

Notes to the Financial Statements

Notes to the Financial Statements

For the year ended December 31, 2009

01. INTRODUCTION

The Company has been incorporated on March 19, 1996 and obtained the certificate of Commencement of business on May 5, 1996 from the Registrar of Joint Stock Companies, Bangladesh and the Chief Controller of Insurance, Government of the People's Republic of Bangladesh on May 13, 1996

02. SIGNIFICANT ACCOUNTING POLICIES AND OTHER RELEVANT INFORMATION

2.01 Basis of presentation of financial statements

- a) The Insurance Act 1938 has prescribed formalities for presenting accounts, accordingly the balance sheet has been prepared in the format (Form-A), set out in part I of the First Schedule, Profit and Loss Account and Profit and Loss Appropriation Account as per format (Format-B and C) prescribed in the Second Schedule part II, other disclosure requirements are fully followed.
- b) The financial statements have been prepared under historical cost convention and in accordance with the requirements of the schedule to the Securities and Exchange Rules, 1987 and Insurance Act, 1938 as amended and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh particularly with regard to disclosure of accounting policies and relevant information in financial statements as well as accounting for property and depreciation thereon and the valuation of investments and other relevant matters.
- c) Wherever considered necessary figures of previous year have been rearranged for comparison purposes.
- d) The accounts have been drawn up on accrual basis.
- e) Figures appearing in these accounts have been rounded off to the nearest taka.
- f) Financial statements of the Company cover one calendar year from 1st January to 31st December consistently.

2.02 Valuation of Assets

The value of all assets at December 31, 2009 as shown in the Balance Sheet have been reviewed and the said assets have been set forth in the Balance Sheet on amounts at their respective book value which in the aggregate do not exceed their aggregate market value.

2.03 Premium Income

The Total amount of premium earned on various classes of insurance business underwritten during the year, the gross amount of premium earned against various policies, the amount of re-insurance premium due to Shadhran Bima Corporation, the amount of re-insurance commission earned and the amount of Claims less re-insurance settled during the year have all been duly accounted for in the books of account of the Company and while preparing the final statement of accounts, the effect of re-oustanding claims at the year, whether due or intimated have also been duly reflected in order to arrive at the underwriting result for the year.

2.04 Depreciation of Fixed Assets

These are stated at cost less accumulated depreciation in accordance with IAS 16 "Property plant & Equipment". Cost represents cost of purchase price and other directly attributable cost of bringing the assets to working conditions for its intended use, but do not include any capitalized borrowing cost. Depreciation on fixed assets is charged on reducing balance method at rates varying from 10% to 25% depending on the estimated useful lives of the assets and are consistently applied in relation to previous year. Depreciation on additions of Assets has been charged six month on average basis.

Notes to the Financial Statements

For the year ended December 31, 2009

2.05 Cash Flow Statement

Cash Flow Statement is prepared principally in accordance with IAS 7 "Cash Flow Statement" and the cash flow from the operating activities have been presented under direct method as prescribed by the Securities and Exchange Rules 1987.

2.06 Management Expenses

Total management expenses have been allocated among the different classes of business in proportion of gross premium income of each class of business.

2.07 Public Sector Business

As of 1st April 1990, following a Government decision Public Sector Insurance Business is being underwritten jointly by Sadharan Bima Corporation and 43 private sector insurance companies on co-insurance basis 50% being underwritten by Sadharan Bima Corporation and the balance equally by 43 Private Sector Insurance Companies.

Company's share of public sector business is accounted for in the year in which the complete statement of accounts from Sadharan Bima Corporation is received. Accordingly, the company has been considered its share of public sector business this year, based on the Sadharan Bima Corporation's statement.

2.08 Stock of stationery & Form

Stock of stationery & forms have been valued at cost.

2.09 Earning Per Share (EPS)

The Company calculates earning per share (EPS) in accordance with "IAS 33 Earning Per Share" which has been shown on the face of Profit & Loss Account as well as Profit & Loss Appropriation Account.

2.10 General

- i) Previous figures have been rearranged wherever necessary to keep the consistency of current year's presentation.
- ii) Figures which are shown in the accounts have been rounded off to the nearest Taka.