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## BACKGROUND

National Insurance Company Berhad was incorporated in 1969 and is the market leader in conventional general insurance in Brunei Darussalam. The Allianz Insurance Company of Singapore Pte. Ltd., MSIS Pte. Ltd. (formerly known as Mitsui Sumitomo Insurance (S) Pte. Ltd.), and the Baiduri Holdings Berhad acquired interests in National Insurance in January 1998. These investments were a display of confidence in National Insurance and the Brunei economy and are aimed to strengthen the company's competitive position in Brunei Darussalam and regionally. These strategic relationships facilitate the transfer of international insurance expertise to Brunei Darussalam and enable the company to explore new areas of opportunity in insurance. The company plays an active role in the Brunei business community and is a member of the General Insurance Association of Brunei Darussalam, the Brunei Darussalam International Chamber of Commerce and Industry and the East Asia Insurance Congress.

## MISSION AND PHILOSOPHY

Our mission is to be the preferred insurer in Brunei Darussalam. We are committed to provide a range of insurance services which continuously meets the requirements of our customers. In doing so, we seek to excel in the following key areas:

**Market Leadership.** We seek market leadership in our preferred niche market. We will define market leadership in terms of our market share and the quality of the services we provide in these market segments. Although we will aggressively seek market share we will not do so at the expense of quality and profitability.

**Outstanding Services.** We seek to provide outstanding services to our clients. We will measure service in terms of the extent to which we anticipate and meet the needs of our customers in the critical areas of security, coverage, cost and claims settlement and we will constantly compare ourselves with the best companies within the region.

**Outstanding People.** We seek to employ the most suitable people in the local insurance industry. We seek people who are honest, team players, willing to learn, committed to high work standards and to achieve results.

**Excellent Results.** We seek to produce excellent financial results for our shareholders. We will define the financial results in terms of a return on investment which is above average and which is the product of aggressive marketing, prudent underwriting and investment management.

**First Class Management.** We seek distinction as an insurance company with first class management not just relative to the local industry but also in regional terms. Our management will be evaluated in terms of how successful they are in directing and organising the Company towards continual improvement in the management system.

**Training and Development.** We believe that training and development is a key to NIC's continued success. The company's focus is on providing professional insurance training to bring the skills level of staff and agents to international standards and on continued improvement to quality service. In undertaking our mission we will adopt the following approach:

- We believe excellence comes from focusing our energies and our resources. Our business is insurance underwriting and we will seek to grow and develop as an insurance company. Our interest in other areas will only be to the extent that they directly strengthen our competitive advantage in our core business.
- We believe that without customers, we would have no business. We must therefore ensure that the customer comes first in every aspect of our work and organization.
- We believe that our people are our key resources. We must therefore seek to recruit the most suitable people available and to provide them with opportunities for development, worthwhile careers and a satisfying work environment. We want people we can be proud of and we want them to view this Company as a challenging yet an enjoyable place to work in.
- We believe that our continued growth depends on our ability to anticipate and adapt to change in a disciplined manner. We must therefore always seek to be proactive and to innovate but within the context of thorough planning.
- We believe that we have social responsibilities to the local industry and the community of which we are a part. We must therefore seek to contribute to the good standing of the local industry and to be good corporate citizens of Brunei Darussalam.

## ISO 9001

National Insurance Company Berhad achieved ISO 9002 certification on 15th April 1996, and was recertified to the new ISO 9001 : 2008 standard on 28th April 2011. It is currently the only insurance company in Brunei Darussalam and amongst the few in the region to have achieved this prestigious certification. The Management Review Team (MRT) meets at least once a month to set specific objectives, arrange for implementation and monitor progress. Internal audits are carried out on a regular basis by members of the Audit Team, while an external audit by certified ISO external auditors is carried out once a year to determine the fitness of our quality management system.



Certificate Number **THA000349**



YAM Pengiran Muda Abdul Qawi



Datin Hjh Edah bte Hj Mohd Noor



YAM Pengiran Kerma Raja Pengiran Hj Kamarulzaman bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Hj Ali



Dato Paduka Timothy Ong Teck Mong



Hideyuki Tanaka



Kevin Leong Mun Hoe



Stephen Ong Teck Soon

## DIRECTORS

YAM Pengiran Muda Abdul Qawi (Chairman)

YAM Pengiran Kerma Raja Pengiran Hj Kamarulzaman bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Hj Ali

Dato Paduka Timothy Ong Teck Mong (Deputy Chairman)

Datin Hjh Edah bte Hj Mohd Noor

Hideyuki Tanaka (appointed on 1st April 2010)

Kevin Leong Mun Hoe (appointed on 1st August 2010)

Stephen Ong Teck Soon (alternate director to Dato Paduka Timothy Ong Teck Mong)

Karl-Heinz Jung (resigned on 31st July 2010)

Kiyomi Udagawa (resigned on 31st March 2010)

## MANAGEMENT TEAM

The day to day management of the company is supervised by a management review team led by the General Manager, Mr Kolja Klawunn. The Management Review Team meets at least once a month to discuss operational and marketing issues, setting and monitoring specific objectives as well as monitoring our Quality Management System.

The Management Review Team comprise the following :

General Manager  
Kolja Klawunn

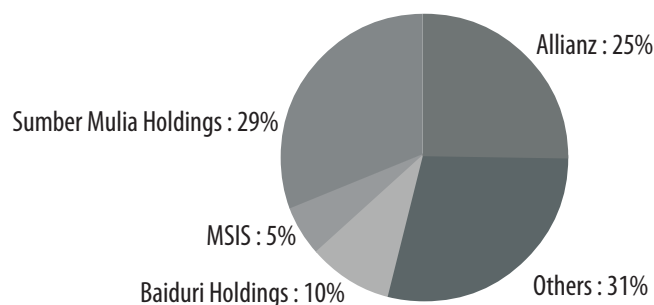
Senior Manager  
Denis Buyok (Underwriting & Claims)

Managers  
Christine Ho (Accounts & Finance)  
Emily Chong (Reinsurance)  
Ignatius Lau (Business Development)  
Aminuddin Nasuha (Underwriting)  
Dk Kemariah Pg Duraman (Human Resources & Administration) (resigned on 27<sup>th</sup> Dec 2010)

Assistant Managers  
Katherine Teo (Underwriting)  
Chen Choon Foong (Business Development)  
Wilfred Lungga (Claims)  
Alexander Akaw (Underwriting)  
Nanetta Jordana K. Ghani (Human Resources & Administration) (joined on 1<sup>st</sup> Dec 2010)

## SHAREHOLDERS

Amongst Brunei companies, National Insurance is unique in its ownership structure. It has approximately 153 shareholders of which 141 comprise of Bruneian investors. Of its B\$8 million share capital, 70% is held by Brunei citizens or companies owned by Brunei nationals. The two largest local shareholders are Sumber Mulia Holdings Sdn Bhd (29%) and Baiduri Holdings Bhd (10%). The Allianz Insurance Company of Singapore Pte. Ltd. owns 25% while MSIS Pte. Ltd. (formerly known as Mitsui Sumitomo Insurance (S) Pte. Ltd.) owns 5% of the company.



## CORPORATE INFORMATION

### *Name*

NATIONAL INSURANCE COMPANY BERHAD

### *24-hour Hotline*

1-800-0999

### *Place and Date of Incorporation*

Brunei Darussalam

24th December 1969

### *Tow-truck Service*

223 4567, 877 4033, 871 8977, 817 7777 (KB)

### *Paid-up Capital*

B\$8 million

### *Correspondence Address*

P O Box 1251, BSB BS8672, Brunei Darussalam

P O Box 1336, KB KA1189, Brunei Darussalam

### *Head Office*

Units 12 & 13, Block A, Regent Square,

Spq 150, Kg Kiarong, BE 1318

Brunei Darussalam

### *Auditors*

Ernst & Young

Room 309A, 3rd Floor, Wisma Jaya,

Jalan Pemancha, Bandar Seri Begawan BS8811,

Brunei Darussalam

Telephone: 223 9139, 223 9140

Facsimile: 223 9142

Email: [inquiries.eybrunei@bn.ey.com](mailto:inquiries.eybrunei@bn.ey.com)

### *Telephone*

222 6222, 223 3999

### *Facsimile*

242 9888 - Administration & Claims

245 4277 - Underwriting

245 4303 - Accounts

### *Corporate Secretary*

Tricor (B) Sdn Bhd

Room 308B, 3rd Floor, Wisma Jaya,

Jalan Pemancha, Bandar Seri Begawan BS8811,

Brunei Darussalam

Telephone: 223 2780, 223 2781

Facsimile: 223 2783

Email: [info@bn.tricorglobal.com](mailto:info@bn.tricorglobal.com)

### *Email*

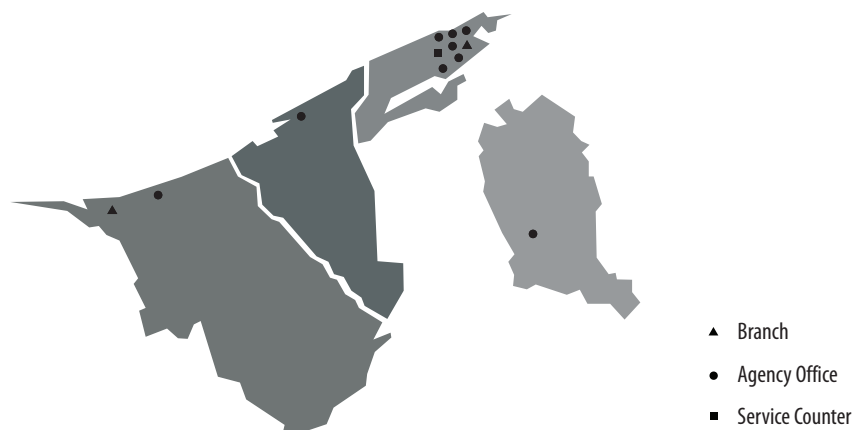
[insurance@national.com.bn](mailto:insurance@national.com.bn)

### *Website*

[www.national.com.bn](http://www.national.com.bn)

## NATIONAL INSURANCE NETWORK

National Insurance is served throughout Brunei Darussalam by a network of branches and agency offices.



## CORPORATE INFORMATION

### KUALA BELAIT

Unit 20, Block C, Lot 8989  
 Jalan Pandan Tujuh, Kuala Belait  
 Tel: 333 6468, 333 6469, 333 1222  
 Fax: 334 2191  
 Email: kb@national.com.bn

### Land Transport Dept, Gadong

Tel: 245 2238  
 Fax: 245 2239

### ON-LINE AGENCY OFFICES

#### ADAMAS ENTERPRISE

02-E, Lot nos. 39 & 40,  
 Jalan Sultan Omar Ali,  
 Seria KB2733  
 Tel: 322 4828  
 Fax: 322 5828

#### AEROJAYA SDN BHD

No.5, Ground Floor  
 Scout's Headquarters Building,  
 Kg Mata-Mata  
 Bandar Seri Begawan BE1118  
 Tel: 245 1974, 245 7260  
 Fax: 245 2079

#### BRIGHT FUTURE MARKETING SERVICES

Unit B10, Mezzanine Floor  
 Shakirin Complex, Simpang 88  
 Kg Kiulap BE1518  
 Tel: 223 7016, 223 7018  
 Fax: 223 7015

#### CANTUMAN BAHAGIA MARKETING COMPANY

No 6, 1st Floor, Block A  
 Simpang 628  
 Jalan Tutong, Kg Bunut  
 Bandar Seri Begawan BF1120  
 Tel: 265 4366, 265 4370  
 Fax: 265 0628

#### DAVID HIEW SWEE KUAN

No. 9, 2nd Floor, Block A  
 Kompleks Delima Jaya  
 Spg 62, Lot 53068, Jalan Muara  
 Brunei Darussalam  
 Tel: 233 5129  
 Fax: 233 5128

#### DAVID LIAW YUN KONG

1st Floor, No. 5, Block F  
 Pengkalan Gadong Complex  
 Jalan Batu Bersurat BE3519  
 Brunei Darussalam  
 Tel: 245 6308  
 Fax: 245 6308

#### DELTRA MARKETING SERVICES

Block A, Unit 10, First Floor  
 Bangunan Pengkalan Gadong  
 Batu Bersurat  
 Bandar Seri Begawan BE4119  
 Tel: 242 3657  
 Fax: 242 3658

#### GALORE ENTERPRISE

No 5, Block B  
 Urairah Complex, Kg Kiulap  
 Bandar Seri Begawan BE1518  
 Tel: 222 8619, 222 8621  
 Fax: 222 8715

#### INSOBRU SDN BHD

Suite 02, 3rd Floor  
 Badiah Complex  
 Km 1, Jalan Tutong  
 Bandar Seri Begawan BA1712  
 Tel: 222 1423, 222 1424  
 Fax: 222 1419

## CORPORATE INFORMATION

### JASRA HARRISONS SHIPPING AGENCY SDN BHD

No. 65, Jalan McKerron  
Kuala Belait, KA1189  
Tel: 333 6113  
Fax: 333 6102

### KANG & KENT ENTERPRISE

F-106A, Kompleks Harapan  
Jalan Setia Diraja  
Kuala Belait KA3131  
Tel: 333 1956  
Fax: 333 1958

### MIRAGE ENTERPRISE

No 10, 2nd Floor, Block B  
PAP Hjh Norain Building  
Km 1, Jalan Tutong  
Bandar Seri Begawan BA1712  
Tel: 222 4080, 222 4081  
Fax: 222 4078

### PROINSURE ENTERPRISE

No 8, Ground Floor  
Kompleks Sumbangsih Bahagia  
Perindustrian Beribi II  
Gadong BE1118  
Tel: 242 2211, 242 3770  
Fax: 242 2209

### RICHLAND INSURANCE SERVICES SDN BHD

Unit 11, 1st Floor, Block J  
Abdul Razak Complex  
Jalan Gadong, BE4119  
Tel: 242 7112  
Fax: 242 7114

### ROBE & HING ENTERPRISE

45, Jalan Tengah,  
Kuala Belait, KA2331  
Tel: 333 0429  
Fax: 333 0430

### TANG ENG HONG

No.2, 1st Floor,  
Bangunan Badiyah  
Simpang 5, Jalan Gadong BE 4119  
Tel: 245 2955  
Fax: 245 2953

### U.M.S. ENTERPRISE

Lot 846, Jalan Bunga Simpur  
Kuala Belait KA2331  
Tel: 334 2679  
Fax: 333 5479

### VINCENT & ASSOCIATES

Unit 10, 1st Floor, Block A  
Q-Lap Complex  
Simpang 88, Kampong Kiulap  
Bandar Seri Begawan BE1518  
Tel: 223 6196, 223 6197  
Fax: 223 6195

## CHAIRMAN'S STATEMENT



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

*Bismillahir Rahmanir Rahim  
Assalamu Alaikum Warahmatullahi Wabarakatuh*

On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts of National Insurance Company Berhad for the financial year ended 31 December 2010.

### **Financial Overview**

Despite an increase in business costs, our company recorded an improvement in profitability in 2010.

Gross written premium increased by 33% from B\$ 21.0 million in 2009 to B\$ 27.9 million mainly due to endorsements of fronting policies.

At the same time, net acquisition costs increased significantly due to a change in the treaty reinsurance structure whereby commissions received were greatly reduced.

In compliance with the Insurance Order and Regulations 2006, provisions for doubtful debt were increased by B\$ 1.7 million to cover all receivables outstanding by 6 months or more.

Investment income continued to be negatively affected by low fixed deposit interest rates.

However, there was a significant improvement in the net claims ratio which was 29% in 2010 compared to 40% in 2009.

Overall National Insurance Company Berhad recorded a 22% increase in net profit after tax of B\$ 1.1 million in 2010 compared to B\$ 0.9 million in 2009.

### **Market share**

National Insurance continues to be the market leader in the Brunei conventional insurance market, with a market share of 40% in 2010.

### **Financial Strength**

Financially, our company remains strong.

Surplus of assets over liabilities of B\$ 10.6 million was 32% above the minimum margin required under the Insurance Order and Regulations, 2006.

### **Dividend**

The directors propose a dividend per share of 4 cents amounting to a total payment to shareholders of B\$320,000 for the year ended 31 December 2010.

### **Corporate Social Responsibility**

In 2010, the company was active in fund raising for charity.

Funds raised from the company's 40th Anniversary celebration and 1st Golf Charity and other events were used to help underprivileged students to continue with their studies in line with our belief that our youth are our future.

### **Appreciation**

On behalf of the Board of Directors, I would like to extend my sincere thanks to the management and staff of the company for their dedication and commitment, as well as our valued clients, agents and brokers for their continued support in making the company a success.

I would also like to express my appreciation to the Autoriti Monetari Brunei Darussalam (Monetary Authority of Brunei Darussalam) and the General Insurance Association of Brunei Darussalam for their guidance and contribution to the development of the local insurance industry.

*Wabillahit taufit wal-Hidayah Wassalamualaikum Warahmatullahi Wabarakatuh*

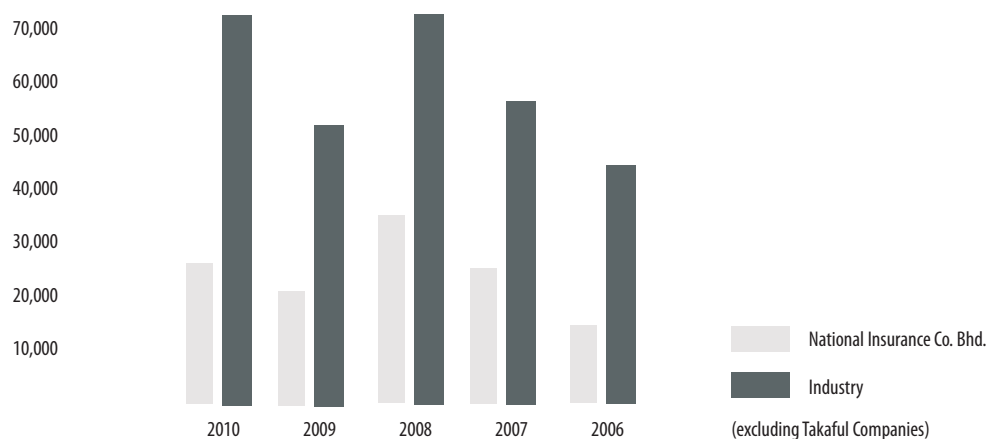


PENGIRAN MUDA ABDUL QAWI  
Chairman

### SUMMARY OF OPERATIONS FOR FIVE YEARS

	2010	2009	2008	2007	2006
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Gross written premium	27,935	20,969	36,305	25,329	15,541
Net written premium	14,181	12,020	12,170	10,717	8,398
Underwriting profit	1,209	984	1,530	868	790
Investment & other income	270	278	(1,004)	1,730	624
Profit before tax	1,479	1,262	526	2,598	1,414
Profit after tax	1,124	925	164	2,598	1,414
Shareholders' funds	10,596	9,731	9,061	9,315	7,065
Net technical reserve	11,475	12,328	12,697	9,441	8,098
Total assets	30,914	26,779	27,714	23,611	19,246
Dividend per share [cents]	4	3	3	5	0

### INDUSTRY GROSS WRITTEN PREMIUM OVER FIVE YEARS [B\$]



Source: General Insurance Association of Brunei Darussalam

### MARKET SHARE BY PORTFOLIO MIX FOR 2010

CLASS	MOTOR	BOND	FIRE	WCI	PL	CAR	OTHERS
<b>Market Share</b>	<b>28 %</b>	<b>54 %</b>	<b>55 %</b>	<b>55 %</b>	<b>25 %</b>	<b>87 %</b>	<b>17%</b>
<b>Market Position</b>	<b>Second</b>	<b>First</b>	<b>First</b>	<b>First</b>	<b>Second</b>	<b>First</b>	<b>Second</b>

Source: General Insurance Association of Brunei Darussalam

(excluding Takaful Companies)

**CORPORATE SOCIAL RESPONSIBILITY**



**40th Anniversary Celebration**

Milestone event to mark the fortieth Anniversary of the company was held in Chung Hwa Middle School BSB on Sunday, 17 January 2010. Commemorating the event with various activities organized such as launching the revamp of company website, fun for the family games & bazaar. Proceeds from the event were channeled through CSR donations throughout the year.



**1st Charity Golf**

In May 2010, our 1st Charity Golf was held at RBGCC. Some 85 golfers took part in the event with staff as golf volunteering that made the event a huge success. Funds raised from the event were channeled through CSR donation throughout the year.



**Blood Donation**

Give blood and save a life was held on Saturday, 31 July 2010 for employees, friends, family members, agents, and customers at the company premise. It is a yearly charitable event conducted by National Insurance to promote awareness of “make lifesaving a habit”.



**Bursary Awards to CHMS**

The Bursary Awards for school fees sponsorship was given to several students in Bandar & Tutong of Chung Hwa School. More than twenty schools were visited in 2010 throughout Brunei Darussalam & donation was provided to underprivileged students to purchase text books, uniforms, stationeries and other basic school necessities.



**Pusat Bahagia**

Donation in the forms of text books, uniforms, stationeries and other basic school necessities were also provided to Pusat Bahagia Pulaie, Tutong and Pusat Bahagia Eric Goh.

## DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended 31st December 2010.

### Principal Activity

The principal activity of the Company is to underwrite fire, marine, motor and general insurances. There has been no significant change in the nature of this activity during the year.

### Results

Profit for the year after taxation	B\$ 1,124,136
Share of loss in subsidiary company	(19,909)
	<hr/>
	B\$ 1,104,227

In the opinion of the directors, the results of the operations of the Company during the financial year have not been affected by any item, transaction or event of a material and unusual nature.

### Dividend

The directors propose a final dividend of 4 cents per share amounting to B\$320,000 for the year ended 31st December 2010.

### Directors

The directors in office at the date of this report are:-

YAM Pengiran Muda Abdul Qawi (Chairman)

YAM Pengiran Kerma Raja Pg Hj Kamarulzaman bin Pengiran Pekerma  
Setia DiRaja Sahibul Bandar Pengiran Haji Ali

Dato Paduka Timothy Ong Teck Mong (Deputy Chairman)

Datin Hjh Edah bte Hj Mohd Noor

Hideyuki Tanaka

Kevin Leong Mun Hoe

Stephen Ong Teck Soon (alternate director to Dato Paduka Timothy Ong Teck Mong)

The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 95, of the Companies Act, an interest in shares of the Company, as stated below:-

Name of director	Shares of \$1 each	
	At the beginning of the year	At the end of the year
YAM Pengiran Muda Abdul Qawi	64,000	64,000
Dato Paduka Timothy Ong Teck Mong	28,000	28,000
Datin Hjh Edah Bte Hj Mohd Noor	160,000	0

### Auditors

The auditors, Ernst & Young, have expressed their willingness to accept re-appointment.

On behalf of the Board,



YAM PENGIRAN MUDA ABDUL QAWI  
Director



YAM PENGIRAN KERMA RAJA PG HJ KAMARULZAMAN BIN PENGIRAN  
PEKERMA SETIA DIRAJA SAHIBUL BANDAR PENGIRAN HAJI ALI  
Director

23 March 2011

## AUDITOR'S REPORT

To The Members of NATIONAL INSURANCE COMPANY BERHAD

We have audited the accompanying financial statements of National Insurance Company Berhad, which comprise the balance sheet as at 31st December 2010 and the profit and loss account, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Companies Act, Cap. 39 and accounting principles generally accepted in Brunei Darussalam. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion,

- a) the financial statements give a true and fair view of the financial position of National Insurance Company Berhad as of 31st December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the provisions of the Companies Act, Cap. 39 and accounting principles generally accepted in Brunei Darussalam according to the best of our information and the explanations given to us and as shown by the books of the Company.
- b) we have obtained all the information and explanations we required.



ERNST & YOUNG  
Certified Public Accountants



LIM TECK GUAN  
Brunei Darussalam Authorised Auditor

23 March 2011

**PROFIT AND LOSS ACCOUNT**

For The Year Ended 31st December 2010

	Notes	2010 B\$	2009 B\$
Interest income		277,366	291,754
Other loss		(7,405)	(14,291)
		269,961	277,463
Underwriting profit transferred from Insurance Revenue Account		1,209,048	984,105
Profit for the year before taxation	3	1,479,009	1,261,568
Taxation	4	(354,873)	(337,000)
Profit for the year after taxation		1,124,136	924,568
Share of loss in subsidiary company		(19,909)	(13,964)
Retained profit for the year		<b>1,104,227</b>	<b>910,604</b>

The notes on pages 23 to 29 form an integral part of the financial statements.

## REVENUE ACCOUNT

For The Year Ended 31st December 2010

INCOME	B\$	Marine	B\$	Fire	B\$	Motor	B\$	Liability	B\$	Workmen's compensation	B\$	Others	B\$	Total 2010	B\$	Total 2009
Gross premium written	686,586		5,173,139		3,334,251		1,720,897		1,851,644		14,257,331		27,023,848		20,089,960	
Reinsurance premium written	53,648		680,100		-		16,069		61,400		99,592		910,809		878,597	
	<b>740,234</b>		<b>5,853,239</b>		<b>3,334,251</b>		<b>1,736,966</b>		<b>1,913,044</b>		<b>14,356,923</b>		<b>27,934,657</b>		<b>20,968,557</b>	
Less: Reinsurance premium outwards	(258,690)		(2,571,723)		(407,009)		(1,132,948)		(198,140)		(9,185,621)		(13,754,131)		(8,948,702)	
Net premium written	481,544		3,281,516		2,927,242		604,018		1,714,904		5,171,302		14,180,526		12,019,855	
Movement in unearned premium reserve	12,337		(93,446)		274,844		6,413		15,781		(171,330)		44,599		906,386	
Net premium earned	493,881		3,188,070		3,202,086		610,431		1,730,685		4,999,972		14,225,125		12,926,241	
Add: Administrative income	-		-		424,900		-		-		106,302		531,202		62,054	
	<b>493,881</b>		<b>3,188,070</b>		<b>3,626,986</b>		<b>610,431</b>		<b>1,730,685</b>		<b>5,106,274</b>		<b>14,756,327</b>		<b>12,988,295</b>	
OUTGOINGS																
Net acquisition costs	135,080		1,647,780		576,035		194,386		736,213		2,018,955		5,308,449		3,867,724	
Net claims paid and outstanding	165,767		115,547		1,537,102		118,000		244,039		1,876,909		4,057,364		4,977,853	
Movement in provision for claims incurred but not reported	(11,483)		9,547		(3,015)		(11,741)		41,366		35,836		60,510		217,892	
Management expenses	143,075		923,570		927,630		176,839		501,372		1,448,470		4,120,956		2,940,721	
	<b>432,439</b>		<b>2,696,444</b>		<b>3,037,752</b>		<b>477,484</b>		<b>1,522,990</b>		<b>5,380,170</b>		<b>13,547,279</b>		<b>12,004,190</b>	
Underwriting profit/(loss) transferred to profit and loss account	61,442		491,626		589,234		132,947		207,695		(273,896)		1,209,048		984,105	

The notes on pages 23 to 29 form an integral part of the financial statements.

**BALANCE SHEET**

As At 31st December 2010

	Notes	2010 B\$	2009 B\$
<b>FIXED ASSETS</b>	5	1,845,420	2,220,707
<b>INVESTMENT IN SUBSIDIARY COMPANY</b>	6	101,265	121,174
<b>CURRENT ASSETS</b>			
Amount due from clients, agents and reinsurance companies	7	6,406,437	4,985,082
Sundry debtors and prepayments		190,979	209,386
Short-term deposits		19,286,099	18,436,237
Cash and bank balances		3,084,181	806,278
		<b>28,967,696</b>	<b>24,436,983</b>
<b>CURRENT LIABILITIES</b>			
Claims incurred but not reported	2(e)	778,129	717,620
Claims admitted or intimated but not paid	2(d), 8	5,326,344	6,195,451
Unearned premium reserve	2(c), 9	5,370,121	5,414,720
Amount due to agents and reinsurance companies		4,485,069	530,206
Other creditors and accrued charges		3,965,590	3,823,928
Provision for taxation		393,486	365,524
		<b>20,318,739</b>	<b>17,047,449</b>
<b>NET CURRENT ASSETS</b>		<b>8,648,957</b>	<b>7,389,534</b>
		<b>10,595,642</b>	<b>9,731,415</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	8,000,000	8,000,000
Revenue reserve		2,595,642	1,731,415
		<b>10,595,642</b>	<b>9,731,415</b>



YAM PENGIRAN MUDA ABDUL QAWI  
Director



YAM PENGIRAN KERMA RAJA PG HJ KAMARULZAMAN BIN PENGIRAN  
PEKERMA SETIA DIRAJA SAHIBUL BANDAR PENGIRAN HAJI ALI  
Director

The notes on pages 23 to 29 form an integral part of the financial statements.

**STATEMENT PURSUANT TO SECTION 125**

of The Brunei Companies Act

The profit as shown in the financial statements of the Company for the year ended 31st December 2010 includes the share of loss in the subsidiary company, Araco Sdn Bhd.

In the opinion of the Directors, no further provision is required to be made for any losses either in the financial statements of the subsidiary company or of the holding company.



YAM PENGIRAN MUDA ABDUL QAWI  
Director



YAM PENGIRAN KERMA RAJA PG HJ KAMARULZAMAN BIN PENGIRAN  
PEKERMA SETIA DIRAJA SAHIBUL BANDAR PENGIRAN HAJI ALI  
Director

**STATEMENT OF CHANGES IN EQUITY**

For The Year Ended 31st December 2010

	B\$	Share capital	B\$	Revenue reserve	B\$	Total
As at 31st December 2008	8,000,000		1,060,811		9,060,811	
Payment of dividend in respect of previous financial year	-		(240,000)		(240,000)	
Net profit for the year	-		910,604		910,604	
As at 31st December 2009	8,000,000		1,731,415		9,731,415	
Payment of dividend in respect of previous financial year	-		(240,000)		(240,000)	
Net profit for the year	-		1,104,227		1,104,227	
As at 31st December 2010	8,000,000		2,595,642		10,595,642	

The notes on pages 23 to 29 form an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

For The Year Ended 31st December 2010

	2010 B\$	2009 B\$
CASH FLOW FROM OPERATING ACTIVITIES:		
<b>Profit for the year before taxation</b>	<b>1,479,009</b>	<b>1,261,568</b>
Adjustment for:		
Depreciation of fixed assets	394,928	387,755
Gain on disposal of fixed assets	(192)	(107)
<b>Profit for the year before reinvestment in working capital</b>	<b>1,873,745</b>	<b>1,649,216</b>
(Increase)/decrease in amount due from clients, agents and reinsurance companies	(1,421,355)	22,317
Decrease in sundry debtors and prepayments	18,407	108,295
Increase in claims incurred but not reported	60,509	217,892
(Decrease)/increase in claims admitted or intimated but not paid	(869,107)	319,274
(Decrease) in unearned premium reserve	(44,599)	(906,386)
Increase/(decrease) in amount due to agents and reinsurance companies	3,954,863	(899,027)
Increase/(decrease) in other creditors and accrued charges	141,662	(303,501)
<b>Cash provided by operating activities</b>	<b>3,714,125</b>	<b>208,080</b>
Tax paid	(326,911)	(371,386)
<b>Net cash provided by/(used in) operating activities</b>	<b>3,387,214</b>	<b>(163,306)</b>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(21,484)	(101,628)
Proceeds from disposal of fixed assets	2,035	3,046
<b>Net cash used in investing activities</b>	<b>(19,449)</b>	<b>(98,582)</b>
CASH FLOW FROM FINANCING ACTIVITY:		
Dividend paid in respect of previous financial year	(240,000)	(240,000)
<b>Net cash used in financing activity</b>	<b>(240,000)</b>	<b>(240,000)</b>
Net increase/(decrease) in cash and cash equivalents	3,127,765	(501,888)
Cash and cash equivalents at beginning of year (note 11)	19,242,515	19,744,403
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 11)</b>	<b>22,370,280</b>	<b>19,242,515</b>

The notes on pages 23 to 29 form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December 2010

### 1. CORPORATE INFORMATION

The Company is incorporated in Negara Brunei Darussalam and its registered office is located at Units 12 & 13, Block A, Regent Square, Simpang 150, Kampong Kiarong, Bandar Seri Begawan BE1318, Negara Brunei Darussalam.

The principal activity of the Company is to underwrite fire, marine, motor and general insurances. There has been no significant change in the nature of this activity during the year.

The Company operates in one country and employed 38 employees as at 31st December 2010 (31st December 2009: 36 employees).

### 2. SIGNIFICANT ACCOUNTING POLICIES

- (a) **Basis of accounting**  
The financial statements of the Company are prepared under the historical cost convention and are expressed in Brunei dollars.
- (b) **Recognition of income**  
(i) Premium income - Premium is taken up as income at the time a policy is issued, regardless of the period covered by the policy.  
(ii) Interest - Interest is taken up in the profit and loss account on an accrual basis.
- (c) **Unearned premium reserve**  
Unearned premium reserve is made so as to match approximately the premium income with the period during which the risks are outstanding. The ratio used in the calculation is applied to the premium income after deducting premiums on reinsurance outwards and commission. The Company uses the 365th method of calculating unearned premium reserve.
- (d) **Claims admitted or intimated but not paid**  
Full provision is made for the estimated costs of all claims admitted or intimated but not paid at the date of the balance sheet using the best information available at that time.
- (e) **Claims incurred but not reported**  
Provision is made for claims incurred but not reported based on the average of the Cumulative Accident Year Statistics computed over the past 3 years.
- (f) **Depreciation**  
Depreciation is calculated on the straight line basis to write off the cost of the fixed assets over the expected useful lives of the assets concerned. The annual rates used are as follows:-

Leasehold improvements	25%
Motor vehicles	25%
Office equipment, furniture and fittings	25%
Computerisation	25%
Leasehold building	Over the lease term

Fully depreciated assets are retained in the financial statements until they are no longer in use or disposed off.

- (g) **Foreign Currencies**  
Assets and liabilities expressed in foreign currencies are translated into Brunei dollars at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated into Brunei dollars at the rates of exchange ruling at the transaction dates. Differences in exchange are included in the profit and loss account.
- (h) **Bad and Doubtful Debts**  
Bad debts are written off and provisions are made for those debts which are considered to be doubtful.
- (i) **Investments**  
Investments held on a long-term basis are stated at cost, unless, in the opinion of the directors, there has been a permanent diminution in value when they are written down to a valuation determined by the directors.
- (j) **Subsidiary Company**  
Shares in the subsidiary company are stated at cost and accounted for under the equity method of accounting.
- (k) **Deferred Taxation**  
Deferred taxation is provided under the liability method at current rates on the difference between the net book value of assets eligible for capital allowances and the tax written down value of those assets and on any other timing differences existing at year end. Deferred tax benefits are recognised only when there is a reasonable chance of realisation in due course.

### 3. PROFIT FOR THE YEAR BEFORE TAXATION

	2010 B\$	2009 B\$
This is stated after charging/(crediting):-		
Auditors' remuneration	16,000	16,000
Bad debts written off	50,924	-
Depreciation	394,928	387,755
Directors' remuneration	104,000	104,000
Doubtful debts recovered	(902,575)	(424,159)
Gain on disposal of fixed assets	(192)	(107)
Interest income	(277,366)	(291,754)
Provision for doubtful debts	2,150,682	496,483
Rent	6,000	7,542

### 4. TAXATION

	2010 B\$	2009 B\$
Taxation in respect of current year's profit	393,486	365,524
Overprovision of income tax in previous year	(38,613)	(28,524)
	<b>354,873</b>	<b>337,000</b>

Relationship between tax expense and accounting profit:-

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate is as follows:-

	2010 B\$	2009 B\$
Profit before taxation	1,479,009	1,261,568
Tax calculated at the rate of 22% (2009: 23.5%) on the first B\$100,000 (2009: B\$50,000) at one-quarter of the full rate, the next B\$150,000 (2009: B\$50,000) at one-half of the full rate and the remaining profit at the full rate (2009: 23.5%)	292,382	281,781
Adjustments:		
Non-deductible expenses	126,456	120,365
Capital allowances	(25,352)	(36,622)
Overprovision of income tax in previous year	(38,613)	(28,524)
Income tax expense	354,873	337,000

## 5. FIXED ASSETS

COST	Leasehold improvements		Motor vehicles		Office equipment, furniture & fittings		Computerisation		Leasehold building		Total
	B\$	B\$	B\$	B\$	B\$	B\$	B\$	B\$	B\$		
As at 01.01.2010	381,625	208,849	1,350,986	829,224	1,350,000	4,120,684					
Additions	-	-	14,304	7,180	-	21,484					
Disposals	-	(21,000)	(68,320)	(91,315)	-	(180,635)					
As at 31.12.2010	381,625	187,849	1,296,970	745,089	1,350,000	3,961,533					
ACCUMULATED DEPRECIATION											
As at 01.01.2010	58,489	128,855	890,204	774,026	48,403	1,899,977					
Charge for the year	93,561	41,879	217,271	19,717	22,500	394,928					
Disposals	-	(20,583)	(66,894)	(91,315)	-	(178,792)					
As at 31.12.2010	152,050	150,151	1,040,581	702,428	70,903	2,116,113					
NET BOOK VALUE											
As at 31.12.2010	229,575	37,698	256,389	42,661	1,279,097	1,845,420					
As at 31.12.2009	323,136	79,994	460,782	55,198	1,301,597	2,220,707					

## 6. INVESTMENT IN SUBSIDIARY COMPANY

	2010 B\$	2009 B\$
Unquoted shares at cost	211,688	211,688
Share of losses brought forward	(90,514)	(76,550)
Share of loss for the year	(19,909)	(13,964)
	101,265	121,174

The subsidiary company is:-

Name of company	Araco Sdn Bhd
Country of incorporation	Brunei Darussalam
Principal activities	Repairs and maintenance of motor vehicles
Place of business	Brunei Darussalam
Cost	211,688 [2010]
	211,688 [2009]
Percentage of equity held by Company	55% [2010]
	55% [2009]

## 7. AMOUNT DUE FROM CLIENTS, AGENTS AND REINSURANCE COMPANIES

	2010 B\$	2009 B\$
Amount due from clients, agents and reinsurance companies	7,814,341	5,761,157
Less: Provision for bad and doubtful debts	(1,407,904)	(776,075)
	6,406,437	4,985,082

## 8. CLAIMS ADMITTED OR INTIMATED BUT NOT PAID

	2010 B\$	2009 B\$
Fire	125,941	612,914
Marine	108,295	99,875
Motor	2,504,625	2,648,635
Workmen's Compensation and Public Liability	1,125,150	1,610,135
Others	1,462,333	1,223,892
	5,326,344	6,195,451

## 9. UNEARNED PREMIUM RESERVE

	2010 B\$	2009 B\$
Marine	59,053	71,390
Fire	764,292	670,846
Motor	1,343,926	1,618,770
Workmen's Compensation	608,520	624,301
Others	2,594,330	2,429,413
	5,370,121	5,414,720

## 10. SHARE CAPITAL

	2010 B\$	2009 B\$
Authorised:-		
100,000,000 ordinary shares of B\$1.00 each	100,000,000	100,000,000
Issued and fully paid:-		
8,000,000 ordinary shares of B\$1.00 each	8,000,000	8,000,000

## 11. CASH AND CASH EQUIVALENTS

	2010 B\$	2009 B\$
Short-term deposits	19,286,099	18,436,237
Cash and bank balances	3,084,181	806,278
	22,370,280	19,242,515

## 12. CONTINGENT LIABILITIES

Gross contingent liabilities not provided for in the financial statements are gross of facultative and treaty reinsurance underlining protection:-

	2010 B\$	2009 B\$
Performance bonds and banker's guarantees provided on behalf of third parties	10,793,575	9,640,009
Other contingent liabilities:-		
Banker's guarantee in respect of statutory deposit required by Section 5(1) of the Motor Vehicles Insurance (Third Party Risks) Act, Cap. 90	1,000,000	1,000,000
Banker's guarantee to Commissioner of Labour provided in respect of the Company's employees' repatriation expenses	9,500	9,500
	11,803,075	10,649,509

The performance bonds and banker's guarantees are secured by the Company's short-term deposits placed with various financial institutions amounting to B\$1,988,027 (2009: B\$2,474,533).

## 13. RELATED PARTY TRANSACTIONS

Included in the amount due to agents and reinsurance companies is a balance of B\$40,436 (2009: B\$13,326) due to the subsidiary company, Araco Sdn Bhd. Significant transactions with the subsidiary company during the year include workshop expenses on claims made of B\$177,743 (2009: B\$182,393).

## 14. DIVIDENDS PROPOSED

The directors have proposed a final dividend of 4 cents per share amounting to B\$320,000 which will be submitted for formal approval at the forthcoming Annual General Meeting. As such, the dividend has not been recognised as a liability as at 31st December 2010.

## 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management policy seeks to ensure that adequate resources are available for the development of the Company's business whilst managing its insurance, credit, liquidity, interest rate and foreign exchange risks. The Company operates within defined guidelines that are approved by the Board of Directors.

### (a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The placements of proportional reinsurance are quota-share and surplus treaties reinsurance which are taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance are consistent across all product lines.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's current reinsurance arrangements are placed via a reinsurance broker, Guy Carpenter & Co. Private Limited (incorporated in United States of America), Singapore Branch, with Allianz AG Reinsurance Branch Asia Pacific and Munich Reinsurance Company Singapore Branch as lead treaty reinsurers for proportional and non-proportional treaties respectively.

### (b) Credit risk

Credit risk is controlled by the application of credit approval, limit and monitoring procedures. Credit risk is minimized and monitored via strictly limiting the Company's associations to business partners with high creditworthiness.

The Company does not have any significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial instrument.

### (c) Liquidity risk

The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash to meet its working capital requirements.

### (d) Interest rate risk

Income from short-term fixed deposits is substantially dependent on changes in market interest rates.

The Company's exposure to interest rate risk is not considered significant and is monitored on an on-going basis. The Company places its short-term fixed deposits with established financial institutions.

(e) Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of financial instruments caused by fluctuations in foreign currency exchange rates.

Foreign exchange risk is managed through risk limits and policies approved by the Board of Directors and foreign exchange exposures are kept to an acceptable level.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial assets and liabilities at the balance sheet date approximate their fair values due to their short-term nature.

**DETAILED PROFIT AND LOSS ACCOUNT**

For The Year Ended 31st December 2010

	2010 B\$	2009 B\$
UNDERWRITING INCOME	5,330,004	3,924,826
LESS: MANAGEMENT EXPENSES		
Staff	1,675,271	1,814,673
Premises	66,250	8,120
Advertising and public relations	99,649	116,831
Computer, communication and travel	89,106	75,915
Professional fees	41,394	44,462
General	455,327	420,641
Bad debts written off	50,924	-
Provision for doubtful debts	2,150,682	496,483
Doubtful debts recovered	(902,575)	(424,159)
Depreciation and amortisation	394,928	387,755
	4,120,956	2,940,721
UNDERWRITING PROFIT	1,209,048	984,105
Interest income	277,366	291,754
Loss on foreign exchange	(7,597)	(14,398)
Gain on disposal of fixed assets	192	107
PROFIT FOR THE YEAR	1,479,009	1,261,568

This detailed profit and loss account does not form part of the statutory audited financial statements.