

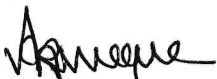
**UN-AUDITED FINANCIAL STATEMENTS**  
Of  
**ISLAMI INSURANCE BANGLADESH LIMITED**  
For the Third Quarter ended 30 September, 2022


# ISLAMI INSURANCE BANGLADESH LIMITED


## Un-audited Statement of Financial Position (Balance Sheet)

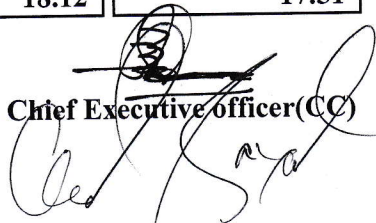
As at Third Quarter ended 30 September, 2022

PARTICULARS	Notes	Amount in Taka	
		30 September, 2022	31st December, 2021
<b>A. FIXED ASSETS</b>			
Fixed Assets (Less Depreciation )	3.01	289,390,123	279,713,851
Office space purchase in process	3.02	93,185,047	94,604,108
Long Term Investments	4.0	151,800,000	108,482,614
<b>Total Fixed Assets</b>		<b>534,375,170</b>	<b>482,800,573</b>
<b>B. CURRENT ASSETS</b>			
Stock of Stationery & Stamp	5.0	1,837,674	2,090,634
Sundry Debtors & Others Companies	6.0	257,654,598	270,406,341
Shares & Debentures (Cost price Tk 28,412,533)	7.0	22,887,960	21,853,777
Cash & Cash Equivalents Including FDR	8.0	930,518,417	930,277,575
<b>Total Current Assets</b>		<b>1,212,898,649</b>	<b>1,224,623,327</b>
<b>C. CURRENT LIABILITIES</b>			
Creditors & Accruals	9.0	440,327,154	405,084,275
Outstanding Claims	10.0	215,967,836	189,760,487
<b>Total Current Liabilities</b>		<b>656,294,990</b>	<b>594,844,762</b>
<b>D. NET WORKING CAPITAL (B-C)</b>			
<b>Net Assets (A+D)</b>		<b>556,603,659</b>	<b>629,783,565</b>
<b>FINANCED BY</b>			
<b>E. SHARE HOLDERS EQUITY</b>			
Share Capital	11.0	411,652,150	411,652,150
Exceptional Loss Reserve	12.0	279,100,000	247,100,000
Retained Earnings	13.0	60,530,516	63,895,762
Investment Fluctuations Fund		(5,524,573)	(1,895,953)
<b>Total Share Holders Equity</b>		<b>745,758,093</b>	<b>720,751,959</b>
<b>F. BALANCE OF FUND &amp; ACCOUNT</b>			
Reserve for Unexpired Risk	14.0	248,128,820	295,221,832
Deposit Premium	15.0	97,091,916	96,610,347
<b>Total Balance of Fund &amp; Account</b>		<b>345,220,736</b>	<b>391,832,179</b>
<b>Total Long Term Liabilities &amp; Equity (E+F)</b>		<b>1,090,978,829</b>	<b>1,112,584,138</b>
<b>Net Asset Value Per Share (NAVPS)</b>	16.0	<b>18.12</b>	<b>17.51</b>

  
Company Secretary

  
Director

  
Chief Financial Officer

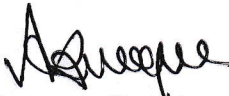
  
Chief Executive Officer (CEO)  
Chairman

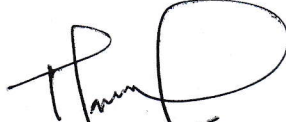
# ISLAMI INSURANCE BANGLADESH LIMITED

## Un-audited Statement of Profit or Loss & Other Comprehensive Income

For the Third Quarter ended 30 September, 2022

PARTICULARS	Notes	Amount in Taka			
		30 September, 2022	30 September, 2021	July to September, 2022	July to September, 2021
Gross Premium		587,968,312	516,205,164	173,076,121	166,476,099
R/I Premium		(156,336,205)	(120,064,677)	(51,095,535)	(47,374,694)
<b>Net Premium</b>		<b>431,632,107</b>	<b>396,140,487</b>	<b>121,980,586</b>	<b>119,101,405</b>
R/I Commission Earned		30,299,067	26,311,647	9,306,722	9,249,703
Management Expenses		(280,280,345)	(232,790,036)	(93,280,500)	(84,140,444)
Unexpired Risk Reserve		47,093,012	(7,883,791)	24,691,388	2,760,322
Agency Commission		(83,345,968)	(31,746,746)	(22,053,230)	(150,818)
Net Claim		(48,341,020)	(52,970,908)	(8,288,831)	(14,091,855)
		<b>(334,575,254)</b>	<b>(299,079,834)</b>	<b>(89,624,451)</b>	<b>(86,373,092)</b>
<b>A. Underwriting Profit</b>		<b>97,056,853</b>	<b>97,060,653</b>	<b>32,356,135</b>	<b>32,728,313</b>
<b>B. Investment &amp; Other Income</b>		<b>45,714,675</b>	<b>39,925,581</b>	<b>18,167,800</b>	<b>15,385,591</b>
<b>Total Income (A+B)</b>		<b>142,771,528</b>	<b>136,986,234</b>	<b>50,523,935</b>	<b>48,113,904</b>
		<b>(34,917,727)</b>	<b>(31,950,769)</b>	<b>(12,783,200)</b>	<b>(11,883,715)</b>
Management Expenses (Not Applicable to any particular fund of Accounts)		(29,317,727)	(26,550,769)	(10,983,200)	(10,083,715)
Provision for WPPF		(5,600,000)	(5,400,000)	(1,800,000)	(1,800,000)
<b>Net Profit before Tax</b>		<b>107,853,801</b>	<b>105,035,465</b>	<b>37,740,735</b>	<b>36,230,189</b>
		<b>(27,762,528)</b>	<b>(25,492,527)</b>	<b>(9,421,964)</b>	<b>(6,963,428)</b>
Provision for Income tax	17.0	(25,415,168)	(25,273,855)	(8,642,773)	(7,459,727)
Deferred Tax (Expense)/Income	18.0	(2,347,360)	(218,672)	(779,191)	496,299
<b>Profit after Tax</b>		<b>80,091,273</b>	<b>79,542,938</b>	<b>28,318,771</b>	<b>29,266,761</b>
Balance brought forward from last year		12,439,243	2,974,896	12,439,243	2,974,896
Reserve for Exceptional Losses		(32,000,000)	(32,000,000)	(12,000,000)	(13,000,000)
<b>Retained Earnings</b>		<b>60,530,516</b>	<b>50,517,834</b>	<b>28,758,014</b>	<b>19,241,657</b>
<b>Earning Per Share (EPS)</b>	19.0	<b>1.95</b>	<b>1.93</b>	<b>0.69</b>	<b>0.71</b>

  
Company Secretary

  
Chief Financial Officer

  
Chief Executive officer (CC)

  
Director

  
Chairman

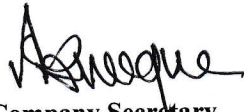
# ISLAMI INSURANCE BANGLADESH LIMITED

**Un-audited Statement of Change in Equity**  
For the third Quarter ended 30 September, 2022

PARTICULARS	Share Capital	Reserve for Exceptional Losses	Retained Profit	Investment Fluctuations Fund	Total Taka
Balance as on 1st January, 2022	411,652,150	247,100,000	63,895,762	(1,895,953)	720,751,959
12.5% cash Dividend-2021	-		(51,456,519)		(51,456,519)
Profit after Tax			80,091,273		80,091,273
Reserve for Exceptional Losses		32,000,000	(32,000,000)		-
Investment Fluctuation Fund				(3,628,620)	(3,628,620)
<b>Balance as on 30 September, 2022</b>	<b>411,652,150</b>	<b>279,100,000</b>	<b>60,530,516</b>	<b>(5,524,573)</b>	<b>745,758,093</b>

**For the third Quarter ended 30 September, 2021**

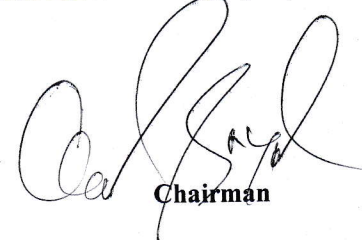
PARTICULARS	Share Capital	Reserve for Exceptional Losses	Retained Profit	Investment Fluctuations Fund	Total Taka
Balance as on 1st January, 2021	374,229,230	180,100,000	40,397,816	74,001	594,801,047
10% Stock Dividend-2020	37,422,920		(37,422,920)		-
Profit after Tax			79,542,918		79,542,918
Reserve for Exceptional Losses		32,000,000	(32,000,000)		-
Investment Fluctuation Fund				(701,326)	(701,326)
<b>Balance as on 30 September, 2021</b>	<b>411,652,150</b>	<b>212,100,000</b>	<b>50,517,814</b>	<b>(627,325)</b>	<b>673,642,639</b>

  
Company Secretary

  
Chief Financial Officer

  
Chief Executive officer(CC)

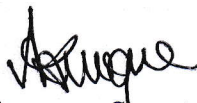
  
Director

  
Chairman

# ISLAMI INSURANCE BANGLADESH LIMITED

## Un-audited Statement of Cash Flows For the Third Quarter ended 30 September, 2022

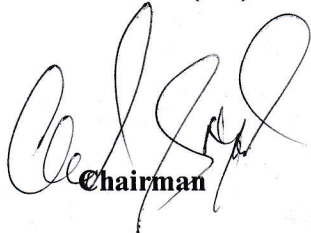
PARTICULARS	Notes	Amount in Taka	
		30 September, 2022	30 September, 2021
<b>Cash flows from operating activities</b>			
Collection from premium & Sundry Income		677,215,366	578,929,379
Payment for management expenses, Re-insurance & Claims		(543,195,195)	(367,594,524)
Income Tax Paid		(21,927,470)	(15,818,624)
<b>Net cash flows from operating activities</b>		<b>112,092,701</b>	<b>195,516,231</b>
<b>Cash flows from investing activities</b>			
Acquisition of fixed assets		(20,997,562)	(35,521,641)
Investment made in share & Treasury bond		(47,980,189)	(18,485,385)
<b>Net cash used in investing activities</b>		<b>(68,977,751)</b>	<b>(54,007,026)</b>
<b>Cash flows from financing activities</b>			
Increase /Decrease in loan from bank		-	-
Cash dividend paid		(42,874,108)	-
<b>Total cash flows from financing activities</b>		<b>(42,874,108)</b>	-
<b>Net increase in cash &amp; Cash equivalents during the year</b>		<b>240,842</b>	<b>141,509,205</b>
Opening cash & Cash equivalents at beginning of the year		930,277,575	725,645,629
<b>Closing cash &amp; Cash equivalents at end of the year</b>		<b>930,518,417</b>	<b>867,154,834</b>
<b>Net Operating Cash Flows Per Share (NOCFPS)</b>	<b>20.0</b>	<b>2.72</b>	<b>4.75</b>

  
Company Secretary

  
Chief Financial Officer

  
Chief Executive officer (CC)

  
Director

  
Chairman

# ISLAMI INSURANCE BANGLADESH LIMITED

Notes to the Accounts for the Third Quarter ended 30 September, 2022

## Some Important Notes to the Third Quarter Financial Statements for the period ended 30 September, 2022

### 1.0 Basis of preparation

The Third Quarter Financial Statements have been prepared in accordance with International Accounting Standards (IAS-1)

"Interim Financial Reporting" the Companies Act 1994, the Insurance Act 2010, Securities and Exchange Rules 1987 and other applicable laws and regulations.

### 2.0 Establishment of WPPF

We have kept a provision of Tk 5,600,000./- (Fifty six lac ) only equivalent to 5.19% of Net profit before tax for this purpose. Variance of rating has been adjusted with last quarter, 2022

### 2.01 Accounting policy for recognition of depreciation on addition of fixed Asset

Depreciation on additional fixed Assets has been determined in acquisition basis as per paragraph 55 of IAS 16.

### 2.02 Investment in Shares & debentures

Investment in share at market price which is lower than cost price. Provision has been required.

### 2.03 Disclosures Regarding Calculation of Current Tax

Provision for current income tax has been made @ 37.5% as prescribed in Finance Act, 2022 on the taxable income of the third quarter - 2022.

### 2.04 Disclosure of key personnel compensation as per paragraph 17 IAS of 24 "Related Party Disclosures"

The key management personnel compensation of the company are as follows:-

a. Short Term Employee Benefits:- Salary & allowances (such as House rent, Conveyance, Medical, Entertainment & Other allowances) Festival Bonus, Incentive bonus/Workers Profit Participation

b. Post Employment Benefit :- Contributory Provident Fund, Gratuity Fund, Leave Encashment, Group Insurance (if death or Accident)

c. Other Long Term Benefit :- Not applied

d. Share Based Payment :- Not applied

### 3.01 Fixed Assets

At cost less depreciation (Schedule-A)

Particulars	Amount in Taka	
	30 September, 2022	31 December, 2021
Opening Cost	373,475,499	359,538,186
Add: Addition during the year	20,997,562	17,912,813
Less: Disposal during the year	-	(3,975,500)
<b>A. Total</b>	<b>394,473,061</b>	<b>373,475,499</b>
Opening Depreciation	93,761,648	82,068,463
Add: Depreciation Charge during the year	11,321,290	13,739,345
Less: Adjustment during the year-2021	-	2,046,160
<b>B. Total</b>	<b>105,082,938</b>	<b>93,761,648</b>
<b>Closing Balance (A-B)</b>	<b>289,390,123</b>	<b>279,713,851</b>

### 3.02 Investment Property

Space of 5,780 SFT at Rupayan Taj, 2nd Floor, on plot no-1, 1/1, Nayapaltan, Dhaka-1000 is recognized as investment property under IAS 40, initially recognized at cost plus directly attributable cost to the asset.

<b>Opening Balance</b>	<b>94,604,108</b>	-
Add: Addition During the Year	-	95,774,392
Less: Depreciation during the period	(1,419,061)	(1,170,284)
<b>Closing Balance</b>	<b>93,185,047</b>	<b>94,604,108</b>

### 4.0 Long Term Investments

Bangladesh Govt. Islami Investment Bond  
Investment in Bangladesh Govt. Treasury Bond (BGTBS)  
**Total**

Amount in Taka	
30 September, 2022	31 December, 2021
1,000,000	25,000,000
150,800,000	83,482,614
<b>151,800,000</b>	<b>108,482,614</b>

### 5.0 Stock of Stationery & Insurance Stamp

Printing Stationery in hand  
Insurance Stamp in hand

Amount in Taka	
30 September, 2022	31 December, 2021
1,235,504	1,132,177
602,170	958,457
<b>1,837,674</b>	<b>2,090,634</b>

### 6.0 Sundry Debtors & Others Companies

Interest/ Profit Accrued  
Amount due from other persons or bodies carrying on insurance business  
Sundry Debtors  
Right of Use(RoU) Assets  
**Total**

Amount in Taka	
30 September, 2022	31 December, 2021
19,255,448	18,205,146
191,611,760	174,496,665
33,221,750	61,734,034
13,565,640	15,970,496
<b>257,654,598</b>	<b>270,406,341</b>

## 7.0 Investment in Shares of Listed Securities

The break-up is as under

Name of Company	No of Share on 30.09.2022	Cost Price on 30.09.2022	Market Price on 30.09.2022
ACI	41000	12,994,453	11,250,400.00
ACGFORMULA	20000	4,395,246	3,422,000.00
OLYMPIC	3600	527,187	466,560.00
SIBL	630000	10,495,647	7,749,000.00
<b>Total</b>	<b>694600</b>	<b>28,412,533</b>	<b>22,887,960</b>

## 8.0 Cash & Bank Balances

Fixed Deposit with Banks  
STD, SND, CD, PO, DD & Cheques in hand  
Cash in hand  
**Total**

Amount in Taka	
30 September, 2022	31 December, 2021
831,000,000	792,600,000
89,577,161	124,473,165
9,941,256	13,204,410
<b>930,518,417</b>	<b>930,277,575</b>

## 9.0 Creditors & Accruals

Amount due to other persons or bodies carrying on insurance business  
Provision of Tax  
Deferred Tax Liability  
Lease Liability  
Unclaimed Dividend  
Sundry Creditors  
**Total**

Amount in Taka	
30 September, 2022	31 December, 2021
328,256,363	305244674
51,517,884	48,031,186
2,347,360	5,753,591
10,050,207	11,532,581
8,582,411	1,494,037
39,572,929	33,028,206
<b>440,327,154</b>	<b>405,084,275</b>

## 10.0 Outstanding Claims

Fire Insurance Claim  
Marine Insurance Claim  
Motor Insurance Claim  
**Total**

Amount in Taka	
30 September, 2022	31 December, 2021
156,963,125	131,392,325
54,904,711	54,710,422
4,100,000	3,657,740
<b>215,967,836</b>	<b>189,760,487</b>

## 11.0 Share Capital

Issued, Subscribed, and Paid Up Share Capital:

41,165,215 Ordinary shares of Tk. 10.00 each.  
**Total**

Amount in Taka	
30 September, 2022	31 December, 2021
411,652,150	411,652,150
<b>411,652,150</b>	<b>411,652,150</b>

## 12.0 Reserve for exceptional losses

Opening Balance  
Add : Reserve made during the year  
**Total**

Amount in Taka	
30 September, 2022	31 December, 2021
247,100,000	180,100,000
32,000,000	67,000,000
<b>279,100,000</b>	<b>247,100,000</b>

**13.0 Retained Earnings**

Opening Balance
Add : Profit during the year
Less : Reserve for Exceptional Losses
Less: Dividend distributed from last year profit
<b>Balance</b>

Amount in Taka	
30 September, 2022	31 December, 2021
63,895,762	40,397,816
80,091,273	127,920,866
32,000,000	67,000,000
51,456,519	37,422,920
<b>60,530,516</b>	<b>63,895,762</b>

**14.0 Reserve for Unexpired Risk**

Fire Insurance Business Account
Marine Insurance Business Account
Motor Insurance Business Account
Miscellaneous Insurance Business Account
<b>Total</b>

Amount in Taka	
30 September, 2022	31 December, 2021
78,480,856	85,277,854
143,194,034	185,956,811
22,814,939	20,757,577
3,638,991	3,229,590
<b>248,128,820</b>	<b>295,221,832</b>

**15.0 Premium Deposit**

Received from M.Cargo Covernotes (Policies yet to be issued)
<b>Total</b>

Amount in Taka	
30 September, 2022	31 December, 2021
97,091,916	96,610,347
<b>97,091,916</b>	<b>96,610,347</b>

**16.0 Intrinsic Value or Net Assets Value (NAV)**

The offering price of the common stock of IIBL has been determined on the basis of net assets value. The break up is given below:

Particulars	Amount in Taka	
	30 September, 2022	31 December, 2021
<b>Assets</b>		
Fixed Assets (Less Depreciation)	289,390,123	279,713,851
Office space purchase in process	93,185,047	94,604,108
Long Term Investments	151,800,000	108,482,614
Stock of Stationery & Stamp	1,837,674	2,090,634
Sundry Debtors & Others Companies	257,654,598	270,406,341
Shares & Debentures (Cost price Tk 28,412,533)	22,887,960	21,853,777
Cash & Cash Equivalents Including FDR	930,518,417	930,277,575
<b>Total</b>	<b>1,747,273,819</b>	<b>1,707,428,900</b>
<b>Liabilities</b>		
Reserve for Unexpired Risk	248,128,820	295,221,832
Premium Deposit	97,091,916	96,610,347
Outstanding Claims	215,967,836	189,760,487
Creditors & Accruals	440,327,154	405,084,275
<b>Total</b>	<b>1,001,515,726</b>	<b>986,676,941</b>

Net Assets (A-B)

745,758,093

720,751,959

No. of Shares

41,165,215

41,165,215

Net Asset value per share (NAV)

18.12

17.51

## 17.0 Provision for Income tax

Calculation of Income Tax	Amount in Taka	
	30 September, 2022	30 September, 2021
Net Profit before Tax	107,853,801	105,035,465
Less: Reserve for Exceptional losses	32,000,000	32,000,000
Less: Interest on Treasury Bond (Tax Free)	7,377,750	3,072,130
Less: Rental Income	2,340,900	2,340,900
Less: Gain on sale of listed Companies of share for separate consideration	-	3,106,865
<b>Business Income</b>	<b>66,135,151</b>	<b>64,515,570</b>

Add: Rental Income from House Property	2,340,900		
Less: Repairing and Maintenance Cost 30%	702,270	1,638,630	1,638,630
<b>Total Income</b>		<b>67,773,781</b>	<b>66,154,200</b>

### Computation of Income Tax

Income tax rate	37.5% of tk.	67,773,781	25,415,168	24,807,825
Gain on sale of listed companies share	15% of tk.	-	-	-
<b>Provision for Income Tax</b>			<b>25,415,168</b>	<b>24,807,825</b>

## 18.0 Deferred Tax (IAS-12)

Company recognizes deferred tax as per IAS -12. Temporary differences arise in respect of depreciation. Company has calculated deferred tax as on 31.12.2021. Deferred tax has also been included in current quarterly accounts.

	Amount in Taka	
	30 September, 2022	30 September, 2021
<b>Deferred Tax Liability</b>		
Opening Balance	5,753,591	2,134,069
Less: Deferred Tax Income/(Expense)	(2,347,360)	(218,672)
<b>Closing Balance</b>	<b>8,100,951</b>	<b>2,352,741</b>
<b>Deferred Tax Income/(Expenses)</b>		
Opening Balance	5,753,591	2,134,069
Deferred Tax Liability	8,100,951	2,352,741
<b>Deferred Tax Income/(Expenses)</b>	<b>(2,347,360)</b>	<b>(218,672)</b>

## 19.0 Earning per Share

Earning per Share has been calculated on weighted average number of shares outstanding for the period ended 30 September, 2022. Weighted average number of shares outstanding as on 30 September, 2022 was 41,165,215

Particular	Amount in Taka	
	30 September, 2022	30 September, 2021
Net Profit after Tax	80,091,273	79,542,938
Number of weighted average ordinary share during the year	41,165,215	41,165,215
<b>Earning per share (EPS)</b>	<b>1.95</b>	<b>1.93</b>

**19.01 Significant Deviation in Earning Per Share (EPS):-**

Earning Per Share increased due to increase of Premium Income and decrease of Commission expenses.

**20.00 Calculation of Net Operating Cash Flows Per Share (NOCFPS)**

Particular	Amount in Taka	
	30 September, 2022	30 September, 2021
Net cash flows from operating activities	112,092,701	195,516,231
Number of weighted average ordinary share during the year	41,165,215	41,165,215
	<b>2.72</b>	<b>4.75</b>

**20.01 Significant Deviation in Net Operating Cash Flow Per Share (NOCFPS)**

The following table is indicating deviation in NOCFPS. Some heads of account in the 3rd quarter 2022 are more inflow than the 3rd quarter 2021. These are shown in the table.

Particular	Amount in Taka	
	30 September, 2022	30 September, 2021
<b>A. Collections and Other Income</b>		
Gross Premium Income	587,968,312	516,205,164
Commission on R/I Ceded	30,299,067	26,311,647
Profit / Interest on Bank	45,714,675	39,925,581
Sundry Debtors	12,751,743	(14,438,431)
Deposit Premium	481,569	10,925,418
	<b>677,215,366</b>	<b>578,929,379</b>
<b>B. Payment for Management Expenses, Re-Insurance, Claim &amp; Others</b>		
Management Expenses as per Revenue Account's	(280,280,345)	(232,790,036)
Management Expenses P/L Account (Less Depreciation)	(16,577,376)	(15,505,380)
Commission Paid	(83,345,968)	(31,746,746)
R/I Ceded	(156,336,205)	(120,064,677)
Claim Paid	(22,133,671)	14,826,012
Stock of stamp & Printing	252,960	340,173
Sundry Creditors	15,225,410	17,346,130
	<b>(543,195,195)</b>	<b>(367,594,524)</b>
<b>C. Income Tax Paid</b>		
	<b>(21,927,470)</b>	<b>(15,818,624)</b>
<b>Net Cash Flows from Operating Activities (A-B+C)</b>	<b>112,092,701</b>	<b>195,516,231</b>

## 21.0 Disclosures on reconciliation between Net Profit & Net operating cash flows

Particulars	30 September, 2022	30 September, 2021
<b>Profit before Tax</b>	107,853,801	<b>105,035,465</b>
Depreciation	12,740,351	11,045,391
<b>Changes in Current assets/liabilities</b>		
Increase/Decrease of Sundry Creditors (Including provision for expenses)	26,660,468	33,121,359
Increase/Decrease of Sundry Debtors	12,751,743	(15,139,757)
Increase/Decrease of Printing & Stationery and Stamps in hand	252,960	340,173
Increase/Decrease of Balance of Funds & Accounts	(47,093,012)	7,883,789
Increase/Decrease of Premium Deposits	481,569	10,925,418
Increase/Decrease of Provision for Income Tax and Deferred Tax	(27,762,528)	(25,492,527)
Increase/Decrease of Estimated liabilities in respect of outstanding claims	26,207,349	67,796,920
<b>Net cash generated from operating activities</b>	<b>112,092,701</b>	<b>195,516,231</b>

## 22.0 Related Party Transactions (IAS-24)

During the Period under review the Company has not carried out the transactions with related parties in the normal course of business and no arms length basis

## 23.0 Subsequent events (IAS-10)

No material events occurred after the reporting date, non-disclosure of which could affect the ability of the users of this financial statement to make proper evaluation and decision.

## 24.0 Other Relevant Information

i) The company did not incur any expenses nor did it earn any income in foreign currency on account of royalty, technical expert & professional advisory fees, interest etc.

ii) The company did not receive any premium in foreign currency nor re-insurance ceded in foreign countries. So there was no change in foreign currency exchange rates on cash and cash equivalents in the statement of cash flows prepared for the period ended on 30 September, 2022 as a separate line item with paragraph 28 of ISA 7.