtful Debts", itself a consequence of a National Bank Directive which required that 100% of outstanding premiums be provided for fully as at 31 December 2014.

While the amount of such provision was (Br 5,277,034) as at 30 June 2014, the comparative figure for 30 June 2015 was Br4,135,810, resulting in a net negative effect of Br9,412,844. At slightly more than 25%, the increase in General & Administrative Expenses was lower than what was recorded for the previous year (35.5%) and reflected in part the continuing general increase in the cost of doing business.

At Br 72,611,669 as at 30 June 2015 against Br 72,201,186 for the previous year, Net Profit before Tax for both years were almost identical. As explained earlier in the report, while there was a transfer of surplus amounting to Br 5,400,000 from the Life business the previous year, there was no such transfer of surplus for the year under report. After providing Br 12,318,078 for Profit Tax, there remained a balance of Br 60,293,591 as Net Profit after Tax. The corresponding balance the previous year was Br 62,646,454.

CONSOLIDATED DEVELOPMENT INDICATORS



As may be observed from the Profit and Loss Account for the year ended 30 June 2015, there was also a substantial amount of Br 3,542,651 that was charged as "Prior Year Adjustments" which represented the court award made in favour of Agents and Brokers who had gone to court demanding that VAT charges on the commissions they were paid be borne by their principals, the insurance companies.

Shareholders will recall that following their decision at the 9th Extra-Ordinary General Meeting to increase its paid up capital, such capital stood at Br 175 million (Br 160 million for Non-Life and Br 15 million for Life) as at 30 June 2015.

Always keenly aware that volatility in the performance and/or results of insurance companies would remain an inherent character, your Directors continue to be encouraged by the performance of our Company as reflected by the foregoing indicators. They 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 commendable performance.

FUTURE PROSPECTS

Ethiopia's economy and its population are expected to continue to grow at decent rates and feature as one of the substantive economies of the sub-region. On the other hand, the return of double digit inflation exacerbated by increasingly severe foreign exchange shortage, the slow-down in China's growth performance, and India's aggressive magnetic pull of global foreign direct investment could all bear negatively on the Ethiopia's tempo of economic growth. Having presented a fairly lengthy report on the matter last year, your Directors believe they have said enough. It is sufficient to state that to continue the rapid rate of economic growth achieved by the country so far will very likely demand much more belt-tightening than hitherto.

As regards the worries your Directors expressed at the 20th AGM concerning continued policy ambivalence towards fair competition and level playing field for domestic financial sector companies, not much has changed. At the risk of sounding repetitive, your Directors continue to hold the view that whether Ethiopia accedes to the membership of institutions such as the COMESA FTA or the World Trade Organization 5 or 50 years from now, the training of our domestic companies in the art and science of fair competition should have started yesterday. Those who advise on and/or formulate policies of the sector had been hesitant, timid or afraid of making mistakes by not **liberalizing the domestic market for domestic companies**. Irrespective of the specific time table Ethiopia may agree with the said institutions to open its financial services sector, **and open it will have to one day**, the time to **liberalize the domestic market for domestic companies is now!** Failure to do so will prove to be no less than a grievous mistake history will neither forget nor forgive.

Our Company would continue to benefit from the peace and stability that prevails and the intense economic activities taking place in the country. As such, it would continue to perform well and remain one of the "strong" companies in the country.

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.



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



Meseret Bezabih
General Manager/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 accompanying financial statements of **The United Insurance Company SC <UNIC- ETHIOPIA>**, which comprise the balance sheet as at 30 June 2015, the Income Statement, Revenue Accounts, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 17 to 25 which have been prepared under the historical cost convention and the accounting policies on page 24 to 25.

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

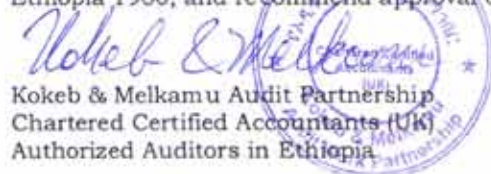
We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the management 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 2015 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
17 September 2015

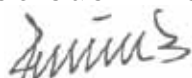
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THE UNITED INSURANCE COMPANY SC

BALANCE SHEET

AS AT 30 JUNE 2015

					Currency: Birr
	Notes	General Insurance	Long term Insurance	Total	30.06.14
ASSETS EMPLOYED					
CURRENT ASSETS					
Cash and bank balances		13,207,786	1,854,668	15,062,454	22,557,775
Bank deposits at interest		172,450,536	46,834,869	219,285,405	217,187,015
Debtors, deposit and prepayments	1(j),2	40,213,001	1,185,737	41,398,738	62,902,846
Due from reinsurers		-	338,117	338,117	175,157
Current account with Life Operations		(358,526)	358,526	-	-
		<u>225,512,797</u>	<u>50,571,917</u>	<u>276,084,714</u>	<u>302,822,793</u>
CURRENT LIABILITIES					
Outstanding claims	1(c),3	106,505,008	40,000	106,545,008	114,005,315
Profit tax payable	4	9,335,573	-	9,335,573	12,042,194
Due to reinsurers		38,243,455	1,927,144	40,170,599	29,520,527
Other creditors, accruals & provisions	5	<u>33,610,523</u>	<u>1,991,386</u>	<u>35,601,909</u>	<u>32,098,366</u>
		<u>187,694,559</u>	<u>3,958,530</u>	<u>191,653,089</u>	<u>187,666,402</u>
NET CURRENT ASSETS		<u>37,818,238</u>	<u>46,613,387</u>	<u>84,431,625</u>	<u>115,156,391</u>
NON-CURRENT ASSETS					
Investments	1(i),6	54,567,860	19,894,838	74,462,698	74,496,341
Leasehold land	7	4,275,618	-	4,275,618	3,019,926
Statutory deposit	8	24,000,000	2,250,000	26,250,000	18,750,000
Investment property	9	84,172,915	18,916,667	103,089,582	108,530,600
Fixed Assets	1(e),10	<u>163,256,591</u>	<u>602,537</u>	<u>163,859,128</u>	<u>78,551,343</u>
		<u>330,272,984</u>	<u>41,664,042</u>	<u>371,937,026</u>	<u>283,348,210</u>
NET TOTAL ASSETS		<u>368,091,222</u>	<u>88,277,429</u>	<u>456,368,651</u>	<u>398,504,601</u>
FINANCED BY					
NON-CURRENT LIABILITIES					
Land lease payable	11	2,220,667	-	2,220,667	966,955
Long term loan		-	-	-	21,305,871
		<u>2,220,667</u>	<u>-</u>	<u>2,220,667</u>	<u>22,272,826</u>
TECHNICAL PROVISIONS					
Unearned premiums	1(b)	112,580,390	-	112,580,390	103,077,620
Other Technical Provisions	1(d)	9,227,422	-	9,227,422	8,259,714
Life Fund	1(g),16	-	73,187,309	73,187,309	55,870,924
Profitability bonus for Life Policy holders		-	90,120	90,120	101,278
		<u>121,807,812</u>	<u>73,277,429</u>	<u>195,085,241</u>	<u>167,309,536</u>
SHAREHOLDERS' FUNDS					
Paid-up share capital	12	160,000,000	15,000,000	175,000,000	125,000,000
Share Premium		181,400	-	181,400	7,900
Legal reserve	13	33,159,762	-	33,159,762	27,524,031
Profit & loss account		<u>50,721,581</u>	<u>-</u>	<u>50,721,581</u>	<u>56,390,308</u>
		<u>244,062,743</u>	<u>15,000,000</u>	<u>259,062,743</u>	<u>208,922,239</u>
TOTAL NON CURRENT LIABILITIES, TECHNICAL PROVISIONS & SHAREHOLDERS' FUNDS		<u>368,091,222</u>	<u>88,277,429</u>	<u>456,368,651</u>	<u>398,504,601</u>



Zafu Eyesuswork Zafu
Chairman, Board of Directors



Meseret Bezabih
General Manager/CEO

THE UNITED INSURANCE COMPANY SC
PROFIT AND LOSS ACCOUNT AND
APPROPRIATION OF PROFIT
FOR THE YEAR ENDED 30 JUNE 2015

		Currency: Birr	
	Notes		30.06.14
NET PROFIT BEFORE TAX - GENERAL INSURANCE		72,611,669	72,201,186
PROFIT FROM LONG TERM INSURANCE		-	5,400,000
		72,611,669	77,601,186
PROVISION FOR PROFIT TAX	4	(12,318,078)	(14,954,732)
NET PROFIT AFTER TAX		60,293,591	62,646,454
TRANSFER TO LEGAL RESERVE	13	(6,029,359)	(6,264,645)
		54,264,232	56,381,809
PROFIT BROUGHT FORWARD	56,390,308		51,378,820
ADD: SHARE PREMIUM AVAILABLE FOR DISTRIBUTION	-		3,500,000
LESS: DISTRIBUTED DIVIDEND	(752,127)		(24,756,568)
REINVESTED STOCK DIVIDEND	(50,000,000)		(25,000,000)
DIRECTORS' REMUNERATION	16 (5,638,181)		(5,113,753)
		-	8,499
		54,264,232	56,390,308
LESS: PRIOR YEAR ADJUSTMENTS	20	(3,542,651)	-
NET PROFIT BEFORE APPROPRIATIONS		50,721,581	56,390,308
APPROPRIATIONS		-	-
BALANCE CARRIED TO BALANCE SHEET		50,721,581	56,390,308
Earnings per share	21	384.84	547.66

**THE UNITED INSURANCE COMPANY SC
GENERAL INSURANCE BUSINESS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015**

Currency: Birr

	<u>Notes</u>		30.06.14
INCOME			
Underwriting surplus	1(a)	92,115,626	80,800,348
Interest income		15,053,700	14,889,309
Dividend income		9,301,336	8,852,136
Rent income		6,999,115	5,408,212
Other income-miscellaneous		<u>158,565</u>	<u>315,876</u>
Total income		<u>123,628,342</u>	<u>110,265,881</u>
EXPENSES			
Employees' salaries & benefits	15	13,578,255	9,749,732
Directors' fixed emoluments	16	182,883	96,900
Depreciation & amortization		9,673,379	9,052,838
Provision for doubtful debts		4,135,810	(5,277,034)
Audit fee		74,974	57,673
Financial expenses		842,669	6,404,189
General & administrative expenses	17	<u>22,528,703</u>	<u>17,980,397</u>
Total expenses		<u>51,016,673</u>	<u>38,064,695</u>
NET PROFIT BEFORE TAX		<u>72,611,669</u>	<u>72,201,186</u>

**THE UNITED INSURANCE COMPANY SC
GENERAL INSURANCE BUSINESS
REVENUE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015**

			<u>Currency: Birr</u>
	<u>Notes</u>		30.06.14
Gross written premiums		296,465,285	274,310,968
Less: Premium ceded		<u>(78,656,366)</u>	<u>71,236,761</u>
Net written premium		217,808,919	203,074,207
Less: Change in unearned premium		<u>9,502,770</u>	<u>14,993,934</u>
Net earned premium		208,306,149	188,080,273
Add: Commission from Re-insurers		<u>22,898,445</u>	<u>19,375,267</u>
		<u>231,204,594</u>	<u>207,455,540</u>
Less:			
Net claims incurred		110,949,802	98,445,767
Commissions		13,196,391	14,136,958
Increase in technical provisions	14	967,707	3,357,546
Other technical expenses		<u>13,975,068</u>	<u>10,714,921</u>
		<u>139,088,968</u>	<u>126,655,192</u>
Underwriting surplus transferred to profit & loss account	1(a)	<u>92,115,626</u>	<u>80,800,348</u>

**THE UNITED INSURANCE COMPANY SC
LONG TERM INSURANCE BUSINESS
REVENUE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015**

Currency: Birr

	<u>Notes</u>		<u>30.06.14</u>
INCOME			
Life assurance fund at 30 June 2014		55,870,924	48,606,236
Outstanding claims at 30 June 2014		46,059	939,947
Net premium income		13,996,778	9,780,652
Commissions income		<u>4,819,442</u>	<u>1,380,234</u>
		<u>74,733,203</u>	<u>60,707,069</u>
<u>LESS:</u>			
Life assurance fund at 30 June 2015		73,187,309	55,870,924
Outstanding claims at 30 June 2015		40,000	46,059
Net claims incurred		3,817,204	1,664,361
Commission expense		1,024,081	681,969
Policy holders' dividend		-	5,523
Other outgo		<u>335</u>	<u>3,910</u>
		<u>78,068,929</u>	<u>58,272,746</u>
Gross operating Income		(3,335,726)	2,434,323
Other income			
Interest and others		<u>7,459,367</u>	<u>5,872,451</u>
		<u>4,123,641</u>	<u>8,306,774</u>
EXPENSES			
Employees' salaries and benefits	15	1,210,722	944,256
Directors' fixed emoluments	16	28,925	17,100
Depreciation and amortization		1,154,305	269,014
Audit fee		13,231	7,947
Actuaries' fee		-	125,000
Financial expenses		95,311	82,206
General and administrative expenses	17	<u>1,621,147</u>	<u>1,461,251</u>
		<u>4,123,641</u>	<u>2,906,774</u>
Profit appropriated		<u>-</u>	<u>5,400,000</u>

THE UNITED INSURANCE COMPANY SC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

Currency: Birr

CASH FLOWS FROM OPERATING ACTIVITIES

2014

Net profit before taxation	72,611,669	77,601,186
Prior year adjustment	(3,936,279)	-
Investment income	(38,813,518)	(34,967,616)
Interest expense	347,730	4,915,611
Gain on disposal of fixed asset	-	(78,652)
Depreciation and amortization	10,837,308	9,323,134
Decrease in debtors	18,172,641	6,653,826
Increase/Decrease/ in amount due to re-insurers	10,650,072	(3,643,797)
/Increase/Decrease in due from reinsurers	(162,960)	3,600,135
Increase in outstanding claims and IBNR	(7,460,307)	6,266,118
(Decrease) Increase in technical provision	27,775,705	25,577,359
Increase in other creditors ,accruals and provisions	4,857,712	2,913,974
	94,879,773	98,161,278
Profit tax paid and withholding deducted	(15,024,699)	(15,774,359)
Net cash inflow from operating activities	79,855,074	82,386,919

INVESTING ACTIVITIES

Investment in equity	(2,096,500)	(20,868,750)
Purchase/construction of fixed assets	(90,270,800)	(45,030,086)
Purchase/additions of investment property	(240,138)	(113,743,860)
Proceeds/adjustment from the sale of fixed assets	-	87,376
Loan to/collection from Life policy holders	(244,857)	(190,416)
Lease settlement	(195,117)	(74,381)
Investment income received	43,022,827	35,777,276
Net cash used in investing activities	(50,024,585)	(144,042,841)

FINANCING ACTIVITIES

Dividend paid	(1,489,808)	(25,603,878)
Interest paid	(1,842,060)	(3,421,281)
Directors' remuneration	(5,638,181)	(5,113,753)
Premium refund/received-net	173,500	(77,100)
Loan settled/obtained net	(21,305,871)	21,305,871
Increase in statutory deposit	(5,125,000)	(5,019,829)
Additional cash received for shares issued	-	8,465,525
Net cash outflows from financing activities	(35,227,420)	(9,464,445)

Decrease in cash and bank balances	(5,396,931)	(71,120,367)
Cash and bank balances at the beginning of the year	239,744,790	310,865,157
Cash and bank balances at the end of the year	234,347,859	239,744,790

THE UNITED INSURANCE COMPANY SC
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Currency: Birr			
	<u>Paid up Capital</u>	<u>Share premium</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>
Balance as as 1 July 2013	91,534,475	3,585,000	21,259,386	51,378,819
Prior year adjustment			-	-
Premium refund		(77,100.00)	-	-
Premium availed for distribution	-	(3,500,000)	-	3,500,000
Amount reinvested from profit	30,776,354	-	-	(30,776,354)
Proceeds from sales of shares	2,689,171	-	-	-
Dividend and remuneration paid	-	-	-	(24,093,966)
Net profit for the year	-	-	-	62,646,454
Transfer to legal reserve	-	-	6,264,645	(6,264,645)
	33,465,525	(3,577,100)	6,264,645	5,011,489
Balance as at 30 June 2014	125,000,000	7,900	27,524,031	56,390,308
Changes for 2014/2015				
Prior year adjustment			(393,628)	(3,542,651)
Amount reinvested from profit	49,466,463	-		(49,466,463)
Proceeds from sales of shares	533,537	173,500		
Dividend and remuneration paid	-	-		(6,923,845)
Net profit for the year	-	-	-	60,293,591
Transfer to legal reserve	-	-	6,029,359	(6,029,359)
	50,000,000	173,500	5,635,731	(5,668,727)
Balance as at 30 June 2015	175,000,000	181,400	33,159,762	50,721,581

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

(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

In compliance with the Insurance Business Proclamation 746/2012, the Company ceased to give insurance on credit basis, except for governmental organizations, since August 22, 2012. Per the directive of the National Bank of Ethiopia, 100% provision is maintained for trade receivables not collected until December 31, 2014.

(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 received.

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. DEBTORS, DEPOSITS AND PREPAYMENTS

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.14
Trade Debtors	23,284,832	-	23,284,832	25,353,628
Less: Provision	22,475,828		22,475,828	18,340,018
	809,004		809,004	7,013,610
Coinsureres	3,058,412		3,058,412	280,202
Staff Debtors	58,258	-	58,258	133,283
Deposit and Prepayment	23,203,157	-	23,203,157	38,267,629
Accrued Interest & rent rec.	4,544,108	1,188,266	5,732,374	9,063,841
Sundry Debtors	8,540,062	(2,529)	8,537,533	8,144,281
	<u>40,213,001</u>	<u>1,185,737</u>	<u>41,398,738</u>	<u>62,902,846</u>

- 2.1 Deposits and prepayments include Br7,448,100, Br2,783,252 and Br10,559,671, which represent advances made to M/S Tracon Trading PLC for the supply of aluminum in connection with Akaki Kality construction project, M/S National Mining Corporation PLC for supply of Marble for Akaki Kality construction project and to M/S Zamera Construction PLC in connection with the Head Office Building project at Tewodros Square respectively.
- 2.2 Sundry debtors' balance comprises Br4, 979,598 recoverable from a contractor in connection with advance and performance guarantees issued to a third party following defaults.

3.OUTSTANDING CLAIMS

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.14
Life – Group Term	-	40,000	40,000	46,059
Personal Accident	662,772	-	662,772	765,824
Workmen's Compensation	1,226,732	-	1,226,732	1,679,936
Motor	89,484,610	-	89,484,610	94,814,071
Marine Cargo & Transit	2,538,286	-	2,538,286	3,689,155
Fire & General Accident	533,728	-	533,728	1,011,975
Engineering	3,335,244	-	3,335,244	2,923,784
General Liability	3,917,818	-	3,917,818	3,957,986
Pecuniary	4,805,818	-	4,805,818	5,116,525
	<u>106,505,008</u>	<u>40,000</u>	<u>106,545,008</u>	<u>114,005,315</u>

Out of the total outstanding claims of Br106,505,008 for general insurance, Br 20,830,615 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 2015

4. PROFIT TAX PAYABLE

		30.06.14
Profit before tax	72,611,669	77,601,186
Prior year expenses	(3,936,279)	-
Add: Disallowable expenses	<u>2,706,780</u>	<u>1,730,995</u>
Staff/Customers entertainment	251,137	535,539
Giveaway items	240,015	127,641
Staff award expense	77,000	42,000
Fines and penalties	1,790	14,588
Shareholders' meeting expenses	1,926,838	1,011,227
Gifts and donations	<u>210,000</u>	<u>1,730,995</u>
	71,382,170	79,332,181
Less: Income taxed at source		
Dividend income (Life and Non-life)	(12,323,420)	(11,734,600)
Interest on bank deposits (Life and Non-life)	<u>(17,998,491)</u>	<u>(17,748,474)</u>
Taxable profit	<u>41,060,259</u>	<u>49,849,107</u>
Provision for tax (30%)	12,318,078	14,954,732
Prepaid Profit tax (Life Br282,293, Non Life Br2,700,212)	<u>(2,982,505)</u>	<u>(2,912,538)</u>
Profit tax payable	<u>9,335,573</u>	<u>12,042,194</u>

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

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

5.OTHER CREDITORS, ACCRUALS AND PROVISIONS

	<u>GENERAL INSURANCE</u>	<u>LONG TERM INSURANCE</u>	<u>TOTAL</u>	<u>30.06.14</u>
Sundry creditors	2,964,749	-	2,964,749	1,643,037
Deposits	-	1,857,141	1,857,141	1,565,798
Deferred income	2,442,903	-	2,442,903	2,698,027
Rent advance	2,312,448		2,312,448	1,434,606
Interest payable	-		-	1,494,330
Debtors with credit balance	3,432,621		3,432,621	2,676,304
Uncollected checks	2,654,836		2,654,836	2,769,592
Claims payable	1,397,884		1,397,884	344,195
Retention	4,516,371		4,516,371	1,663,414
Commission payable	3,015,318	-	3,015,318	5,434,762
Provisions	5,734,992	107,535	5,842,527	4,413,514
Accrued charges	886,456	26,710	913,166	971,161
Dividend payable	4,251,945	-	4,251,945	4,989,626
	<u>33,610,523</u>	<u>1,991,386</u>	<u>35,601,909</u>	<u>32,098,366</u>

Sundry creditors include, among other items, Br 770,952 insurance fund charge payable and Br 967,576 VAT payable. Retention fees payable include Br 114,373 for BahirDar Building, Br 604,282 for Akaki Kality Building project and Br 3,792,216 for Head Office Building at Tewodros Square. Provisions include Br 4,588,120 for staff leave and bonus pay, Br 1,000,000 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 2015

6. INVESTMENTS

	<u>GENERAL INSURANCE</u>	<u>LONG TERM INSURANCE</u>	<u>TOTAL</u>	<u>30.06.14</u>
Equity Investment				
United Bank SC	37,743,200	12,256,800	50,000,000	50,000,000
Share premium at United Bank SC	1,049,660	344,090	1,393,750	1,393,750
Raya Beer SC	7,000,000	5,000,000	12,000,000	12,000,000
Share premium at Raya Beer SC	350,000	250,000	600,000	600,000
Raaz Transport SC		1,500,000	1,500,000	-
Share premium at RAAZ Transport SC		96,500	96,500	-
Ethiopian Reinsurance SC	500,000		500,000	
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	2,625,000		2,625,000	5,000,000
Loans to life policy holders	-	447,448	447,448	202,591
	<u>54,567,860</u>	<u>19,894,838</u>	<u>74,462,698</u>	<u>74,496,341</u>

7. LEASEHOLD LAND

Leasehold periods for the land acquired at Bahir Dar and Kality , Bole Medhanealem are 60 , 50 and 12 years respectively.

	<u>GENERAL INSURANCE</u>	<u>LONG TERM INSURANCE</u>	<u>TOTAL</u>	<u>30.06.14</u>
Cost or valuation				
Bahir Dar	707,400	-	707,400	707,400
Kality	3,264,729		3,264,729	3,264,729
Bole Medhanealem	1,448,829	-	1,448,829	-
	<u>5,420,958</u>	<u>-</u>	<u>5,420,958</u>	<u>3,972,129</u>
Accumulated Amortization				
Bahir Dar	193,770	-	193,770	181,980
Kality	830,834	-	830,834	770,223
Bole Medhanealem	120,736	-	120,736	-
	<u>1,145,340</u>	<u>-</u>	<u>1,145,340</u>	<u>952,203</u>
NET BOOK VALUE	<u>4,275,618</u>	<u>-</u>	<u>4,275,618</u>	<u>3,019,926</u>

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8. STATUTORY DEPOSIT

This is an amount deposited in Government securities 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.

The Statutory deposit has been sanctioned for the acquisition of the Great Renaissance Dam Bond.

9. INVESTMENT PROPERTY

	<u>GENERAL INSURANCE</u>	<u>LONG TERM INSURANCE</u>	<u>TOTAL</u>	<u>30.06.14</u>
Building cost	93,743,860	20,000,000	113,743,860	113,743,860
Addition	240,138	-	240,138	-
	93,983,998	20,000,000	113,983,998	113,743,860
Less: Depreciation	9,811,083	1,083,333	10,894,416	5,213,260
	<u>84,172,915</u>	<u>18,916,667</u>	<u>103,089,582</u>	<u>108,530,600</u>

The Company acquired a multi-purpose building in Addis Ababa Bole Sub city for Birr 108,100,000 in an open tender during a foreclosure by the United Bank. Birr 5,883,998 was additionally paid in connection with title transfer fees.

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10. FIXED ASSETS

	<u>General Insurance</u>			<u>Long term Insurance</u>			
	Balance			Balance	Balance		Balance
COST	1/7/2014	Additions	Disposal	30/6/2015	1/7/2014	Additions	Transfer
Property at Kality Area	32,162,656	21,484,910	-	53,647,566	-	-	-
Property at Tewodrose Sq.	26,173,552	63,611,583	-	89,785,135	-	-	-
Building at Bahir Dar	5,737,019	-	-	5,737,019	-	-	-
Office furniture & equipment	7,133,554	415,127	-	7,548,681	104,529	45,622	150,151
Computers and related	9,669,493	1,111,301	-	10,780,794	77,974	15,160	93,134
Motor vehicles	20,416,852	3,712,097	-	24,128,949	1,242,628	-	(125,000)
Sub total	101,293,125	90,335,018	-	191,628,143	1,425,131	60,782	(125,000)
ACCUMULATED DEPRECIATION							
Constructions in use	2,725,840	441,890	-	3,167,730	-	-	-
Office furniture & equipment	3,599,694	795,021	-	4,394,715	72,135	10,695	82,830
Computers and related	6,139,001	1,158,004	-	7,297,005	53,634	3,260	56,894
Motor vehicles	11,011,855	2,500,248	-	13,512,103	564,757	53,895	618,652
Sub total	23,476,390	4,895,163	-	28,371,553	690,526	67,850	-
NET BOOK VALUE	77,816,736			163,256,591	734,605		602,537

Computers and accessories include Birr 7,117,836, being cost of software, hardware, servers, installation, implementation, networking and other related costs in connection with an integrated insurance management information system implementation project.

11. LAND LEASE PAYABLE

	<u>GENERAL INSURANCE</u>	<u>LONG TERM INSURANCE</u>	<u>TOTAL</u>	<u>30.06.14</u>
Land lease payables	2,220,667	-	2,220,667	966,955

The balance is due to the Addis Ababa City Administration in connection with Kality and Bole Medhanealem leaseholds.

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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

	No. OF SHARES	AMOUNT	30.06.14
Authorized	<u>250,000</u>	<u>250,000,000</u>	<u>250,000,000</u>
Subscribed	175,000	175,000,000	100,000,000
Fully paid	175,000	175,000,000	125,000,000

The amount stated as subscribed capital represents the total outcome of the provisions of Resolution No. UNIC/AGM20/04/2014 of the 9th Extra-Ordinary meeting of shareholders which was held on 11 November 2014 as stipulated under Article 8, 9 and 13 of the Article of Association of the Company.

13. 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.

14. INCREASE IN TECHNICAL PROVISION

The provision represents:

Increase in provision for natural and man made perils
as per 1 (d)

	30.06.14
<u>967,707</u>	<u>3,357,546</u>

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

15. 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:

		30.06.13
Total employees salaries and benefits	27,442,986	19,770,334
Less : Apportioned to Life Operations	(286,476)	(270,871)
	27,156,510	19,499,463
Employees salaries and benefits transferred to Revenue Account (50%)	13,578,255	9,749,732
Balance on Profit and Loss Account (50%)	13,578,255	9,749,731

The Company maintains provident fund and pension schemes for employees where it contributes 14% for provident and pension schemes (adjusting the difference with the pension) on the basis of employees' basic salaries. All employees' benefits are in accordance with the Labour Proclamation No. 377/2003 and Labour Proclamation Amendment No. 494/2006.

As of June 30, 2015, the Company has 275 employees: 127 men and 148 women.

16. DIRECTORS' REMUNERATION

This represents remuneration to directors and incentive to chief executive officer which was paid in connection with the Company's 7.5% and 2.5% of the net profit for the year ended 30 June 2014, respectively. Effective 1 September 2014, the National Bank of Ethiopia issued Directive No. SBB/49/2011 titled "Limits on Board Remuneration and Number of Employees Who Sit on the Board of an Insurer". Accordingly to the Directive, annual board compensation to a director shall not exceed Birr 50,000 and the monthly allowances paid to a director shall not exceed Birr 2,000.

THE UNITED INSURANCE COMPANY SC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

17. GENERAL AND ADMINISTRATIVE EXPENDITURES

	<u>GENERAL</u> <u>INSURANCE</u>	<u>LONG TERM</u> <u>INSURANCE</u>	<u>TOTAL</u>	<u>30.06.14</u>
Shareholders' meeting expenses	1,682,812	244,026	1,926,838	1,011,227
Advertising and promotions	3,446,652	350,276	3,796,928	3,224,399
Stationeries, printing & office supplies	1,504,638	368,377	1,873,015	1,701,834
Rent	8,568,990	159,463	8,728,453	7,027,814
Communication	1,702,216	1,914	1,704,130	1,464,958
Transport and travel	1,936,112	74,276	2,010,388	1,972,355
Repairs and maintenance	1,462,598	35,040	1,497,638	1,647,058
Property insurance	495,988	20,923	516,911	398,063
Gifts and donation	220,000	-	220,000	-
Professional services other than audit	522,243	-	522,243	114,135
Other general and admin. expenses	986,454	366,852	1,353,306	879,805
	<u>22,528,703</u>	<u>1,621,147</u>	<u>24,149,850</u>	<u>19,441,648</u>

18. ACTUARIAL VALUATIONS

As per the accounting policy stipulated under note 1(f) here in the actuarial valuation was not done for the year ended 30 June 2015.

19. CASH AND CASH EQUIVALENT

	<u>2015</u>	<u>2014</u>	<u>CHANGE</u>	<u>30.06.14</u>
Cash & bank balances	15,062,454	22,557,775	(7,495,321)	(31,172,763)
Bank deposits at interest	219,285,405	217,187,015	2,098,390	(39,947,604)
	<u>234,347,859</u>	<u>239,744,790</u>	<u>(5,396,931)</u>	<u>(71,120,367)</u>

Cash & bank balances include Birr 1,044,759 blocked in connection with legal proceedings existing in different courts.

20. PRIOR PERIOD ADJUSTMENTS

The value added tax and turnover tax proclamation no. 285/2002 and 308/2002 states that activities such as rendering of financial services are exempted from Value Added Tax (VAT) and Turn over Tax (TOT). Commission payment for insurance intermediaries is being part and parcel of rendering insurance services; the company did not added and paid VAT or TOT while paying commission for insurance intermediaries for a long time. The Federal High Court has decided against all insurance Companies to refund VAT & TOT to the insurance intermediaries which have been paid to the Ethiopian Customs Authority, in its judgment rendered on 09.07.2007 E.C.

The balance is arrived at as follows

Total VAT/TOT paid	3,936,279	
Less: Decrease in legal reserve (10%)		393,628
Decrease in retained profit	3,542,651	

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 287,539,600 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 30.06.14 were rearranged in these accounts.

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THE UNITED INSURANCE COMPANY SC

Branch Offices

City Branches			
Branch Name	P.O.Box	Tel.	Fax
Addis Ketema	183091	011 276 2575	011 276 6868
Arada	25869	011 155 8787	011 155 8788
AratKilo	1156	011 156 1162	011 156 4798
Ayer-Tena	1156	011 347 1798	011 347 1799
Beklo Bet	17340	011 665 5225	011 465 5246
Bole Medhanialem	1156	011 662 5799	011 662 5814
Gotera	1156	011 467 2211	011 467 1630
Gullele	183091	011 155 9986	011 155 9898
Head Office Branch	1156	011 465 5656	011 465 3258
Kality	1156	011 442 3917	011 442 3916
Kazanchis	1156	011 558 5047	011 558 5038
Kirkos	42285	011 550 2956	011 550 9898
Leghar	1156	011 550 6052	011 551 6788
Lideta	40045	011 554 5756	011 554 5755
Lion	661/1110	011 551 5656	011 553 4799
Megenagna	1156	011 618 0223	011 618 0983
Mesalemia	50118	011 275 5268	011 275 5271
Misrak	10164	011 662 8121	011 662 3599
Teklehaimanot	1156	011 276 6608	011 213 9107
Upcountry Branches			
Adama	896	022 111 3426	022 112 0207
Bahir Dar	1082	058 220 1777	058 220 1798
Bishoftu		011 437 1634	011 433 0925
Dessie	1185	033 111 1128	033 111 1129
Dire Dawa	2199	025 111 0280	025 111 4099
Gonder	39	058 111 4626	058 111 4616
Hawassa	931	046 220 6610	046 220 3793
Jimma	1308	047 111 9440	047 111 9490
Mekelle	1395	034 440 3934	034 440 3933
Hosaena	419	046 555 2151	046 555 3091

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THE UNITED INSURANCE COMPANY SC

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