

# General Business Profit and Loss Account

For the year ended 31 December, 2006

|   | Note | Company           |                   |
|---|------|-------------------|-------------------|
|   |      | 2006<br>GH¢       | 2005<br>GH¢       |
| Gross premium   | 2    | 44,581,800        | 36,388,700        |
| Less: Re-insurance  | 2    | (19,536,400)      | (8,898,100)       |
| <b>Net premium</b>  |      | <b>25,045,400</b> | <b>27,490,600</b> |
| Unearned premium  | 3    | 1,477,800         | (4,602,900)       |
| <b>Premium earned</b>   |      | <b>26,523,200</b> | <b>22,887,700</b> |
| Claims incurred   | 4    | (8,585,400)       | (9,235,900)       |
| Commissions(net)  | 5    | (13,700)          | (645,700)         |
| Management expenses   | 6    | (17,317,800)      | (12,223,700)      |
| <b>Underwriting profit</b>  |      | <b>606,300</b>    | <b>782,400</b>    |
| Investment income   | 7    | 2,288,000         | 1,471,600         |
| Other income  | 8    | 1,125,200         | 228,500           |
| <b>Profit before tax</b>  |      | <b>4,019,500</b>  | <b>2,482,500</b>  |
| Taxation  | 9(c) | (846,500)         | (32,900)          |
| National reconstruction levy                                      | 9(b) | (221,100)         | (186,200)         |
| <b>Profit after tax transferred to<br/>Income surplus account</b> |      | <b>2,951,900</b>  | <b>2,263,400</b>  |

## Consolidated Balance Sheet

As at 31 December, 2007

|                               | Note  | 2006              |                   | 2005 |  |
|-------------------------------|-------|-------------------|-------------------|------|--|
|                               |       | GH¢               |                   | GH¢  |  |
| Stated capital                | 10    | 2,500,000         | 2,500,000         |      |  |
| Capital surplus               | 11    | 20,719,900        | 20,719,900        |      |  |
| Income surplus                |       | 1,829,700         | 1,515,200         |      |  |
| Contingency reserve           | 12    | 5,549,300         | 4,211,800         |      |  |
| <b>Shareholders funds</b>     |       | <b>30,598,900</b> | <b>28,946,900</b> |      |  |
| <b>Represented by:</b>        |       |                   |                   |      |  |
| Property, plant and equipment | 13(a) | 16,370,700        | 16,908,000        |      |  |
| Investment properties         | 13(b) |                   | -                 |      |  |
| Long term investment          | 14    | 16,394,500        | 15,643,100        |      |  |

|                                  |      |                    |             |
|----------------------------------|------|--------------------|-------------|
| Investment in subsidiary         | 15   |                    |             |
| Investment in associated company | 16   |                    | -           |
|                                  |      | <b>32,765,200</b>  | 32,551,100  |
| <b>Current assets</b>            |      |                    |             |
| Short term investments           | 17   | <b>9,918,700</b>   | 8,002,900   |
| Lease deposit                    | 18   |                    | 295,000     |
| Trade & other receivables        | 19   | <b>17,104,400</b>  | 8,823,300   |
| Inventories                      |      | <b>286,600</b>     | 284,700     |
| Cash and bank balances           |      | <b>4,016,700</b>   | 3,085,900   |
|                                  |      | <b>31,326,400</b>  | 20,491,800  |
| <b>Current liabilities</b>       |      |                    |             |
| Provision for unearned premium   | 3    | <b>12,913,700</b>  | 14,391,500  |
| Provision for claims             |      | <b>4,662,800</b>   | 1,958,000   |
| Trade & other payables           | 20   | <b>10,859,100</b>  | 3,532,600   |
| Taxation                         | 9    | <b>727,900</b>     | 473,200     |
| Proposed dividend                |      | <b>1,300,000</b>   | 800,000     |
| Obligation under finance lease   | 21   | <b>138,000</b>     | 158,400     |
|                                  |      | <b>30,601,500</b>  | 21,313,700  |
|                                  |      | <b>724,900</b>     | (821,900)   |
| <b>Net current assets</b>        |      |                    |             |
| Obligations under finance lease  | 21   | <b>(283,400)</b>   | (174,400)   |
| Deferred tax                     | 9(d) | <b>(2,607,900)</b> | (2,607,900) |
|                                  |      | <b>(2,891,300)</b> | (2,782,300) |
|                                  |      | <b>30,598,800</b>  | 28,946,900  |

## Consolidated cash flow statement

For the year ended 31 December, 2006

|   |      | <b>2006</b>        | 2005        |
|---|------|--------------------|-------------|
| <b>Net cash flow from operating activities</b>    | Note | <b>GH¢</b>         | GH¢         |
| Operating profit                                  | 22   | <b>4,465,100</b>   | 224,200     |
| Depreciation                                      |      | <b>1,411,400</b>   | 1,605,700   |
| Profit on disposal of property, plant & equipment |      | <b>(7,100)</b>     | (44,200)    |
| (Increase) in provision for unearned premium      |      | <b>(1,477,800)</b> | 4,602,900   |
| Increase in receivables                           |      | <b>(8,639,800)</b> | 1,025,200   |
| Increase in inventories                           |      | <b>(24,600)</b>    | (9,000)     |
| Increase in trade & other payables                |      | <b>8,757,100</b>   | (3,653,400) |
| Increase in provision of claims                   |      | <b>2,865,700</b>   | (901,700)   |
| Change in Life Fund                               |      | <b>3,279,300</b>   | 3,473,400   |
| Increase in lease obligations                     |      | <b>88,600</b>      | (216,900)   |

|  |                    |             |
|--|--------------------|-------------|
| Increase in lease deposits                                 | <b>295,000</b>     |             |
| <b>Net cash flow before financing activities</b>           | <b>11,012,900</b>  | 6,106,200   |
| <b>Taxation</b>  |                    |             |
| Tax paid   | <b>(812,900)</b>   | (1,185,000) |
| <b>Investing activities</b>                                |                    |             |
| Acquisition of property, plant and equipment               | <b>(955,600)</b>   | (1,667,600) |
| Proceeds from sale of property, plant and equipment        | <b>7,100</b>       | 76,400      |
| <b>Net cash inflow/(outflow) from investing activities</b> | <b>(948,500)</b>   | (1,591,200) |
| <b>Financing activities</b>                                |                    |             |
| Purchase of long term investments                          | <b>(1,213,200)</b> | (1,359,900) |
| Investment in subsidiary                                   | -                  |             |
| Investment in associated company                           | -                  | -           |
| Dividend received  | <b>69,900</b>      | 386,400     |
| Interest received  | <b>741,600</b>     | 2,754,900   |
| Dividend paid  | <b>(1,000,000)</b> | (400,000)   |
| <b>Net cash flow from servicing of finance</b>             | <b>(1,401,700)</b> | 1,381,400   |
| Changes in cash and cash equivalent                        | <b>7,849,800</b>   | 4,711,400   |
| Cash at 1 January  | <b>23,394,700</b>  | 18,683,300  |
| Cash at 31 December  | <b>31,244,500</b>  | 23,394,700  |
| <b>Analysis of changes in cash and cash equivalent</b>     |                    |             |
| Cash and bank  | <b>4,016,700</b>   | 3,085,900   |
| Short term investments                                     | <b>9,918,700</b>   | 8,002,900   |
|  | <b>13,935,400</b>  | 11,088,800  |

## Notes to the consolidated financial statements

For the year ended 31 December, 2006

### 1. Basis of accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain landed properties and in accordance with Ghana National Accounting Standards.

### Accounting policies

The following policies have been used consistently in dealing with items which are considered material in relation to the group's financial statements.

**a)Property, plant & equipment**

Depreciation has been provided using the straight-line method so as to write-off the gross

value of assets over their estimated useful lives at the following rates:

|                     |        |           |
|---------------------|--------|-----------|
| Motor vehicles      | 25%    | per annum |
| Office furniture    | 10%    | "         |
| Household furniture | 20%    | "         |
| Freehold properties | 2.5%   | "         |
| Office equipment    | 25%    | "         |
| Computers           | 33.33% | "         |

Leasehold properties are amortised over the life of the lease.

**b)Trade receivables**

Trade receivables are stated after providing for debts considered to be doubtful of collection.

**c)Investment property**

Investment property, which is property held to earn rentals and/or capital appreciation, is measured

**d)Finance lease**

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the

## **SIC Insurance Company Limited**

### **Notes to the consolidated financial statements**

**For the year ended 31 December, 2007 - continued**

**e)Outstanding claims**

Full provision is made for the estimated cost of claims notified but not settled at the balance sheet date using the best information available at that time.

In the case of claims incurred but not reported at the balance sheet date a further provision of 20% calculated on estimated amount of outstanding claims is made in respect of all non-life business.

Outstanding claims are stated net of recoveries.

**f)Unearned premium reserve**

Provision for unearned premium which is calculated on the basis of total net premiums is made up as follows:

- i) For businesses other than the marine not less than 45% of the net premium; and
- ii) For marine businesses not less than 75% of the net premium.

**g)Premium recognition**

- i) General business other than marine and aviation:

Premiums in respect of general business other than marine and aviation business are

accounted for in the period in which the risk commences and the recognition of premium income is based on 55% of retained premiums.

ii) Marine and aviation business:

Premiums and claims in respect of marine and aviation business are recorded by the underwriting years and the result for each underwriting year is not determined until after 36 months.

**h) nForeign currencies**

Transactions denominated in foreign currencies are translated into cedis and recorded at the rates of exchange ruling at the dates of the transactions.

Balances denominated in foreign currencies are translated into cedis at rates of exchange ruling at the balance sheet date.

Gains and losses resulting from currency translation are included in profit or loss for the year.

## **Notes to the consolidated financial statements**

**For the year ended 31 December, 2007 - continued**

**i) Investments**

Investments are held for the purposes of both trading and investment. Investments are included in the balance sheet at the lower of cost and market value. Gains and losses on sale of investments are shown separately in other operating income or expense as applicable. Equity investments are stated at market values and the changes in market value of investments are recognized in capital surplus account.

The company has investment interest in an associated company (SIC Life) and has opted to deal with it on cost basis.

**j.)Taxation**

**i)Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

**ii)Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in financial statements and the corresponding tax bases used in the computation of taxable profit. Temporary differences arise from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of assessable tax profit. In general, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are recognised if the temporary differences arise from goodwill or from the initial recognition of other assets and liabilities which affect neither the tax profits nor the accounting profit at the time of the transaction.

Deferred tax is calculated at the tax rates applicable to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.