

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



**Kiribati Insurance Corporations
For the Year Ended 31st December 2018**

**Kiribati Audit Office
September 2019**

KIRIBATI AUDIT OFFICE



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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

To The Readers Of Kiribati Insurance Corporations Financial Statements For The Year Ended 31 December 2018

The Auditor-General, Mr Eriati Tauma Manaima is the auditor of Kiribati Insurance Corporation (KIC).

The audit covered the Company's compliance with the requirements of Part VII of the Public Finance (Control and Audit) Ordinance 1976, Insurance Ordinance 1981 and Procurement Act, 2002, the SOE Act, 2013, and other related Legislation/Regulation that apply to the Financial Statements of the KIC for the year ended 31 December 2018.

KIC Board of Directors and Management Responsibility.

The Board of Directors and Management are responsible for the preparation and fair presentation of the Financial Statements in accordance with Generally Accepted Accounting Practice in Kiribati, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

It is my responsibility to express an independent opinion on these Financial Statements and reporting that opinion to you as required under the Public Finance (Control and Audit) Ordinance 1976 and Kiribati Audit Act, 2017. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI).

Qualification:

i) Related Party Transactions.

KIC failed to disclose all related party transactions as per the requirement of the IAS 24.

ii) Leaders Code of Conduct Act, 2016 Violations.

- Hiring of Board Chairperson to develop KIC's insurance and accounting database was a potential **conflict of interest** and a clear violation of Section 9, of Leaders Code of Conduct Act, 2016 as quoted below:

"Conflict of Interest

A leader who knows or has reason to suspect that he may face a possible conflict of interest on any matter must:

- a) Declare such possible conflict to the appropriate body or authority and,

b) Not to participate, make a decision or vote in any meeting at which such matter is discussed.”

- Hiring of another Board Director to provide training and other services to KIC but without a contract agreement. This was another conflict of interest issue and a violation of Leaders Code of Conduct Act, 2016.

iii) Procurement Act, 2002 Violations.

In addition to the above, we also found a few peculiar practices and non-compliance issues with Procurement Act, 2002 which are detailed below:

- We were not satisfied that hiring of Chairperson did not follow the requirements of a **Single Source Procurement Method**. This had confirmed KIC's non-compliance with Procurement Act, 2002 section 22.
- The database project undertaken by the Chairman was further queried because of the absence of the **contract agreement** entered into between Chairman and KIC. Without the contract agreement, KIC failed to comply with requirements of the Procurement Act, 2002.
- In addition to the above, we also noted that KIC was unable to justify that the database project was **properly approved** from the start by the Board due to the absence of 2016 Board Minutes. Without the **Boards approval**, KIC failed to conform to requirements stipulated under Procurement Act, 2002, sec 22 (1) for purchases amounted \$50,000 or less. The whole database project was not procured although some individual payments were over \$5,000. The total payment made in 2017 and 2018 was \$26,695.
- For best practice, KIC should have laid out a plan for such particular project but not. Management in our entry meeting confirmed that there was no proper plan being prepared and approved. There has not been any anticipated date set for TA to complete the project and we understand a well-planned project always has a start date and anticipated completion date, milestones to achieve as project development started but these were all not done at the start of the project. Until to date the project refinement is still continuing, yet the desired outcome which is to produce the Financial Statements still has not been achieved. It has been two years now since the Account Database was first designed.

Qualified Audit Opinion

- In my opinion, **except for** the effect of the matters described in the qualification paragraph above, the Financial Statements present fairly, in all material respects, the financial position of KIC as at 31st December, 2018, and the results of its operations and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice in Kiribati.

The audit was completed on 02/09/2019, and was the date at which my opinion was expressed.

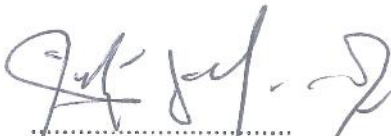
Report on Other Legal and Regulatory Requirements

KIC lodged its 2018 Financial Statements on 01/02/2019 therefore indicated KIC's compliance with Sec. 20 of SOE Act, 2013.

Independence

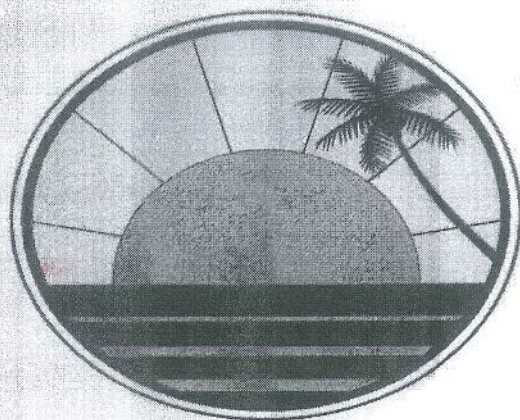
We confirm that, for the audit of the Financial Statements of the KIC for the year ended 31st Dec, 2018, we have maintained our independence in accordance with the requirements of the International Standard of Supreme Audit Institutions (ISSAI).

Other than the audit, we have no relationship with or interest in KIC.


.....
Mr Eriati Tauma Manaima
Auditor General

Date: 02/09/2019

**KIRIBATI INSURANCE
CORPORATION
(KIC)**



ANNUAL ACCOUNT 2018

"Insure to Secure"

1. INTRODUCTION

This is the KIC annual account report for the year ended 31 December 2018. The account is produced every year and in this year the format and layout follow closely that of the previous report. Some additions in this report include the new calculation of depreciation, as recommended by the Audit Department, and a new sub-section on offshore investment in the IBD section. The notes or details of the consolidated financial statements are also attached for the Profit and Loss, Balance Sheet and Cash flow.

Overall the performance of the Corporation in 2018 is very good. For instance the total income (net premium plus other income) increased from \$2 million in 2017 to \$2.3 million in 2018. The increase is due to the extra premium for the new airplanes and for the airport. KOIL also paid a very high premium for its refueling work at the airport. The life business in Tarawa also reached \$1 million collection in 2018, the first time the 1 million dollar mark is exceeded. While the total operating expenditure shows a slight increase, the claim payment both life and general shows a significant decline by 33% compared to the previous year. The decline is due to the decrease in the number of compensations and life claims paid during the year and the effect of treating bonus claims as liability (i.e. a balance sheet item). The financial position in 2018 shows an increase in company equity to \$7.6 million.

Certification

The Annual account presented in this report has been prepared based on the relevant information maintained in the Corporation. In the opinion of the KIC Board of Directors, the financial account presented here gives a true and fair view of the financial performance of the Corporation for the year ended 31 December 2018.



Neiti Ueaieta
Chief Executive Officer



Dr. Iete Rouatu
Chairman (Board of Directors)

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2. ACCOUNTING POLICIES

The Corporation is established under the Insurance Act (CAP 45A), to carry out the business of insurance in Kiribati. The followings are the more important accounting policies used by the Corporation.

2.1. Accounting Basis

The financial account is prepared under the Historical cost convention and complies with the international accounting standards, which are acceptable in Kiribati. The financial year starts from January and ends in December.

2.2. Depreciation

Depreciation is calculated to write off the costs of fixed assets over the expected useful life of the assets, using a straight line and diminished value method. The depreciation rates used in this year's account report incorporate the rates currently used by the Tax department.

| | |
|----------------------|-------------------------|
| Motor Vehicle | 20% p.a. (Diminished) |
| Furniture & Fittings | 25% p.a. (Diminished) |
| Office Equipment | 25% p.a. (Diminished) |
| Office Improvement | 5% p.a. (Straight Line) |
| Office Renovation | 5% p.a. (Straight Line) |
| Buildings | 5% p.a. (Straight Line) |

2.3. Provisions for Unearned Premiums

The calculation of unearned premiums is on a pro-rata basis where premiums are split between this year and next year. For instance the earned premium refers to premium used in the current year while the unearned premium refers to the premium intended to cover next year's risks. In the previous years the split is based on an arbitrary split of 40% and 60%, but this was changed following the Audit's Office suggestion.

2.4. Provisions for Outstanding Claims

Provision for outstanding claims is the estimated cost for all claims reported and not settled at the end of the financial year. No additional provision is made on claims that may have incurred and not reported.

For the first time life bonuses not yet settled in previous years are shown in the current year balance sheet, as liability, as recommended by the Audit Office. The bonuses are calculated

by an overseas actuarial (based in New Zealand) every three years and KIC pays out this amount over several years.

2.5. Bank reconciliation

As per the Board's resolution, the bank reconciliation is now prepared and presented to the Board on a monthly basis.

2.6. KIC Account Consolidation

There are four cost centers of KIC known as Tarawa General, Tarawa Life, Xmas General and Xmas Life. In past years the account reports started off with detailed accounts of the four sectors but in recent years, following the suggestion from the PAC, the four accounts have been consolidated and appear as the first tables in the annual report. It is possible to show detailed revenue account for the different classes of insurance however this is difficult for the expenses which are often grouped under Tarawa General. There is no way the expenditures for each class of policy can be separately shown, and this why it is only possible to show a profit and loss statement, a balance sheet, and a cash flow statement for the entire company.

2.7. IBD and Offshore investment

The number of KIC IBDs is now 7 accounts (down from more than 20 IBDs in the past) with total balance of over \$2 million. Last year KIC opened a new offshore investment account with Equity Trustees in Australia with an opening capital balance of \$3.9 million. The offshore investment was made after the KIC Investment policy was finalized— however the funds are all invested in equities because Equity Trustees is specialized in equities, not in bonds.

2.8. Life Contribution to General account

10% of the life premium is transferred to the general insurance business to cover the operational costs.

3. HIGHLIGHTS OF 2018 ACCOUNT

3.1. Profitability

As shown in the Profit and Loss account, the operating profit (before PPI) of the Corporation in 2018 is \$709,203— about twice that of last year's profit of \$421,852.

Only a few adjustments (PPI) were made in 2018 because most of prior years' outstanding balances have been written off in 2017.

3.2. Total Income

The total net premium income at the end of the year is \$2 million compared to a \$1.6 million last year. This is \$427k or 26% increase compared to last year's actual. The increase relates to a number of new businesses underwritten during the year. In terms of life policies the number of clients also increased during the year.

3.3. Total Operating expense

Total operating expenses for the year of \$925,035 is higher by \$147,859 or 19% compared to last year of \$777,175. The increase in expenses relates to the increase of staff expense i.e. salaries, administrative and fees and charges expenses.

3.4. Total Claims paid

The life claims paid in the year is \$620,599 or 19% less than the previous year's total claim.

3.5 Accounting package

A database account package has been developed and used alongside MYOB with the idea that once the new program is stable and produces what is required for accounting and management purposes, then the company will discard the MYOB and use the new ACCESS database program. Several problems and defects of MYOB have been detected and the new program is expected to perform much better than MYOB.

It is interesting to note that the punching machine is now being used to calculate staff salaries, and this is directly linked to the new ACCESS database program. Processing of the salaries now is very simple, fast, and effective.

4. PROFIT & LOSS STATEMENT

| KIRIBATI INSURANCE CORPORATION CONSOLIDATED PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 | | | |
|--|-------|----------------|----------------|
| | Notes | 2018 | 2017 |
| Net Premium Income | 1 | 2,045,750 | 1,618,261 |
| Add Other Income | 2 | 265,269 | 411,706 |
| Total Income | | 2,311,018 | 2,029,967 |
| Less Expense | 3 | | |
| Staff expense | | 426,514 | 341,536 |
| Travelling & Transport | | 82,372 | 97,116 |
| Promotion | | 10,826 | 13,019 |
| Fees & charges | | 87,171 | 58,663 |
| General & Admin | | 318,151 | 266,842 |
| Total Operating expense | | 925,035 | 777,175 |
| Financial expenses | | | |
| Depreciation | 10 | 56,181 | 63,771 |
| Life Claims paid | 4 | 620,599 | 767,168 |
| Net Profit/(Loss) before PPI | | 709,204 | 421,853 |
| Prior Periods Adjustments | 5 | 172 | (43,263) |
| Net Profit/(Loss) after PPI | | 709,376 | 378,590 |
| Dividend | | - | - |
| Retained Earnings | | 709,376 | 378,590 |

KIRIBATI INSURANCE CORPORATION
PROFIT & LOSS STATEMENT BY COST CENTERS
FOR THE YEAR ENDED 31 DECEMBER 2018

| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
|-------------------------------------|----------------|------------------|---------------|---------------|------------------|------------------|
| Net Premium Income | 860,736 | 1,035,040 | 63,038 | 86,936 | 2,045,750 | 1,618,261 |
| Add Other Income | 63,499 | 183,034 | 13,070 | 5,666 | 265,269 | 411,706 |
| Total Income | 924,236 | 1,218,073 | 76,108 | 92,602 | 2,311,018 | 2,029,967 |
| Less Expense | | | | | | |
| Staff expense | 425,364 | - | 1,150 | - | 426,514 | 341,536 |
| Travelling & Transport | 75,942 | - | 6,430 | - | 82,372 | 97,116 |
| Promotion | 9,499 | - | 1,327 | - | 10,826 | 13,019 |
| Fees & charges | 12,317 | 74,233 | 208 | 414 | 87,171 | 58,663 |
| General & Admin | 291,535 | 10 | 26,526 | 80 | 318,151 | 266,842 |
| Total Operating expense | 814,658 | 74,243 | 35,640 | 494 | 925,035 | 777,175 |
| <i>Financial expenses</i> | | | | | | |
| Depreciation | 40,542 | - | 15,638 | - | 56,181 | 63,771 |
| | | | | | | |
| Life Claims paid | - | 543,002 | - | 77,598 | 620,599 | 767,168 |
| Life Contribution to General | (105,191) | 105,191 | (8,523) | 8,523 | - | - |
| Net Profit/(Loss) before PPI | 174,227 | 495,637 | 33,352 | 5,988 | 709,204 | 421,853 |
| Prior Periods Adjustments | - | - | 62 | 110 | 172 | (43,263) |
| Net Profit/(Loss) after PPI | 174,227 | 495,637 | 33,414 | 6,098 | 709,376 | 378,590 |
| Dividend | - | - | - | - | - | - |
| Retained Earnings | 174,227 | 495,637 | 33,414 | 6,098 | 709,376 | 378,590 |

5. BALANCE SHEET

| KIRIBATI INSURANCE CORPORATION | | | |
|--------------------------------|----|------------------|------------------|
| CONSOLIDATED BALANCE SHEET | | | |
| AS AT 31 DECEMBER 2018 | | | |
| | | 2018 | 2017 |
| Current Assets | | | |
| Cash and Cash Equivalent | 6 | 3,538,107 | 3,176,701 |
| Investment with Equity | 7 | 4,032,135 | 4,228,702 |
| Receivables | 8 | 220,961 | 146,814 |
| Total Current Assets | | 7,791,204 | 7,552,218 |
| Current Liabilities | | | |
| Payables | 9 | 531,417 | 605,931 |
| working capital | | 7,259,787 | 6,946,287 |
| Add Long Term Assets | 10 | 372,426 | 247,197 |
| Net Assets | | 7,632,213 | 7,193,484 |
| Represented by: | | | |
| Shareholder's Fund | | | |
| Capital | | 3,567,422 | 3,567,422 |
| Retained Earnings | | 3,355,416 | 3,247,472 |
| Current Retained Earnings | | 709,376 | 378,590 |
| Net Equity | | 7,632,213 | 7,193,484 |

KIRIBATI INSURANCE CORPORATION

BALANCE SHEET BY COST CENTERS

AS AT 31 DECEMBER 2018

| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 TOTAL | 2017 TOTAL |
|-----------------------------|------------------|------------------|----------------|----------------|------------------|------------------|
| Current Assets | | | | | | |
| Cash and Cash Equivalent | 1,393,626 | 1,772,550 | 16,739 | 355,192 | 3,538,107 | 3,176,701 |
| Investment with Equity | - | 4,032,135 | - | - | 4,032,135 | 4,228,702 |
| Receivables | 209,200 | - | 11,761 | - | 220,961 | 146,814 |
| Total Current Assets | 1,602,826 | 5,804,685 | 28,500 | 355,192 | 7,791,204 | 7,552,218 |
| Current Liabilities | | | | | | |
| Payables | 433,217 | 57,939 | 21,340 | 18,921 | 531,417 | 605,931 |
| working capital | 1,169,608 | 5,746,746 | 7,160 | 336,272 | 7,259,787 | 6,946,287 |
| | | | | | | |
| Add Long Term Assets | 250,396 | | 122,030 | | 372,426 | 247,197 |
| NET ASSETS | 1,420,005 | 5,746,746 | 129,191 | 336,272 | 7,632,213 | 7,193,484 |
| | | | | | | |
| Represented by: | | | | | | |
| | | | | | | |
| Shareholder's Fund | | | | | | |
| Capital | 1,011,850 | 2,374,691 | 152,985 | - | 3,539,526 | 3,539,526 |
| Asset Revaluation | 27,896 | | | - | 27,896 | 27,896 |
| Retained Earnings | 206,032 | 2,876,418 | (57,208) | 330,174 | 3,355,416 | 3,247,472 |
| Current Retained Earnings | 174,227 | 495,637 | 33,414 | 6,098 | 709,376 | 378,590 |
| Net Equity | 1,420,005 | 5,746,746 | 129,191 | 336,272 | 7,632,213 | 7,193,484 |

6. CASH FLOW STATEMENT¹

| KIRIBATI INSURANCE CORPORATION | | | |
|--|--|------------------|------------------|
| CONSOLIDATED STATEMENT OF CASH FLOW | | | |
| FOR THE YEAR ENDED 31 DECEMBER 2018 | | | |
| | | 2018 | 2017 |
| Receipt from clients | | 2,097,365 | 1,493,150 |
| Interest received on IBD | | 25,748 | 346,042 |
| Payments to staff and suppliers | | (926,574) | (531,379) |
| Payment to clients | | (654,199) | (767,168) |
| Net cash flow from Operating activities | | 542,339 | 540,645 |
| Cash Flow from Investing Activities | | | |
| Sale of Fixed Assets | | 477 | 6,905 |
| Purchase of long term assets | | (181,410) | (128,457) |
| Net Cash from Investing activities | | (180,933) | (121,552) |
| Cash Flow from Financing Activities | | | |
| Dividend paid | | - | - |
| Net Cash from Financing Activities | | - | - |
| Net Cash Flow | | 361,406 | 419,094 |
| Opening Cash and Bank | | 3,176,701 | 2,757,608 |
| Closing Cash and Bank | | 3,538,107 | 3,176,701 |

¹ Investment with Equity closing balance of \$4 million is not forming part of the cash flow statement since the unrealized gains and losses are fluctuated overtime depending on the market situation.

KIRIBATI INSURANCE CORPORATION
CASH FLOW STATEMENT BY COST CENTERS
AS AT 31 DECEMBER 2018

| Cash Flow Statement | TRWGEN | TRWLIFE | XMASGEN | XMASLIFE | 2018 Total | 2017 Total |
|---|-----------|-----------|----------|----------|------------|------------|
| <i>Cash Flow from operating activities</i> | | | | | | |
| Cash receipts from clients | 887,250 | 1,058,126 | 62,085 | 89,903 | 2,097,365 | 1,493,150 |
| Interest received on IBD | 10,105 | 12,833 | - | 2,809 | 25,748 | 346,042 |
| Payment to suppliers & employees | (799,212) | (105,442) | (16,975) | (4,945) | (926,574) | (531,379) |
| Payment to Clients | (33,600) | (543,002) | - | (77,598) | (654,199) | (767,168) |
| Cash used in operating activities | 64,543 | 422,516 | 45,111 | 10,169 | 542,339 | 540,645 |
| <i>Cash Flow from Investing activities</i> | | | | | | |
| Sale of Fixed Assets | 477 | - | - | - | 477 | 6,905 |
| Purchase of Fixed assets | (120,679) | - | (60,731) | - | (181,410) | (128,457) |
| Cash used in investing activities | (120,202) | - | (60,731) | - | (180,933) | (121,552) |
| <i>Cash Flow from Financing</i> | | | | | | |
| Government Subsidy | - | - | - | - | - | - |
| Cash used from Financing activities | - | - | - | - | - | - |
| Net increase in cash held | (55,659) | 422,516 | (15,620) | 10,169 | 361,406 | 419,094 |
| Cash and cash equivalents as at 31st Dec 2017 | 1,449,285 | 1,350,033 | 32,360 | 345,023 | 3,176,701 | 2,757,608 |
| Cash and cash equivalents as at 31st Dec 2018 | 1,393,626 | 1,772,550 | 16,739 | 355,192 | 3,538,107 | 3,176,701 |

7. NOTES FORMING PART OF THE FINANCIAL STATEMENTS- 2018

Note 1: Net Premium Income by Cost Center

| | TRWGen | TRWlife | XmasGen | XmasLife | 2018 Total | 2017 Total |
|--------------------|------------|--------------|-----------|-----------|--------------|--------------|
| NET PREMIUM INCOME | 860,736.40 | 1,035,039.74 | 63,037.73 | 86,935.70 | 2,045,749.57 | 1,618,261.10 |

Breakdown of Net Premium Income by class (Refer Cap 45a section, 29)²

| | (TrwGen) Net Premium Income | | | | | | | |
|--|-----------------------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| Particulars | WC | AV | FI | MA | GA | MV | 2018 | 2017 |
| gross premium | 16,154.49 | 549,644.48 | 355,218.35 | 241,676.08 | 376,150.56 | 305,589.75 | 1,844,433.71 | 1,772,700.26 |
| less reinsurance | 6,693.35 | 368,769.76 | 333,273.53 | 71,927.55 | 190,197.08 | 140,660.14 | 1,111,521.41 | 1,093,694.26 |
| less premium refund | 2,121.59 | | | | 429.25 | 57.85 | 2,608.69 | 7,146.55 |
| net written premium | 7,339.55 | 180,874.72 | 21,944.82 | 169,748.53 | 185,524.23 | 164,871.76 | 730,303.61 | 671,859.45 |
| plus commission | 1,807.21 | 6,070.69 | 65,909.31 | 2,355.69 | 38,046.76 | 25,831.34 | 140,021.00 | 170,675.60 |
| less year end current unearned premium | (6,420.23) | (350,622.33) | (138,924.87) | (209,267.24) | (129,169.42) | (169,100.80) | (1,003,504.89) | (855,804.35) |
| plus previous unearned premium | 4,721.82 | 440,403.04 | 130,636.85 | 88,136.87 | 154,615.60 | 192,264.53 | 1,010,778.71 | 735,910.49 |
| NET PREMIUM | 7,448.35 | 276,726.12 | 79,566.11 | 50,973.85 | 249,017.17 | 213,866.83 | 877,598.43 | 722,641.19 |
| claims recoveries | | | 14,956.40 | | 346.63 | 10,046.93 | 25,349.96 | 109,597.48 |
| less claims paid | (1,036.80) | | (14,900.00) | (45.00) | (6,249.55) | (11,368.28) | (33,599.63) | (137,079.85) |
| plus O/S claims last year | 213.04 | - | 30,000.00 | 50,000.00 | 623.25 | 75,517.05 | 156,353.34 | 120,420.24 |
| less current O/S Claims | | | | (50,000.00) | | (114,965.70) | (164,965.70) | (156,353.34) |
| NET CLAIMS | (823.76) | - | 30,056.40 | (45.00) | (5,279.67) | (40,770.00) | (16,862.03) | (63,415.47) |
| TOTAL PREMIUM INCOME | 6,624.59 | 276,726.12 | 109,622.51 | 50,928.85 | 243,737.50 | 173,096.83 | 860,736.40 | 659,225.72 |

² Abbreviations: WC- Workers Compensation AV- Aviation FI- Fire MA- Marine GA- General Accident MV- Motor Vehicle

| (XmasGen) Net Premium Income | | | | | | | | |
|--|-----------------|----------|------------------|-----------------|-----------------|------------------|------------------|--------------------|
| Particulars | WC | AV | FI | MA | GA | MV | 2018 | 2017 |
| gross premium | 7,903.28 | - | 29,264.83 | 5,646.17 | 6,532.00 | 22,478.58 | 71,824.86 | 114,331.53 |
| less reinsurance | | | | | | | - | 33,063.18 |
| less premium refunds | | | | | | | - | - |
| net written premium | 7,903.28 | - | 29,264.83 | 5,646 | 6,532 | 22,479 | 71,824.86 | 81,268.35 |
| plus commission | - | - | - | - | - | - | - | - |
| less year end current unearned premium | (5,166.82) | - | (11,269.63) | (1,825.72) | (3,357.98) | (17,628.96) | (39,249.11) | - |
| plus previous month unearned premium | 5,166.82 | - | 10,515.53 | 1,825.72 | 3,357.98 | 9,595.93 | 30,461.98 | - |
| NET PREMIUM | 7,903.28 | - | 28,510.73 | 5,646.17 | 6,532.00 | 14,445.55 | 63,037.73 | 81,268.35 |
| claim recoveries | - | - | - | - | - | - | - | - |
| less claims paid | - | - | - | - | - | - | - | (70,026.80) |
| plus O/S claims - current | - | - | - | - | - | - | - | 18,200.00 |
| Less O/s claims - previous | - | - | - | - | - | - | - | (18,200.00) |
| NET CLAIM | - | - | - | - | - | - | - | (70,026.80) |
| TOTAL PREMIUM INCOME | 7,903.28 | - | 28,510.73 | 5,646.17 | 6,532.00 | 14,445.55 | 63,037.73 | 11,241.55 |

| (TrwLife) Net Premium Income | | |
|-------------------------------------|---------------------|-------------------|
| | 2018 | 2017 |
| premium income | 1,112,786.84 | 943,368.57 |
| less premium returns | 27,419.04 | 48,511.46 |
| Less life premium trans to Xmas | 63,059.20 | 57,440.95 |
| Plus Outstanding Life premiums | 12,731.14 | 33,949.03 |
| net premium income | 1,035,039.74 | 871,365.19 |

| (XmasLife) Net Premium Income | | |
|--------------------------------------|------------------|------------------|
| | 2018 | 2017 |
| premium income | 85,339.70 | 78,117.64 |
| less premium returns | 1,191.50 | 2,310.00 |
| Plus Outstanding life premiums | 2,787.50 | 621.00 |
| net premium income | 86,935.70 | 76,428.64 |

Note 2: Other Incomes

| Other Incomes by Cost Centers | | | | | | |
|----------------------------------|-----------|------------|-----------|----------|------------|------------|
| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
| Interest on IBD | 10,105.13 | 12,833.39 | | 2,809.02 | 25,747.54 | 74,247.87 |
| Interest on EQT Investment | | 147,113.50 | | | 147,113.50 | 117,205.97 |
| EQT Inflation Market Income | | | | | - | 154,588.12 |
| Hire of jack | | | | | - | - |
| sundry income | 10.00 | | 48.00 | | 58.00 | 0.44 |
| KIC Xmas house rent | 1,605.90 | | | | 1,605.90 | 575.00 |
| Annual Commission | 45,844.00 | | | | 45,844.00 | 27,506.00 |
| cancellation fee | | | | | - | - |
| claims income | 5,334.60 | | | | 5,334.60 | 5,252.00 |
| Quotation fees | 102.67 | | 9.00 | | 111.67 | 186.47 |
| Sale of Fixed Asset | 477.00 | | | | 477.00 | 6,905.00 |
| ID Card | | 185.00 | | | 185.00 | 5.00 |
| commission revenue | | 9,699.68 | | 1,454.19 | 11,153.87 | 10,798.65 |
| Account charge | | 1,817.00 | | 182.00 | 1,999.00 | 2,597.05 |
| Loading fee | 20.00 | | | | 20.00 | - |
| Life Pledge fees | | 55.00 | | | 55.00 | 15.00 |
| Admin & Waiver Charges | | 11,330.00 | | 995.00 | 12,325.00 | 11,589.42 |
| Life Statement fee | | | | 226.00 | 226.00 | 219.00 |
| Reinsurance Commission | | | 3,012.84 | | 3,012.84 | |
| General Contribution: KIC-HQ TRW | | | 10,000.00 | | 10,000.00 | |
| Printing & Stationary | | | | | - | 15.00 |
| Sub-Total | 63,499.30 | 183,033.57 | 13,069.84 | 5,666.21 | 265,268.92 | 411,705.99 |

Note 3: Expenses³

| COST CENTER DETAIL- EXPENSE | | | | | | |
|-------------------------------------|-------------------|----------|-----------------|----------|-------------------|-------------------|
| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
| Staff Expense | | | | | | |
| Wages & Salaries | 319,266.40 | | | | 319,266.40 | 238,670.15 |
| KPF Expenses | 23,369.54 | | | | 23,369.54 | 18,616.71 |
| Leave Grant | 37,500.00 | | | | 37,500.00 | 33,324.65 |
| Overtime | 10,726.16 | | | | 10,726.16 | 8,825.31 |
| Temporay Assistance | 55.42 | | | | 55.42 | - |
| Bonus & Allowance | 6,182.67 | | | | 6,182.67 | 10,147.07 |
| Training Expense | 9,539.80 | | 1,150.00 | | 10,689.80 | 10,670.56 |
| House Rent Subsidy | 18,521.22 | | | | 18,521.22 | 18,795.01 |
| Staff Uniform | 203.20 | | - | | 203.20 | 2,486.66 |
| Staff Redundancy | - | | | | - | - |
| Total Staff Expense | 425,364.41 | - | 1,150.00 | - | 426,514.41 | 341,536.12 |
| Travelling & Transport | | | | | | |
| Travel Local | 48,014.31 | | 3,325.00 | | 51,339.31 | 17,670.88 |
| Travel Overseas | 14,972.34 | | - | | 14,972.34 | 62,373.08 |
| Seasonal & Staff bus fare | 1,524.00 | | 65.60 | | 1,589.60 | 1,876.50 |
| MV Running Cost | 11,431.52 | | 3,039.20 | | 14,470.72 | 15,195.83 |
| Total travel & transport | 75,942.17 | - | 6,429.80 | - | 82,371.97 | 97,116.29 |
| Promotion Expense | | | | | | |
| Advetising | 731.20 | | 90.00 | - | 821.20 | 3,346.90 |
| Donations | 3,050.00 | | 730.00 | | 3,780.00 | 3,918.00 |
| Promotions | 5,718.13 | | 506.80 | | 6,224.93 | 5,753.65 |
| Total Promotion expense | 9,499.33 | - | 1,326.80 | - | 10,826.13 | 13,018.55 |

³ TRWLife and XmasLife share the expenses like salaries and wages, promotion, travelling etc. with TRWGen/XmasGen.

COST CENTER DETAIL- EXPENSE

| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
|------------------------------------|-------------------|------------------|------------------|---------------|-------------------|-------------------|
| Fees & Charges | | | | | | |
| Reinsurance/Brokerage fee | 10,000.00 | | - | | 10,000.00 | 5,950.00 |
| Membership fees | 300.00 | | - | | 300.00 | 300.00 |
| Bank Charges | 2,016.74 | 1,257.79 | 207.80 | 413.80 | 3,896.13 | 4,564.05 |
| Management & Service fees EQT) | | 72,975.23 | | | 72,975.23 | 43,076.85 |
| Actuary fees | | | | | | 4,771.87 |
| Total fees & charges | 12,316.74 | 74,233.02 | 207.80 | 413.80 | 87,171.36 | 58,662.77 |
| General & Admin expense | | | | | | |
| Electricity | 30,945.05 | | 855.63 | | 31,800.68 | 34,589.28 |
| Telecom charges | 33,248.90 | | 1,269.31 | | 34,518.21 | 27,916.39 |
| Printing & Stationery | 5,793.34 | | 534.19 | | 6,327.53 | 10,401.32 |
| Postage | 38.95 | | - | | 38.95 | 30.85 |
| Entertainment | 5,054.33 | | 11,032.54 | | 16,086.87 | 3,591.95 |
| Office Rent | 26,535.60 | | - | | 26,535.60 | 26,556.60 |
| Board's Expense | 42,812.80 | | 2,667.40 | | 45,480.20 | 49,161.65 |
| Insurance | 38,512.68 | | 3,483.00 | | 41,995.68 | 30,456.40 |
| Professional/Audit Fees | 31,797.61 | 10.00 | 2,785.75 | | 34,593.36 | 23,963.27 |
| Office Sundries | 4,867.05 | | 504.20 | | 5,371.25 | 3,024.76 |
| Repair & Maintenance | 16,928.55 | | 2,393.95 | | 19,322.50 | 12,149.13 |
| Sundry expenses | | | 1,000.00 | 80.00 | 1,080.00 | - |
| Catastrophy- Excess | 45,000.00 | | - | | 45,000.00 | 45,000.00 |
| General Cont to Xmas | 10,000.00 | | | | 10,000.00 | - |
| Total General & Admin | 291,534.86 | 10.00 | 26,525.97 | 80.00 | 318,150.83 | 266,841.60 |
| | | | | | | |
| Total Operating Expenses | 814,657.51 | 74,243.02 | 35,640.37 | 493.80 | 925,034.70 | 777,175.33 |

| Financial Expense | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
|------------------------------|------------------|----------|------------------|----------|------------------|------------------|
| Depreciation | 40,542.27 | | 15,638.31 | | 56,180.58 | 55,478.06 |
| Bad Debts | - | | - | | - | - |
| Loss on Disposal | - | | - | | - | 8,292.92 |
| Total Finance Expense | 40,542.27 | - | 15,638.31 | - | 56,180.58 | 63,770.98 |

| Life Contribution to General by cost center | | | | | | |
|---|--------------|------------|------------|----------|------------|------------|
| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
| Life Contribution to Gen | (105,191.40) | 105,191.40 | (8,522.88) | 8,522.88 | - | - |

Note 4: Life claims paid

| Life Claims | | | | |
|--------------|-------------------|------------------|-------------------|-------------------|
| | | | 2018 | 2017 |
| | TRWLife | XMASLife | Total | Total |
| Bonus | 5,598.91 | 4,824.10 | 10,423.01 | 73,060.28 |
| Maturities | 169,513.67 | 17,798.00 | 187,311.67 | 264,786.13 |
| Surrender | 324,472.10 | 54,975.59 | 379,447.69 | 429,321.50 |
| Death Claim | 43,417.00 | - | 43,417.00 | - |
| TOTAL | 543,001.68 | 77,597.69 | 620,599.37 | 767,167.91 |

Note 5: Prior Period Items

| Prior Periods Items | | | | | | |
|---------------------|----------|----------|--------------|---------------|---------------|--------------------|
| | TRWGen | TRWLife | XMASGen | XMASLife | 2018 | 2017 |
| PPI - Income | - | - | 61.80 | 110.00 | 171.80 | 104,629.74 |
| PPI - Expense | - | - | - | - | - | (147,892.66) |
| TOTAL | - | - | 61.80 | 110.00 | 171.80 | (43,262.92) |

Note 6: Cash & Cash Equivalent

| Cash & Cash Equivalent by Cost Centers | | | | | | |
|--|---------------------|---------------------|------------------|-------------------|---------------------|---------------------|
| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
| Cheque account | 300,506.02 | 339,448.69 | 16,656.79 | 36,115.27 | 692,726.77 | 742,549.28 |
| Petty cash | 741.86 | 767.23 | 18.90 | 360.00 | 1,887.99 | 1,637.81 |
| Undeposited fund | 849.15 | 2,400.00 | 63.50 | - | 3,312.65 | 3,624.02 |
| IBD account | 1,091,529.03 | 1,429,933.90 | - | 318,717.12 | 2,840,180.05 | 2,434,432.51 |
| Payroll cheque account | - | - | - | - | - | (5,542.22) |
| Sub-Total | 1,393,626.06 | 1,772,549.82 | 16,739.19 | 355,192.39 | 3,538,107.46 | 3,176,701.40 |

Note 7: Investment with Equity

| Investment with EQT | | | | | | |
|---------------------|--------|--------------|---------|----------|--------------|--------------|
| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
| Investment with EQT | - | 4,032,135.14 | - | - | 4,032,135.14 | 4,228,702.24 |
| Sub-Total | - | 4,032,135.14 | - | - | 4,032,135.14 | 4,228,702.24 |

Note 8: Receivables

| Receivables by Cost Centers | | | | | | |
|----------------------------------|------------|---------|-----------|----------|------------|------------|
| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
| life general account | 49,927.46 | 0.00 | 197.38 | | 50,124.84 | 17,988.73 |
| trade debtors | 147,993.74 | | 11,075.28 | | 159,069.02 | 113,949.19 |
| Less provision for doubtful debt | (2,696.48) | | | | (2,696.48) | (2,696.48) |
| Xmas General Fund | | | | | - | - |
| staff debtors | 9,079.12 | | | | 9,079.12 | 12,698.13 |
| imprest account | | | | | - | - |
| suspense account | | | | | - | - |
| staff salary advance | 21.00 | | | | 21.00 | - |
| accounts receivable | | | | | - | - |
| Bounce chq | | | | | - | - |
| Sundry debtors | | | | | - | - |
| Staff Imprest | 4,874.85 | | 488.60 | | 5,363.45 | 4,874.85 |
| Sub- Total | 209,199.69 | - | 11,761.26 | 0 | 220,960.95 | 146,814.42 |

Note 9: Payables

| Payables by Cost Centers | | | | | | |
|----------------------------------|------------|-----------|-----------|-----------|------------|------------|
| | TRWGen | TRWLife | XmasGen | XmasLife | 2018 Total | 2017 Total |
| Trade Creditors | 38,212.17 | | | | 38,212.17 | 132,209.87 |
| Reinsurance Tax Payables | 768.19 | | 3,008.94 | | 3,777.13 | 1,282.56 |
| ANZ Life Client Payables | | - | | | - | (4,242.02) |
| Other Payables | | | | | - | - |
| Life Bonus payable | | | | | - | 27,822.42 |
| Life General account | | 29,479.11 | | 9,908.38 | 39,387.49 | 11,493.40 |
| Life Withholding tax | | 28,459.82 | | 9,012.25 | 37,472.07 | 36,696.89 |
| Provision for Outstanding claims | 23,298.91 | | 1,235.00 | | 24,533.91 | 15,921.55 |
| Provision for Unearned Premiums | 368,597.38 | | 17,096.13 | | 385,693.51 | 384,180.20 |
| Payroll liabilities | 2,340.61 | | | | 2,340.61 | 566.45 |
| Sub-Total | 433,217.26 | 57,938.93 | 21,340.07 | 18,920.63 | 531,416.89 | 605,931.32 |

Note 10: Fixed Assets

| Fixed Assets by Cost Centers | | | | | | | | | | | | |
|------------------------------|-------|-------------------|-------------------|----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|--|
| (TrwGen) Fixed Assets | | | | | | | | | | | | |
| assets | rate | original value | additions | disposal | total value | ACC depr 2017 | Depreciation 2018 | Acc Depr 2018 | NBV 2018 | NBV 2017 | | |
| buildings | 5.0% | 27,672.67 | 96,167.88 | | 123,840.55 | 5,478.37 | 6,192.03 | 11,670.40 | 112,170.15 | 22,194.30 | | |
| furniture | 25.0% | 44,810.75 | 3,908.75 | | 48,719.50 | 40,779.95 | 1,984.89 | 42,764.84 | 5,954.66 | 4,030.80 | | |
| GM furniture | 25.0% | 11,680.16 | | | 11,680.16 | 11,680.16 | | 11,680.16 | | | | |
| vehicles | 20.0% | 303,158.25 | | | 303,158.25 | 209,914.47 | 18,648.76 | 228,563.23 | 74,595.02 | 93,243.78 | | |
| equipment | 25.0% | 321,231.04 | 20,602.56 | | 341,833.60 | 296,567.13 | 11,316.62 | 307,883.75 | 33,949.85 | 24,663.91 | | |
| office improvement | 5.0% | 18,598.58 | | | 18,598.58 | 18,598.58 | | 18,598.58 | | | | |
| office renovation | 5.0% | 47,999.38 | | | 47,999.38 | 21,872.88 | 2,399.97 | 24,272.85 | 23,726.54 | 26,126.50 | | |
| Total | | 775,149.83 | 120,679.19 | | 895,829.02 | 604,891.55 | 40,542.27 | 645,433.80 | 250,396.21 | 170,259.29 | | |
| (XmasGen) Fixed Assets | | | | | | | | | | | | |
| assets | rate | original value | additions | disposal | total value | ACC depr 2017 | Depreciation 2018 | Acc Depr 2018 | NBV 2018 | NBV 2017 | | |
| buildings | 5.0% | 27,700.85 | 56,862.24 | | 84,563.09 | 11,864.13 | 4,228.15 | 16,092.28 | 68,470.81 | 15,836.72 | | |
| furniture | 25.0% | 5,005.00 | | | 5,005.00 | 4,488.55 | 129.16 | 4,617.71 | 387.29 | 516.65 | | |
| vehicles | 20.0% | 80,299.36 | | | 80,299.36 | 37,359.36 | 8,588.00 | 45,947.36 | 34,352.00 | 42,940.00 | | |
| equipment | 25.0% | 20,957.05 | 3,578.94 | | 24,535.99 | 13,687.95 | 1,817.27 | 15,505.22 | 9,030.77 | 7,269.10 | | |
| office improvement | 5.0% | 17,224.59 | 290.00 | | 17,514.59 | 6,849.58 | 875.73 | 7,725.31 | 9,789.28 | 10,375.01 | | |
| Total | | 151,185.85 | 60,731.18 | | 211,917.03 | 74,249.57 | 15,638.31 | 89,887.88 | 122,030.15 | 76,937.48 | | |
| TOTAL | | | 181,410.37 | | | | 56,180.58 | | 372,426.36 | 247,196.77 | | |