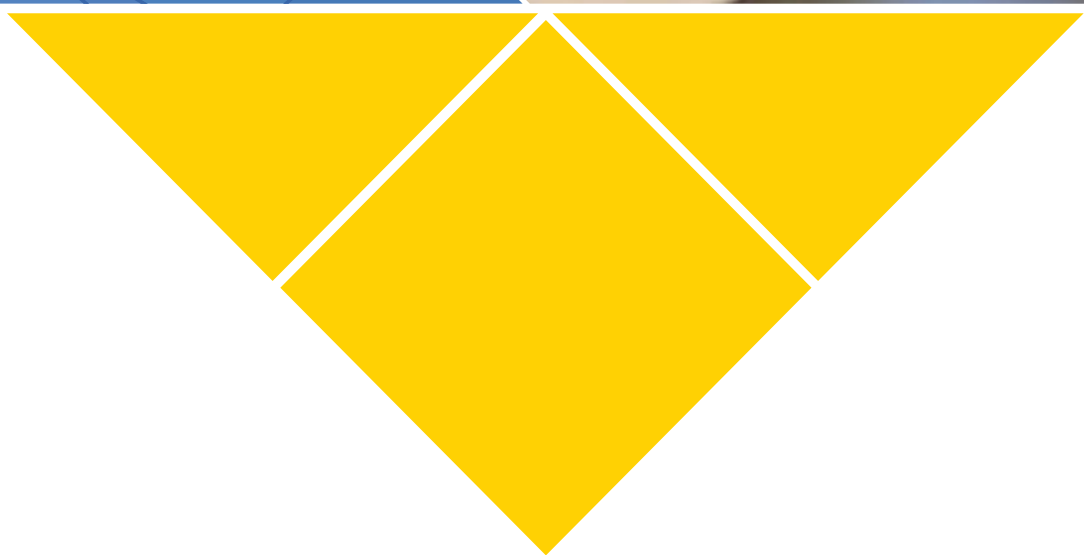


# ANNUAL REPORT 2019



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## GENERAL COMPANY INFORMATION

### DIRECTORS

Mr. Joseph Mubiru Kizito  
Mr. Joseph William Kiwanuka  
Mr. Joseph Balikuddembe Kiwanuka  
Eng. Martin S. Kasekende  
Mr. Stephen Kalema  
Mr. Charles Musisi  
Mrs. Rosemary .N. Ssenabulya

### INDEPENDENT COMMITTEE MEMBERS

Mr. George Steven Okotha  
Ms. Esther J. N. Kasirye.

### COMPANY SECRETARY

Mrs. Solome. L M. Luwaga

### REGISTERED OFFICE

Sure House  
Plot No. 1 Bombo Road  
P. O. Box 9393  
Kampala  
UGANDA

### BANKERS

Tropical Bank Ltd.  
Bank Of Baroda (U) Ltd.  
Stanbic Bank (U) Ltd  
Barclays Bank (U) Ltd  
Bank of Africa (Uganda) Ltd  
Centenary Rural Development Bank Ltd  
Finance Trust Bank Ltd  
Imperial Bank Ltd

### AUDITORS

Kazibwe Kenneth and Steven  
Certified Public Accountants  
Esiteri House  
Plot 71A Bunyonyi Drive-Nakawa  
P.O. Box 116  
KAMPALA

- Chairman
- Managing Director/Vice Chairman
- Director
- Director
- Director
- Director



EFC Bank  
Posta Bank Ltd  
Equity Bank Uganda Ltd  
Diamond Trust Bank  
DFCU Bank Ltd

### MEMBERSHIP

Uganda Insurers Association  
Insurance Institute of Uganda  
Uganda Manufacturers 'Association  
Private Sector Foundation of Uganda  
UNABSEC  
OESAI



Mr. Joseph Mubiru Kizito  
**Chairman**  
Statewide Insurance Company Limited



The stable performance of Uganda's economy in 2019 is reflected in SWICO's performance on all fronts, as are the various efforts to further regulate the Insurance industry. Digital innovation continues to significantly influence operations in the insurance industry and the extent to customer services can be delivered in an effective way. Digitalization and related innovations will be a key element in facilitating the fulfilment of satisfactory customer experiences, and it will present significant opportunities for operating efficiencies and safety enhancements in the insurance sector. The capacity to take advantage of such developments to improve our insurance products and the manner in which we deliver them will continue to be at the heart of our ambition for continual improvement in our position in the Industry. SWICO will thus continue to invest in digitalization to ensure that we continue to deliver appropriate, timely services and solutions.

The start of 2020 was marked by the unrelenting spread of the corona virus, a pandemic that has affected company operations in all sectors, and economies all over the World. In spite of the unprecedented lock downs, restrictions and business suspensions across many levels, I wish to re-assure our stakeholders that SWICO is well positioned to weather the current challenges.

We will continue to work hand in hand with our regulator and other stakeholders to offer flexible and accessible services to support our customers, employees and the community as we fight against the COVID – 19 pandemic together.

### **Regulatory Landscape**

The regulatory framework governing insurance continues to evolve with increased scrutiny and emphasis on ensuring proper conduct in the Industry. This means doing the right business in the right way, and it remains one of our key strategic value drivers.

There were three key changes on the regulatory front that effected the industry. First, Insurance cash and carry regulations were introduced and these required the payment of insurance premiums before issuance of insurance policies. Secondly, the Uganda Oil & Gas Co-Insurance Consortium Guidelines were also issued to provide a framework for regulation, supervision, monitoring and control of the Consortium. The Guidelines also seek to facilitate and consolidate the financial and technical capacity of Ugandan Insurance Companies to participate in the underwriting of oil and gas risks. Thirdly, new regulations were issued to address the effects of the COVID-19 pandemic. These included: a ban on insurance companies from issuing bonuses and dividends in order to support the maintenance of adequate reserves; the extension of grace periods for lapsation of life policies to allow an additional 90 days in anticipation of increased defaults on premium payment; an extension of amnesty by NSSF to Ugandan businesses facing economic distress; and the extension of the filing deadline for tax returns from 15th April to 30th April.

SWICO is and will continue to comply with these changes as long as they are still in force.

## Company Performance and Financial Position

Gross premium written for the year 2019 was Ushs 15 billion compared to Ushs 16 billion written in 2018. The net premium earned in 2019 was Ushs 13.3 billion compared to Ushs 12.5 billion earned in 2018. The drop in premium written was attributed to the newly introduced cash and carry policy. While the policy has a potential advantage of helping to prevent a build-up of excessive premium debtors, it did dampen the intentions of some clients to take up insurance cover given the new requirement to make premium payments upfront.

Approximately Ushs 2 billion was earned from investment income, commission, rent and other incomes in 2019, compared to 1.3 billion in 2018.

The company achieved a profit of Ushs 1.2 billion after tax compared to Ushs 851 million in 2018. The directors proposed a dividend of Ushs 335m payable to the shareholders on the register as at 31st December 2019.

With net assets of Ushs 34 billion the company's balance sheet continues to be robust, placing us on a firm foundation from which to continue on our growth path.

## Sustainability

Cognizant of the fact that the sustainability of our business is only as viable as the success of the community within which we operate, creating shared value for our different stakeholders is critical to SWICO. As part of the commitment to our community, we always dedicate substantial resources towards corporate social investment with a particular focus on education, helping the needy and churches.

## Corporate Governance

SWICO is committed to highest standards of corporate governance. In this regard, SWICO has embedded internal policies and processes to ensure good corporate governance and ethics. These include the annual assessment of the Board, board training and development especially in emerging skills, board succession planning and regular review of the Boards skills matrix given the rapidly changing business environment. For details, please refer to the Corporate Governance section of this report.

## Leadership and Board Changes

We are delighted to congratulate and welcome Mr. Stephen Kalema a new independent non-executive director effective 10th September 2019. Stephen brings over 20 years of regional and global expertise in strategic financial management consultancy in the financial services industry. Having worked with Bank of Uganda for eight years, we are certain that his transition to the Insurance industry will be seamless. I have no doubt that Stephen will continue moving the company forward to greater heights.

**CHAIRMAN'S STATEMENT  
TO THE SHAREHOLDERS.**

Mr. Charles Musisi was also appointed as an independent non-executive director on 10th September 2019 and brings a wealth of experience in Information Technology and Information Systems. He is the Managing Director of Frontiers International Limited, Kampala, one of the reputable ICT companies in the country. He is also the founder of an on line limited company which provides low cost internet services.

These appointments have boosted the skills mix and independence of the Board. We welcome them to the SWICO family.

**Appreciation**

I would like to thank my fellow Board members for their continued support and insight during the year and I look forward to an even better year of working together in 2020 and beyond.

As members of the Board, we remain steadfast in delivering on our mandate of giving strategic direction to the company and in creating an enabling environment for sustainable business growth through effective oversight of management.

On behalf of the Board and on my own behalf, I appreciate the confidence and trust the shareholders put in us to provide strategic oversight to the company. I further extend my sincere gratitude to my fellow directors for their concerted efforts and insights through the past year. We would also like to extend our immense gratitude to the Managing Director and all staff for the unwavering commitment to progress towards our vision that of being Uganda's preferred insurance company.

Joseph Mubiru Kizito  
CHAIRMAN.

## **The Economic Overview.**

The year 2019 was challenging due to the cash and carry regulations that continued to discourage potential clients from taking out policies especially where the amount of premium to be paid was high. This partly explains the decline in premium written as compared to the prior years. Be that as it may, we continued sailing through and we thank the almighty God for having enabled us to complete the year 2019.

However, as I prepare this annual report to our shareholders, we are confronted with the worst health pandemic of our generation which has had a profoundly negative impact on the global economy. Our thoughts and prayers remain with the health workers and the country, we must be there for our customers, employees and communities in good and challenging times. We are a key part of the national eco system and it is in these extraordinary and difficult times that we need to remind our clients and the general public that the new normal is on and everything is likely to respond to how the situation brought about by COVID - 19 turns out to be, but what has not changed however is that businesses and other assets remain valuable to risks and for this reason, insurance should be on each one's priority list.

We entered this crisis in a position of struggle as the performance in 2019 was not as expected and this was attributed to the cash and carry regulation whose intention was to combat high levels of bad debts and premium arrears in the industry, however its initial years of implementation have negatively impacted the business by turning potential clients away from insurance products. The marine insurance segment is not performing to its potential, but with the introduction of the compulsory marine cargo insurance, we hope that once enforcement is achieved, then this segment will be a source of good business given the adequacy of products we offer.

The oil and gas pool is actively seeking avenues to provide insurance support to the oil and gas sector and this engagement is progressing. However the oil production and commercialization has not proceeded as rapidly as we expected and it is thus not a vibrant sector for business. Membership of the pool places our company in a beneficial position to take advantage of new opportunities once they arise.

Banc assurance has rapidly gained ground as many of the existing commercial banks obtain the relevant licenses. Our company has successfully established a relationship with many of the banks leading to increasing insurance premium income through the banc assurance channel.

## **The Insurance Industry.**

To know how important insurance is to the economy one has to measure its rate of penetration which means how much money the insurance industry draws out of the economy in the form of insurance premiums or alternatively how much money the insuring public in that country pays to insurance companies for their services.

In developed economies this percentage is rather high but in developing countries like Uganda, it is low. In Uganda for example, the rate of penetration of insurance in 2019 was 0.8% and much of the premiums of many insurance companies is derived from business that is compulsory by legislation such as Motor Third Party or Workers' Compensation Insurance business.

Majority still look at insurance as a luxury to the extent that mandatory insurance covers such as third party are evaded by many. For other policies, majority cannot afford to buy and sustain them. Despite the fact that the insurance penetration is that low, more and more insurance companies are coming to Uganda to be registered as insurance operators. Many of such companies are branches of big corporations whose shareholders reside out of Uganda meaning that any profits they make here is repatriated to the shareholders who make meaningful policies for them.

Members of the insurance fraternity, through their umbrella organization, the Uganda Insurers' Association, are trying to make insurance better known and appreciated. In the country one hopes that through these efforts and, many other efforts of publicity made by individual companies, may improve insurance penetration of the local market.

#### **Industry Performance**

The industry provisional premium results (non-life) stood at Ushs 617 billion in 2019, which was higher than 2018 which stood at Ushs 570 billion, hence a growth of 8.23%. At Ushs 15.01 billion, SWICO claims a share of 2.43% Management is working smart to achieve a much better position in the years ahead.

#### **Company's Performance**

Gross premium written for the year 2019 was Ushs 15 billion compared to Ushs 16 billion written in 2018. The net premium earned in 2019 was Ushs 13.3 billion compared to Ushs 12.5 billion earned in 2018.

The drop in premium written was attributed to the cash and carry policy which discouraged some clients from taking out policies especially where the premium to be paid was high.

Estimated Ushs 2 billion was earned from investment income, commission, rent and other incomes in 2019.

The company achieved a profit of Ushs 1.2 billion after tax compared to Ushs 851 million in 2018 and the directors proposed a dividend of Ushs 335m payable to the shareholders on the register as at 31st December 2019.

#### **Subsidiary Results**

The Company owns 96.17% of Sure Properties Limited which generated rental income of Ushs 1.04 billion and a profit before tax of Ushs 306 million with a gross margin on 30%.

#### **Masaka Project**

On a lighter note, I am pleased to report that the project in Masaka was completed and we have been able to get tenants for the apartments.



### **Digitalization**

We continue to make excellent progress around digitalization. The company has embraced digital advertising and undertaken digital marketing campaigns which has greatly enhanced SWICO's visibility in the market and anticipated increase in the market share that will in turn lead to premium growth.

### **The ERP System**

In January 2019, a software Implementation Services Agreement was executed between Statewide Insurance Company and Turnkey Africa Limited to roll out an ERP system with modules **(CRM, GIS, FMS 1&2 and HRMS)** called "TurnQuest software" to deliver and customize to suite the business operations for the company on agreed terms.

System implementation phase has been ongoing however with a few challenges especially with the current COVID – 19 pandemic situation in the country as well as the data migration phase which was overlooked during the negotiation phase. This has therefore stalled the progress on the GO- Live date since there is a lot of data clean up from the legacy system (AIMS).

We are however confident that the system will be fully functional before end of 2020

### **Risk Management**

The Company hired a risk consultant to develop the risk management policy and guidelines which has been done and I must say it is in the finalization stages as the HoD's with the help of the consultant are now in the processes of identifying the risks using the department objectives as the basis and thereafter they will analyze, evaluate and come up with mitigation measures. Training on risk management was also extended to managers and directors.

The risk management policy has clear risk management objectives and an established strategy to deliver them through core risk management processes. This will enable all stakeholders to fully understand and minimize the impact of uncertainty in the business. Responsibility for risk management is cascaded through all levels of the company from the Board and Executive Committee down through the top management and to each business manager. This ensures that risk/return decisions are taken at the most appropriate level and as close as possible to the business activity.

We also maintained a strong relationship with our regulators and remain committed to conducting our business in a fair, transparent and compliant manner.

### **Our Customers**

We have continued to serve our customers diligently with utmost efficiency and effectiveness. We have been helping our customers who tell us about their financial struggles as a result of the pandemic and are offering relief measures as guided by the Insurance Regulatory Authority such as: allowing an additional 60 days premium credit considering that most companies have cash flow challenges.

I am happy to report that the company has managed to retain most of its clients with big accounts amidst the pandemic through several client visits and constant engagements with our big accounts.

### **Our employees**

Times like this reinforce the fact that our employees are our most important asset. During this COVID -19 pandemic, we have also taken extensive steps to protect our employees by observing Standard Operating Procedures as guided by the Ministry of Health.

### **Corporate Social Responsibility**

In 2019, we made efforts in increasing our visibility through donations to schools, sponsoring sports activities, and library and drama festivals, donations to churches and not for profit organizations that take care of less privileged children as our part of our Corporate Social Responsibility program.

### **Appreciation**

I would like to thank all our stakeholders, Board members, fellow employees, customers, regulators, communities and shareholders for the support over the years. It has been a challenging journey and I am proud to have been part of the walk of resilience. I am grateful to all employees for staying true to our strategy and being there for our clients, customers and communities in these most critical times.

As the first year of our strategic plan comes to a close, I remain confident that we are still on track to achieve our strategic objectives. Thank you for your support and let's continue working together towards achievement of our strategies.

**J.W Kiwanuka**  
Managing Director



The purpose of corporate governance is to adopt procedures and rules to support and improve the control and management of the company. The statement includes a description of the company's management structure, and main elements of the internal control and risk management systems in connection with the risks stipulated under Section 62 (2) (d) of the Insurance Act of 2017.

The Board of Directors is responsible for monitoring the business affairs of the Company and ensuring protection of the rights and interests of the shareholders. The Board appreciates that high standards of corporate governance are an essential prerequisite for creating sustainable value for shareholders. This statement sets out the Company's main corporate governance policies and practices. All these practices, unless otherwise stated, were in place for the entire year ended 30 December, 2019. The policies and practices have aimed to ensure an integrated framework of accountability over the Company's resources, functions and assets.

The Company operates through its Board of Directors and Management with the Board providing effective oversight and management of risks. To achieve its objectives the Board works under a set of established corporate governance policies and the Board Charter. The corporate governance framework, policies and practices are regularly reviewed to ensure they meet the expectations of the shareholders and are in line with best practice corporate governance principles as well as our internal processes and practice. The Corporate governance statement outlines the key components of the corporate governance framework of the company during the year and the Board believes the company's corporate governance policies and practices have complied with the requirements under the Insurance Act, Regulations and the Companies Act.

SWICO is a private limited liability company that is licensed and regulated by the Insurance Regulatory Authority. Compliance with license terms, laws and regulations is fundamental for SWICO's continued operations. The Company is in material compliance with all laws, regulations, standards and codes governing the Insurance sector.

The Company acknowledges the importance of diversity within the organization and recognizes the advantages arising from a workforce comprising individuals with diverse backgrounds, skills, age and experience. The benefits of promoting a diverse workforce include providing a broader pool of high quality employees, improving employee retention, accessing different perspectives, ideas and innovation as well as the benefits resulting from utilizing all available talent.

### **Board Composition**

The composition of the Board is governed by the Memorandum and Articles of Association. The Board of Directors comprises members with an optimal mix of skills, experience and diversity, including gender diversity. The Board also co-opted two committee members to provide skills that were required to enhance the Board performance.

The Board Charter provides that a majority of the Board should be independent non - executive Directors. This ensures that Board decisions have the benefit of predominantly external views and experiences, and that the majority of Directors are free from interests and influences that may create a conflict with their duty to the company. To further entrench independence, there is separation of roles of the Chairman and the Chief Executive Officer.

During the year there were a few changes in the composition of the membership on the Board. Mr. Charles Musisi and Mr. Stephen Kalema were appointed in September 2019, assumed their duties in November 2019. The number of Board of Directors therefore increased to seven including the Chairman. The composition is one Executive Director, two non-Executive Directors and four Independent Directors. These are persons of high integrity and proven competencies.

The Management team is led by the Managing Director, assisted by the General Manager in implementing the company's strategy and Board decisions, as well as ensuring that the business of the company is effectively managed.

**The Board's mandate** as provided in the Board Charter includes but is not limited to the following:

- Overseeing the organization, including control and accountability systems,
- Appointing and dismissing staff in the Management positions.
- Contributing to the formulation and approving of the corporate strategy and performance objectives.
- Reviewing and ratifying system of risk management and internal compliance and control, legal compliance and code of conduct.
- Monitoring senior Management's performance and implementation of strategy, and ensuring availability of adequate resources.
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestiture.
- Approving financial reports; and Monitoring tax compliance.

The Board exercises oversight of compliance and has ensured that there is a framework for the identification and management of compliance risk within the Company. Day to day compliance and risk management is undertaken by Management. The Internal Auditor oversees the implementation of the Company's compliance risk management framework and supports management and staff in achieving compliance across all relevant parameters. During the year 2019 the Company was in material compliance with all laws, regulations, rules and guidelines on corporate governance. The Audit Committee and the Risk Management & Corporate Governance Committee with support from the Internal Audit department and Legal department will continue to monitor policy, legislative and regulatory developments and their impact on the Company.

### Board meetings

Board meetings are held quarterly as provided in the Memorandum and Articles of Association. Members of senior management attend the Board committee meetings to assist the Board in making informed decisions. During the year under review four scheduled quarterly meetings were held. In addition several special and ad hoc meetings were held to dispose of urgent business. The members' attendance was as shown in the table below:

NAME	23/01	30/04	14/05	26/06	18/09	18/12
1 Mr. Joseph Mubiru Kizito	A	A	A	✓	✓	✓
2 Mr. Joseph William Kiwanuka	✓	✓	✓	✓	✓	✓
3 Eng. Martin S. Kasekende	✓	✓	✓	✓	✓	✓
4 Mr. Joseph B. Kiwanuka	✓	✓	A	✓	✓	✓
5 Mrs. Rosemary N. Ssenabulya	✓	✓	✓	A	✓	✓
6 Mr. Stephen Kalema					✓	✓
7 Mr. Charles Musisi					✓	✓

A = Apology

### Board Committees

The Board works through the Board committees. During the last quarter of the year the committees were reviewed from three to four as follows:

1. Finance , Investment & Technical Committee
2. Human Resource and Administration Committee
3. Risk Management and Corporate Governance Committee
4. Audit Committee

Each committee operates under specific Terms of Reference. The Board has power to delegate specific functions to ad hoc committees on a needs basis through Board resolutions.

All Chairpersons of the committees are independent and non-executive Directors.

1. Mr. Joseph B Kiwanuka, - Finance , Investment & Technical Committee
2. Mrs. Rosemary N. Ssenabulya - Human Resource and Administration Committee
3. Eng. Martin S Kasekende -Audit Committee
4. Mr. Stephen Kalema -Risk Management and Corporate Governance Committee

The attendance at the committee meetings during the year was as shown in the tables below:

#### Finance, Investment & Technical Operations Committee

NAME	14/03	17/04	20/06	06/09	26/11	03/12
Mr. Joseph B. Kiwanuka	✓	✓	✓	✓	✓	✓
Mr. J W Kiwanuka	✓	✓	✓	✓	✓	✓
Mr. Stephen Kalema					✓	✓
Mr. Charles Musisi					A	A
Mr. George Steven Okoth					✓	✓

#### Human Resource and Administration Committee

NAME	31/01	16/04	25/04	14/05	13/06	4/09	5/11
Mrs. Rosemary N. Ssenabulya	✓	✓	✓	✓	✓	✓	✓
Mr. Joseph W. Kiwanuka	✓	✓	A	✓	✓	✓	✓
Owek. Eng. Martin S Kasekende	✓	✓	✓	✓	✓	✓	✓

#### Audit Committee

NAME	15/03	28/03	16/04	13/06	4/09	7/11
Owek. Eng. Martin Kasekende	✓	✓	✓	✓	✓	✓
Mrs. Rosemary N. Ssenabulya	✓	✓	✓	✓	✓	✓
Ms. Esther J.N Kasirye						✓

A - Apology

## Risk Management and Corporate Governance Committee

NAME	5/11	
Mr. Stephen Kalema	✓	
Mr. Charles Musisi	✓	
Ms. Ms Esther J. N Kasirye	✓	
Mr. George Steven Okoth	✓	

The Committees' have terms of reference that set out the responsibilities, scope of authority, composition and procedures to be followed. The Board and the committees meet at least once every quarter. Ad hoc meetings are held whenever need arises. The Directors are provided with detailed papers and reports in advance of meetings. Where urgency demands, the Board and its committees can make decisions and recommendations by way of circular resolutions.

### Board effectiveness

The Company employs a Company Secretary appointed by the Board whose duties are to ensure that the Board remains cognizant of its duties and responsibilities, organize the induction of new Board members, coordinate Board trainings and maintain Board and Company records. All Directors have access to the services of the Company Secretary.

Among the strategic goals of the company is to maintain an effective Board. It is therefore necessary to continuously monitor and evaluate performance. To achieve this, the Board annually conducts an evaluation of its overall performance and member performance in order to identify any gaps and monitor implementation of recommendations made to improve its effectiveness.

### Internal controls and risk management

The Board of Directors and Management set out general requirements for business processes and internal controls. Management is responsible for maintaining efficient and effective internal controls and risk management, and ensures implementation of controls considered necessary to mitigate any insurance risks, credit risks, liquidity risks, market risks, operational risks, reputational risks, as enshrined under Section 62 (2) (d) of the Insurance Act of 2017. The audit Committee of the board monitors on an ongoing basis the management of risk and the operating effectiveness of the implemented internal controls. Management is responsible for performing compliance reviews. The Audit Committee and Management perform assessment of the risk exposure, including the impact of the risks identified under Section 62 (2) (d) of the Insurance Act of 2017 on the reporting process.

### **Management of conflict of interest**

The company is cognizant of the need to manage conflict of interest. The Articles of Association provide that a director who is in any way interested in a contract or proposed contract with the Company or in any matter which is about to be discussed or determined by the Board or a committee of the Board shall declare the nature of his or her interest at the meeting of the Board discussing the contract or matter and to the extent that the discussion or decision concerns that interest, he or she shall exclude himself or herself from attending the meeting until when the matter in which he/she has a conflict of interest has been concluded. Declaration of conflict of interest is an agenda item at every meeting and any declaration of conflicts of interest are duly taken note of by the Company Secretary in the minutes.

### **Code of Conduct**

The company is committed to upholding the highest legal, moral and ethical standards in all its corporate activities, and has adopted a Code of conduct which aims to strengthen its ethical climate and provide guidelines for situations where ethical issues arise.



- 1.0 **It is the responsibility of the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Sure Group of Companies as at the end of the financial year and of their profit or loss for the year ended. In preparing those financial statements, the directors are required to:**
- (a) Select suitable accounting policies and apply them consistently.
  - (b) Make accounting estimates and judgments that are reasonable in the circumstances.
  - (c) Comply with International Financial Reporting Standards (IFRS), local laws, statutes and regulations.
  - (d) Prepare the financial statements on the going concern basis unless it is not appropriate to presume that the entity will not continue in business.
- 2.0 **The directors are responsible for keeping proper accounting records,** which disclose with reasonable accuracy at any time the financial position of the Sure Group of Companies and to ensure that the financial statements comply with the Insurance Act and the Companies Act. They are also responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.
- 3.0 **The directors confirm that in their opinion:**
- a) The consolidated financial statements give a true and fair view of the financial position of the group as at 31 December, 2019 and of the results of its operations and its cash flows for the year then ended;
  - b) The financial statements are drawn up in accordance with International Financial Reporting Standards and comply with the requirements of the Insurance Act Cap 213 and the Companies Act 2012; and
  - c) Nothing has come to the attention of the directors to indicate that any of the group companies will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on \_\_\_\_\_ 2020 and signed on its behalf by:

\_\_\_\_\_  
Chairman/Director

\_\_\_\_\_  
Managing Director

INDEPENDENT AUDITORS' REPORT TO  
THE MEMBERS**1.0 OPINION**

We have audited the consolidated financial statements of M/s Statewide Insurance Company Limited and its subsidiary M/s Sure Properties Limited for the year ended 31 December, 2019 set out on pages 8 to 33. The consolidated financial statements are comprised of the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, principal accounting policies and explanatory notes. As stated in Note 28 to the financial statements; the financial statements of the subsidiary were audited by a professional firm which issued an unqualified opinion. We reviewed the basis of their opinion and are satisfied that it is supported and is appropriate.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of M/s Statewide Insurance Company Limited and its subsidiary as at 31 December, 2019 and of the group operating results, statement of changes in equity and statement of cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 and the Insurance Act 2017.

**2.0 BASIS OF OPINION**

We conducted the audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are further restated under the auditor's responsibilities. We are independent of M/s Statewide Insurance Company Limited and its subsidiary in accordance with ethical requirements that are relevant to the audit of the consolidated financial statements of M/s Statewide Insurance Company Limited group and have fulfilled other ethical responsibilities in accordance with these requirements. We believe the audit evidence obtained is sufficient and appropriate as a basis for our opinion.

**3.0 EMPHASIS OF THE MATTER****a) Subsequent Events**

Without qualifying our opinion, we draw attention to Note 29 to the group financial statements. The onset of Covid-19 was considered as a material event that could have impact on the amounts and disclosures in the the group financial statements. The group companies have incurred revenue losses due to the Government lockdowns and restrictions in response to the pandemic. The losses, which continue to pile up as the end of the pandemic is not yet in sight, could impair the group companies as going concerns. However, the board and management have assessed the situation and are of the opinion that the group finances are sound and that the insurance operations will rebound when the pandemic abates. The drawing of the group financial statements on the basis of a going concern is therefore appropriate.

**b) International Financial Reporting Standards and Local Laws**

In addition, we draw attention to note 1'(c) to the financial statements. The group has adapted the use of IFRS in its financial reporting but is yet to fully implement the following standards: While, IFRS 17 on insurance contracts is yet to come into operation, IFRS 15 on revenue from contract customers has not been applied as it is contrary to the existing regulatory guidelines. On the other hand, IFRS 9 on financial instruments has not been applied because the company is yet to put in place appropriate systems and policies.

## 4.0 KEY AUDIT MATTERS

The key audit matters that characterized the audit are discussed below. Key audit matters are matters that were significant in the audit of the consolidated financial statements and were the dominant topics of discussion during the audit. The matters were addressed during the audit and issues resolved before arriving at our opinion.

Audit Matter	Our Response
<p><b>Investment Property</b> In accordance with its policy of measuring its assets at fair value every five years, the assets were surveyed and valued by M/s Allied Property Surveyors in 2019. The valuation returned a value of sh19.1bn compared to a book value of sh1.4bn. However, the management decided against its policy and resolved to restate the assets at nominal values pending disposal. They also resolved to change the land policy from holding for capital appreciation to holding for sale.</p>	<p>We concur with the position taken by the management and the board to change its accounting policy, to hold land for sale as opposed to holding it for capital appreciation.</p>
<p><b>Cash and Carry Policy</b> During the year, the regulatory authority decreed that insurance transactions be on cash basis. The effect of the directive is that:</p> <ul style="list-style-type: none"> <li>• Transactions other than cash would be allowed for limited period of 60 days after which the policy would be cancelled</li> <li>• Legacy receivables not realized by June 2019 be written off. However, by 31st Dec 2019, the company premium debt of sh2.17bn had an overdue amount of sh445m.</li> </ul>	<p>Management made write-off of Shs.343m. Meanwhile a provision of Shs.136m was made for bad debts.</p>
<p><b>Insurance Act 2017</b> As stated in notes 1 (d) to the financial statements, the group is yet to fully switch over from the provisions of the Insurance Act 1996 to the new Act. The delay was due to the delayed release of the updated regulatory guidelines.</p>	<p>The management, in consultation with the regulator has drawn the financial statements in accordance with the Insurance act 1996 and the Insurance Regulations 2002.</p>
<p><b>Sundry Debtors sh1.3bn</b> These include sh496m being debts arising from sundry occurrences. The debts are under legal Dept for enforcement of collection measures. However, the bulk of these debts are overdue and require a provision.</p>	<p>The management effected a write-off of Shs.123,044,806/= and made a provision of sh 95,372,828/=.</p>

## 5.0 RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE

In accordance with the Companies Act 2012, the board is required to manage the affairs of the holding company and its subsidiary inclusive of maintaining such books of account necessary to give a true and fair view of each company's affairs and to explain its transactions.

The board and management are responsible for the preparation and presentation of consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), the Companies Act 2012 and the Insurance Act 2017.

The responsibility is discharged through designing, implementing and maintaining an internal control system that would ensure preparation and presentation of consolidated financial statements that are free from material misstatements or error. It also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

## 6.0 RESPONSIBILITY OF AUDITORS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit 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 internal control of the group companies.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group companies' abilities to continue as going concerns.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern

- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 7.0 OTHER INFORMATION

The directors are responsible for the other information set out on pages 1-3. The information includes the general corporate information, the directors' report and the statement of the directors responsibilities. In connection with the audit of the financial statements, we confirm to have read the other information and report that there is no material inconsistency between this information and the information provided during the audit except as highlighted elsewhere in this report.

## 8.0 OTHER REQUIREMENTS

In Accordance with section 170 of the Companies Act 2012, we further report as follows:

- i) We obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) Proper books of account were kept so far as appears from examination of these books and give a true and fair view of the state of the financial position of the group as at the financial year-end and of its profit or loss for the year.
- iii) The financial statements are in agreement with the books of account.

## 9.0 REPORTING PARTNER

Engagement partner on the audit relating to this independent auditor's report is CPA. Stephen Mureyo Turyahikayo, P0017.

P.O. Box 116  
KAMPALA

KAZIBWE KENNETH & STEVEN  
CERTIFIED PUBLIC ACCOUNTANTS

## AS AT 31 DECEMBER 2019

ASSETS	Note	2019	2018
NON-CURRENT ASSETS		U.SHS	U.SHS
Property and Equipment	2	<u>26,832,800,827</u>	<u>26,398,702,639</u>
TOTAL NON-CURRENT ASSETS		<u>26,832,800,827</u>	<u>26,398,702,639</u>
<b>INVESTMENTS</b>			
Investment Property	3	595,000,000	1,454,000,000
Other Long Term Investments	4	2,327,223,205	2,122,256,729
Short- Term Investments	5	<u>9,279,014,040</u>	<u>7,708,897,601</u>
TOTAL INVESTMENTS		<u>12,201,237,245</u>	<u>11,285,154,330</u>
<b>CURRENT ASSETS</b>			
Trade Receivables	6	1,654,675,351	3,030,769,932
Related party		92,645,540	(51,525,660)
Reinsurance Receivables	7	147,395,501	165,893,126
Reinsurance share on insurance liabilities and reserves	9	3,262,218,870	3,932,579,241
Other Receivables	8	1,329,812,974	698,667,263
Cash and cash equivalents	10	1,619,170,190	2,479,218,896
Inventory	11	59,215,611	124,452,000
Current Tax Receivable	12	14,612,059	35,684,978
TOTAL CURRENT ASSETS		<u>8,179,746,097</u>	<u>10,415,739,777</u>
TOTAL ASSETS		<u>47,213,784,169</u>	<u>48,099,596,746</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade Payables	13 (a)	71,128,910	76,500,445
Other Payables & Accruals	13 (a)	1,393,059,816	1,530,611,423
Dividends Payable	13 (b)	<u>494,196,859</u>	<u>307,775,100</u>
TOTAL CURRENT LIABILITIES		<u>1,958,385,585</u>	<u>1,914,886,968</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred Tax	14	380,893,256	587,493,390
Minority Interest	15	<u>922,564,521</u>	<u>1,406,262,406</u>
TOTAL NON-CURRENT LIABILITIES		<u>1,303,457,777</u>	<u>1,993,755,797</u>
<b>INSURANCE RESERVES</b>			
Unearned Premium Reserve	16	7,984,151,207	8,972,945,360
Claims Reserve	17	1,499,936,701	1,767,313,784
IBNR Reserve	18	<u>224,990,505</u>	<u>265,097,068</u>
TOTAL RESERVES		<u>9,709,078,413</u>	<u>11,005,356,212</u>
TOTAL LIABILITIES		<u>12,970,921,776</u>	<u>14,913,998,977</u>
NET ASSETS		<u>34,242,862,393</u>	<u>33,185,597,769</u>



**SHARE CAPITAL AND RESERVES**

AUTHORISED SHARE CAPITAL		<u>7,000,000,000</u>	<u>7,000,000,000</u>
Issued and fully Paid Up capital	19	6,700,000,000	6,000,000,000
Share Premium	20	300,000	300,000
Contingency Reserves	21	3,063,760,721	2,763,557,990
Revaluation Reserves	22	20,617,589,334	20,717,285,811
Statutory Reserves	23	60,893,108	42,574,512
Revenue Reserves	24	<u>3,800,319,207</u>	<u>3,661,879,426</u>
TOTAL CAPITAL AND RESERVES		<u><u>34,242,862,393</u></u>	<u><u>33,185,597,769</u></u>

Signed on behalf of the Board

\_\_\_\_\_ Chairman/Director

\_\_\_\_\_ Managing Director

The Statements were approved and signed on \_\_\_\_\_ 2020

The notes on pages 15 to 33 form part of these financial statements.



STATEMENT OF  
COMPREHENSIVE INCOME

	2019 U.SHS	2018 U.SHS
Gross premiums	15,010,136,527	16,470,362,542
Premium ceded to reinsurers	<u>(2,082,068,425)</u>	<u>(2,539,601,050)</u>
NET PREMIUMS WRITTEN	12,928,068,102	13,930,761,492
Provision for unearned premium	<u>401,077,356</u>	<u>(1,396,719,871)</u>
NET PREMIUMS EARNED	13,329,145,458	12,534,041,621
Investment income	1,115,883,700	736,168,804
Commission earned	426,186,036	453,905,142
Other incomes	432,896,724	96,465,610
Rental Income	32,445,881	8,400,000
Exchange Gain/(Loss)	<u>(12,641,782)</u>	<u>82,649,784</u>
TOTAL INCOME	<u>15,323,916,018</u>	<u>13,911,630,961</u>
Net claims incurred	(2,582,046,456)	(2,340,278,350)
Commission expenses	(3,263,873,348)	(3,608,674,413)
Management expenses	(7,687,188,415)	(6,862,556,151)
Other write offs	<u>(282,015,833)</u>	<u>-</u>
TOTAL EXPENSES	<u>(13,815,124,052)</u>	<u>(12,811,508,913)</u>
PROFIT/(LOSS) BEFORE TAX	<u>1,508,791,966</u>	<u>1,100,122,048</u>
Provision for tax	<u>(290,929,803)</u>	<u>(248,631,812)</u>
PROFIT/(LOSS) FOR THE YEAR AFTER TAX	1,217,862,163	851,490,236
Dividends Proposed	(335,000,000)	(300,000,000)
Dividends Declared	-	-
Statutory Reserve	<u>(60,893,108)</u>	<u>(42,574,512)</u>
Retained Profit/(Loss) after appropriation	<u>821,969,055</u>	<u>508,915,724</u>
OTHER COMPREHENSIVE INCOME		
Fair value gains/(losses) on quoted shares	(9,965,724)	20,232,103





Fair value gain/(loss) on investment property/Building	(558,500,000)	70,265,236
Deferred tax timing difference	39,050,136	204,330
Retained Profit from Subsidiary	<u>210,188,507</u>	<u>179,266,534</u>
NET SURPLUS/(LOSS) FOR THE YEAR	<u><u>502,741,973</u></u>	<u><u>778,883,927</u></u>



STATEMENT OF UNDERWRITING  
REVENUES

	Accident		Accident		Motor		Motor		Fire		Fire		Marine		Marine		Total	
	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs
Gross Premium Written	5,841,503,177	7,039,061,412	7,652,599,568	7,618,711,978	1,249,111,454	1,360,727,240	266,922,329	451,861,911	15,010,136,527	16,470,362,542								
Less:																		
Gross Premium Ceded	1,360,616,388	1,860,761,632	332,807,356	329,215,537	336,286,498	314,397,689	52,358,183	35,226,191	2,082,068,425	2,539,601,050								
Net Premium Written	4,480,886,789	5,178,299,780	7,319,792,212	7,289,496,441	912,824,956	1,046,329,551	214,564,145	416,635,720	12,928,068,102	13,930,761,492								
Commission Receivable	308,158,995	357,771,118	24,397,550	12,460,024	81,866,048	76,127,852	11,763,443	7,546,148	426,186,036	453,905,142								
Reinsurers share on UP	(2,074,702,116)	(2,024,184,502)	(826,988,800)	(1,195,291,080)	(429,623,582)	(410,145,877)	(69,326,266)	(107,156,046)	(3,400,640,764)	(3,736,777,505)								
Premium Reserves B/f	4,146,022,027	3,441,472,500	3,742,787,376	3,487,430,676	848,155,403	746,145,793	235,980,554	237,313,261	8,972,945,360	7,912,362,230								
Less:																		
Premium Reserves C/f	3,695,423,079	4,146,022,027	3,465,493,355	3,742,787,376	646,501,504	848,155,403	176,733,269	235,980,554	7,984,151,207	8,972,945,360								
Reinsurers share on UP C/F	(1,903,068,363)	(2,074,702,116)	(537,576,470)	(826,988,800)	(281,371,522)	(429,623,582)	(90,907,611)	(69,326,266)	(2,812,923,966)	(3,400,640,764)								
Net Claims Incurred	225,537,860	571,733,892	2,178,051,270	1,707,240,098	156,372,717	45,427,770	22,084,609	15,876,589	2,582,046,456	2,340,278,350								
Commission paid	1,761,658,476	2,056,146,747	1,172,289,803	1,181,615,659	306,773,563	344,675,333	23,151,506	26,236,674	3,263,873,348	3,608,674,411								
Management Expenses	2,664,390,437	2,550,928,248	4,352,438,543	3,590,943,586	542,776,954	515,441,694	127,582,482	205,242,623	7,687,188,415	6,862,556,151								
Underwriting Surplus/ (Loss) for the year	6,443,941,488	7,250,128,799	10,630,696,500	9,395,597,920	1,371,053,217	1,324,076,618	258,644,255	414,010,173	18,704,335,459	18,383,813,508								
	416,424,208	(296,769,902)	(370,708,162)	198,498,141	42,169,608	134,380,701	134,337,621	140,328,910	222,223,275	176,437,851								

CLAIMS SCHEDULE

CLAIMS :	Accident		Accident		Motor		Motor		Fire		Marine		Marine		Total		
	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	2018 U.Shs	2019 U.Shs	Total	
Claims Paid	1,086,668,055	1,251,190,623	2,470,859,549	1,724,725,262	149,052,802	126,345,452	15,184,609	22,776,589	3,721,765,015	3,125,037,926							
Claims O/S B/F	(1,067,152,624)	(1,109,684,018)	(631,861,160)	(390,207,771)	(54,300,000)	(79,843,892)	(14,000,000)	-	(1,767,313,784)	(1,579,735,681)							
Claims O/S C/F	456,062,076	1,067,152,624	622,837,305	631,861,160	421,037,320	54,300,000	-	14,000,000	1,499,936,701	1,767,313,784							
Other Claims Expenses	-	4,257,031	613,000	2,840,275	3,762,000	900,000	-	-	4,375,000	7,997,306							
Reinsurance Claim Recovery	(435,544,937)	(453,415,792)	(410,173,998)	(89,803,765)	(44,207,053)	(18,662,980)	-	-	(889,925,988)	(561,882,537)							
Reinsur Liab & Reserves B/F	241,190,323	83,462,613	138,364,875	-	63,000,000	33,626,760	20,000,000	-	462,555,198	117,089,373							
Reinsur Liab & Reserves C/F	-	(241,190,323)	(3,358,221)	(138,364,875)	(387,333,000)	(63,000,000)	-	(20,000,000)	(390,691,221)	(462,555,198)							
Salvage Proceeds	(200,000)	-	(28,127,500)	(49,303,465)	(1,000,000)	-	-	-	(29,327,500)	(49,303,465)							
NET CLAIMS BEFORE IBRN	281,022,893	601,772,758	2,159,153,850	1,691,746,821	150,012,069	53,665,340	21,184,609	16,776,589	2,611,373,421	2,363,961,508							
IBRN Provision C/F	68,409,311	160,072,894	93,425,596	94,779,174	63,155,598	8,145,000	-	2,100,000	224,990,505	265,097,068							
IBRN Provision - Reinsur B/F	36,178,548	12,519,392	20,754,731	-	9,450,000	5,044,014	3,000,000	-	69,383,280	17,563,406							
IBRN Provision - Reinsur C/F	-	(36,178,548)	(503,733)	(20,754,731)	(58,099,950)	(9,450,000)	-	(3,000,000)	(58,603,683)	(69,383,279)							
IBRN Provision B/F	(160,072,894)	(166,452,603)	(94,779,174)	(58,531,166)	(8,145,000)	(11,976,584)	(2,100,000)	-	(265,097,068)	(236,960,353)							
NET CLAIM INCURRED	225,537,860	571,733,892	2,178,051,270	1,707,240,098	156,372,717	45,427,770	22,084,609	15,876,589	2,582,046,456	2,340,278,349							
PROVISIONS AS AT 31 DECEMBER, 2018																	
Reported	456,062,076	1,067,152,624	622,837,305	631,861,160	421,037,320	54,300,000	-	14,000,000	1,499,936,701	1,767,313,784							
IBRN	68,409,311	160,072,894	93,425,596	94,779,174	63,155,598	8,145,000	-	2,100,000	224,990,505	265,097,068							
Total	524,471,387	1,227,225,518	716,262,901	726,640,334	484,192,918	62,445,000	-	16,100,000	1,724,927,206	2,032,410,852							

STATEMENTS OF CHANGES  
IN EQUITY

	Share Capital U.Shs.	Share Premium U.Shs.	Capital Reserves U.Shs.	Contingency Reserves U.Shs.	Revaluation Reserve U.Shs.	Revenue Reserves U.Shs.	TOTAL U.Shs.
Balance as at 1/01/2018	5,400,000,000	300,000	61,816,162	2,434,150,739	20,626,788,472	3,884,903,056	32,407,958,430
Prior Year Adjustment	-	-	-	-	-	(43,819,129)	(43,819,129)
Revaluation Surplus	-	-	-	-	70,265,236	-	70,265,236
Deferred Tax on FV& Timing Differences	-	-	-	-	-	27,353,531	27,353,531
Deferred tax on Fair Value Gains & Revaluation of Assets	-	-	42,574,512	-	-	(27,149,202)	(27,149,202)
Transfer from profits	-	-	-	-	-	(42,574,512)	-
Fair value gain /loss on quoted shares	-	-	-	-	20,232,103	-	20,232,103
Contingency reserve	-	-	-	329,407,251	-	(329,407,251)	-
Net profit for the year	-	-	-	-	-	851,490,236	851,490,236
Transfer from Capital Reserves to Share Capital	61,816,162	-	(61,816,162)	-	-	-	-
Capitalisation of Reserves	538,183,838	-	-	-	-	(538,183,838)	-
Proposed Dividends	-	-	-	-	-	(300,000,000)	(300,000,000)
Net Profit from subsidiary	-	-	-	-	-	179,266,534	179,266,534
Balance as at 31/12/2018	6,000,000,000	300,000	42,574,512	2,763,557,990	20,717,285,811	3,661,879,426	33,185,597,739
Balance as at 1/01/2019	6,000,000,000	300,000	42,574,512	2,763,557,990	20,717,285,811	3,686,739,728	33,210,458,041
Prior Year Adjustment	-	-	-	-	-	-	-
Addition due to increased share capital	-	-	-	-	468,769,247	-	468,769,247
Revaluation Surplus	-	-	-	-	(558,500,000)	-	(558,500,000)
Deferred Tax on FV& Timing Differences	-	-	-	-	-	39,050,135	39,050,135
Deferred tax on Fair Value Gains & Revaluation of Assets	-	-	-	-	-	-	-
Transfer from profits	-	-	60,893,108	-	-	(60,893,108)	-
Fair value gain /loss on quoted shares	-	-	-	-	(9,965,724)	-	(9,965,724)
Contingency reserve	-	-	-	300,202,731	-	(300,202,731)	-
Net profit for the year	-	-	-	-	-	1,217,862,163	1,217,862,163
Transfer from Capital Reserves to Share Capital	42,574,512	-	(42,574,512)	-	-	-	-
Capitalisation of Reserves	657,425,488	-	-	-	-	(657,425,488)	-
Proposed Dividends	-	-	-	-	-	(335,000,000)	(335,000,000)
Net Profit from subsidiary	-	-	-	-	-	210,188,507	210,188,507
Balance as at 31/12/2019	6,700,000,000	300,000	60,893,108	3,063,760,721	20,617,589,334	3,800,319,206	34,242,862,369

## CASH FLOW STATEMENT

	2019 U.SHS	2018 U.SHS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	1,814,941,677	1,366,653,018
Adjustment for:		
Non-current assets write off	282,015,833	-
Prior Year Adjustment	1,629,263	(41,686,869)
Depreciation	453,996,464	397,310,120
Profit on Disposal of Non-Current Assets	(245,731,506)	(40,045,660)
Interest Income Received	(1,115,883,700)	(736,168,804)
Operating Profit Before Working Capital Changes	1,190,968,031	946,061,805
Increase/(Decrease) in insurance Reserves	(988,794,153)	1,060,583,130
Reinsurers Share of Insurance Assets & Reserves	670,360,371	(61,148,958)
Increase in Reserves for Outstanding Claims	(307,483,645)	215,714,818
(Increase)/Decrease in Inventory	65,236,389	(86,302,162)
(Increase)/Decrease in Receivables	619,275,295	34,974,595
(Decrease)/Increase in Payables	(142,923,142)	(414,592,728)
Net Cash Inflows from Operating Activities	1,106,639,145	1,695,290,500
Tax Paid	(357,515,433)	(380,743,917)
	749,123,712	1,314,546,583
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest Income Received	1,115,883,700	736,168,804
Purchase of Non-current Assets	(131,200,557)	(125,292,919)
Decrease / (Increase) in Investment property	(503,691,249)	(745,562,174)
Decrease / (Increase) in Capital WIP	(260,691,335)	(226,388,804)
Decrease / (Increase) in Short Term Investments	(1,570,116,439)	(203,171,154)
Decrease/( Increase) in Long Term Investments	(204,966,476)	(65,875,962)
Proceeds from Sale of Investment properties	25,000,000	-
Proceeds from Sale of Non-Current Assets	69,188,316	23,673,655
Dividends Paid	(148,578,241)	(264,052,355)
	(1,609,172,281)	(870,500,909)
Net Increase/(decrease) in Cash & Cash Equivalents	(860,048,569)	444,045,674
Cash & Cash Equivalents at 01 January 2019	2,479,218,759	2,035,173,085
Cash & Cash Equivalents at 31st December 2019	1,619,170,190	2,479,218,759

The notes on pages 15 to 33 form part of these financial statements.

	2019	2018
	U.SHS	U.SHS
<b>1 ADMITTED ASSETS</b>		
Investment in Uganda Government Securities	5,513,320,207	3,886,538,004
Deposits in Banks and other financial institutions	3,765,693,833	3,822,359,597
Cash in hand and bank accounts in Uganda	1,619,170,190	2,479,218,896
Investment Property	595,000,000	3,727,274,834
Shares in other Companies	1,564,190,587	1,374,710,111
Premium Debtors not exceeding 3 months	819,468,128	2,184,465,191
Interest, dividends, rent accrued and other debtors	754,848,762	278,776,333
Capital Developments	26,307,639,020	23,462,186,527
Amount due from reinsurers	147,395,501	165,893,126
Investment in other Securities (Statutory Deposits)	668,082,618	652,596,618
Computers and equipment	42,100,279	55,826,698
Motor Vehicles	70,312,661	103,781,565
Inventory of 3rd party stickers and Duty Embossing	59,215,611	124,452,000
Current Tax	14,612,059	35,684,978
	<u>41,941,049,457</u>	<u>42,353,764,479</u>
<b>2 ADMITTED LIABILITIES</b>		
Deferred Tax Liability	380,893,256	587,493,390
Provision for Unearned Premium Reserves	5,171,227,241	5,572,304,597
Provision for Claims Payable	1,724,927,206	2,032,410,852
Contingency reserves	3,063,760,721	2,763,557,990
Sundry Creditors	908,727,653	766,442,217
Dividends	494,196,859	307,775,100
Due to Reinsurers	71,128,910	76,500,445
	<u>11,814,861,846</u>	<u>12,106,484,591</u>
<b>MARGIN OF SOLVENCY</b>		
	<u>30,126,187,611</u>	<u>30,247,279,888</u>
15% Net premium	<u>1,939,210,215</u>	<u>2,089,614,224</u>



## 1. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on the basis of accounting policies applicable to a going concern and in compliance with International Financial Reporting Standards. Save as indicated elsewhere in these consolidated financial statements, the policies have been consistently applied for all the years presented.

### a) Accounting Entity

The Sure Group of Companies is comprised of M/s Statewide Insurance Company Limited, incorporated in Uganda on 12th November, 1981 and Sure Properties Limited, incorporated in Uganda on 31st October, 1983. Statewide is in the business of underwriting non-life insurance risks while Sure Properties is in the business of development and management of real estate. The group accounting period runs from 1 January to 31st December.

### b) Basis of Preparation

The financial statements have been prepared on the basis of historical cost save for certain items which were revalued or fairly restated in compliance with International Financial Reporting Standards.

### c) Compliance with International Financial Reporting Standards (IFRS)

The sure group has adapted IFRS in its financial reporting. However, there are certain standards which are yet to be adapted by the group as per the list below.

#### IFRS 17 Insurance Contracts

The applicable accounting standards for insurers in Uganda is the IFRS 17 on insurance contracts. The standard establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. However, due to the complex requirements for its implementation, it is deferred to commence after 1st Jan 2022. Meanwhile, the financial statements are drawn in accordance with the Insurance Act and Regulatory guidelines.

#### IFRS 15 Revenue from Contracts With Customers

This standard introduces an all embracing model for revenue recognition. In this model revenue is to be recognized when goods or services are delivered to the customer at a consideration to which the entity is entitled. Insurance contracts involve pooling of risks and restoration of loss suffered. In terms of this model, insurance premium would not be recognized as revenue until the expiry of the policy. On expiry of the policy is when the insurer would be deemed to have delivered on the contract with the insured. In accordance with the Insurance Act, the company recognizes revenue in accordance with the statute and the insurance regulations.

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, became effective for reports issued after 1st Jan 2018. The standard provides for recognition of financial assets and liabilities and impairment on the financial assets. By definition, trade receivables are recognized as financial assets and they attract impairment in accordance with this IFRS. The regulator (IRAU) has also recommended the adaptation of this standard by the insurers. However, the company is yet to adapt its systems and institute policies aligned to this standard. Meanwhile, the company applied regulatory guide of 2002 to make appropriate provisions for receivables identified as doubtful.

d) **Insurance Act 2017**

The Insurance Act 2017 repealed S47 of the Insurance Act 1996 which provided for the creation of the various insurance reserves. The 2017 Act provides for capital adequacy and mandates the insurer to maintain:

- i) Capital resources at a level adequate to support its insurance business.
- ii) Adequate procedures and controls to monitor and assess its capital resources and capital on an on-going basis.

The implementation of the new Act has been in abeyance waiting for the revised regulatory guidelines. In the meantime, the financial statements continue to be drawn in accordance with certain part of the Insurance Act 1996 and the regulatory guidelines of 2002.

e) **Property, Plant & Equipment**

Property, Plant & Equipment are stated at cost or valuation less depreciation. Depreciation is calculated on the straight-line basis of individual asset at annual rates estimated to write-off the asset over their expected useful lives. The annual rates used are:

	SWICO	SURE
<b>Free hold Land</b>	Nil	Nil
Computers, Accessories and Intangible Assets	33%	33.3%
Motor Vehicle and Cycles	25%	-
Furniture, Fittings & Equipment	12.5%	12.5%
Buildings	-	1%
CCTV	-	20%

f) **Functional Currency**

Transactions are recognized in Uganda shillings being currency of the primary economic environment in which the group operates.

g) **Translations in Foreign Currencies**

Transactions in foreign currencies during the year are converted into Uganda Shillings using the exchange rates prevailing at date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Uganda Shillings at year end using closing rates. Exchange gains or losses arising there from, are recognized in the Statement of Profit or Loss and other comprehensive income in the year in which they arise.

h) **Inventory**

Inventory is stated at the lower of cost and net realizable value on a basis consistent with previous years.

i) **Premium Receivables**

Receivables are recognized at fair value less provision for impairment. A provision for impairment of receivables is recognized when there is objective evidence that the company will not be able to collect all amounts due as per original terms of the receivables. Provisions are made to comply or exceed the regulatory guidelines.



j) **Investment Property**

Investment Property are held for long-term capital appreciation. They are stated at fair value which is arrived at by regular professional valuation. Valuation is based on the ruling market values.

k) **Long Term Investments**

These comprise of investments in various entities and are stated as follows:

- Quoted investments are stated at market value with valuation gains or losses being treated through the statement of comprehensive income.
- Statutory deposits are stated at cost plus earned interest. Earned interest is accrued and included in receivables

l) **Short-Term Investments**

These are stated at cost and are held to maturity. Earned interest is accrued and included in receivables.

m) **Recognition and Measurement**

i) Revenue

Written premiums are recognized as revenue after deductions of reinsurance premiums, and statutory provisions for unexpired risks and outstanding claims. Commission income is recognized as and when reinsurance policies are concluded and is not offset against reinsurance premiums. Rental income is recognized as revenue when the rent period falls due and the tenant is invoiced.

ii) Claims

These are recognized as and when they are incurred and include estimates for claims incurred but not yet reported (IBNR). Claims are based on assessed values and estimated liabilities for compensation of contract holders and/or third parties covered by the contracts.

iii) Salvage and Subrogation Reimbursements

These arise through sale of salvaged assets obtained on settlement of a claim and/or recoveries from third parties. They are recognized as and when they are realized.

iv) Reinsurance

Reinsurance assets and liabilities are stated separately as dues from/to the reinsurer. Assets due from the reinsurer are assessed for impairment and provisions made for any loss established.

v) Receivables and Payables

Insurance assets and liabilities accrue from direct business, other insurers and brokers. They are recognized when the insurance contract is written. Specific provisions are made for known bad and doubtful debts while bad debts are written-off when all reasonable steps have been taken to recover them without success.

vi) **Management Expenses**

Management Expenses are distributed in proportion to the net premium generated by each class of business.

n) **Margin of Solvency**

The company maintains a margin of solvency by which the difference between admitted assets and admitted liabilities is kept at no less than 15% of the gross premium net of reinsurance premium cessions.

o) **Related Parties**

Parties are related if one party has the ability to control the other or exercise significant influence over the other party in making financial and operating decisions. Transactions and events with related parties are disclosed by nature, outstanding balances, terms and conditions and if material the potential impact on the financial statements is disclosed.

p) **Cash & Cash equivalents**

Cash and Cash Equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

q) **Taxation**

i) **Income Tax**

Income Tax expense is aggregate of the charge to the profit and loss account in respect of current Income Tax and deferred income. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income tax Act.

ii) **Deferred Tax**

Deferred Income Tax is provided in full, using the liability method on all temporary differences arising between the tax bases of assets and their carrying values for financial reporting purposes.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using exchange rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when related deferred income tax liability is settled

r) **Retirement benefits obligations**

The company and its employees subscribe to two contributory pension schemes, namely the National Security Fund (NSSF) and the Staff Provident Fund (SPF). The NSSF scheme is statutory and staff contribute 5% while the company contributes 10%. The SPF is a voluntary scheme where both the employer and employee contribute 5%. The scheme is managed by the Insurance Company of East Africa Limited. Contributions under NSSF are limited to contribution as legislated from time to time. The provident fund contribution is limited to 5% from the employer. The contributions are charged to the statement of Comprehensive Income in the year to which they relate.

s) **Dividend Distribution**

Dividends distribution to the shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

t) **Comparatives**

For comparatives purposes, some of the notes have been restated to match current year presentation.

1.1 **RISK MANAGEMENT**

The group is a major provider of insurance services in Uganda. Managing critical risks that impact the operations of an insurer is a fundamental part of the business of managing the sure group of companies. The group manages its risks by ensuring that there are effective internal controls at all levels of its operations. Internal control is embodied in assigning written responsibilities, segregation of duties, oversight and reporting. Below are the principal risks affecting the group and how they are managed.

a) **Underwriting Risk**

This is the risk that a company suffers a loss or reputational damage due to misstatements and/or misrepresentation of insurance data and/or claim. There are technically qualified underwriters for both business and claims acceptance. The risks are underwritten in strict compliance with regulatory guidelines, inclusive of facultative limits, reinsurance planning, effective credit and claims acceptance policies and careful selection of intermediaries and reinsurers.

b) **Liquidity Risk**

This is the risk that the company will not pay its dues as and when they fall due and/ or incur loss of revenue by not investing surplus funds. Investments are guided by policy and regulation guidelines. Investments are concentrated in short-term funds such Treasury Bills, Bank Deposits and other easily realizable assets. The group has instituted an Investment Committee which sits regularly to review the financial state of the group and recommend investments.

c) **Fraud Risk**

This is the risk that the company suffers a financial loss or damage to its reputation through internal or external misstatements and or misrepresentations. The group has instituted policies to guide management in dealing with fraud issues inclusive of money laundering matters. Further, there is an instituted internal audit function which is authorized to review all aspects of the group companies and report to the Chief Executive.

d) **Credit Risk**

This is the risk that customers would not meet their contractual obligations to the company. There is an instituted credit policy to guide managers in managing this risk.

The group also ensures compliance with the insurance regulatory guidelines on granting credit and rental income is governed by tenancy agreements.

e) **Capital Adequacy Risk**

This is the risk that the group would not attain its strategic objectives due to inadequate funding and/or not meeting regulatory requirements. The group management regularly reviews its capital structure and ensures that:

- The capital level exceeds the amounts set by the Insurance Act;
- There is compliance with the regulatory insolvency requirements;
- The group ability to continue as a going concern is safeguarded and the shareholders get returns conducive to investment.

f) **Investment Property Risk**

This the risk that property values decline due to impairment arising from market conditions. The group policy is to review the property values periodically and ensure permanent decline in values are recognized as losses in the statement of comprehensive income.

NOTES TO THE GROUP  
FINANCIAL STATEMENTS

2. PROPERTY, PLANT & EQUIPMENT

Cost/Valuation	Freehold Land U.SHS.	Buildings U.SHS.	Capital Works in Progress U.SHS.	Intangible Assets U.SHS.	Computers & Accessories U.SHS.	Furniture and equipment U.SHS.	Motor Vehicle U.SHS.	TOTAL U.SHS.
As at 1/1/ 2018	3,949,473,310	22,932,107,161	-	182,060,000	170,070,746	717,581,193	393,713,299	28,345,005,709
Assets derecognized	-	-	-	-	(1,270,000)	(21,975,784)	-	(23,245,784)
Revaluation	-	-	-	-	-	(2,275,424)	-	(2,275,424)
Additions	-	503,691,249	260,691,335	-	18,259,153	65,941,404	47,000,000	895,583,141
Disposal	-	-	-	-	-	-	-	-
As at 31/12/2018	<u>3,949,473,310</u>	<u>23,435,798,410</u>	<u>260,691,335</u>	<u>182,060,000</u>	<u>187,059,899</u>	<u>759,271,389</u>	<u>440,713,299</u>	<u>29,215,067,642</u>
Depreciation								
As at 1/1/ 2019	-	1,090,343,720	-	182,060,000	116,218,209	371,530,972	186,150,169	1,946,303,070
Prior Adjustments	-	-	-	-	-	-	-	-
Derecognized ACC Dep	-	-	-	-	-	(16,762,720)	-	(16,762,720)
Derecognized ACC Dep-Disposal	-	-	-	-	(1,270,000)	-	-	(1,270,000)
Charge for the year	-	247,980,315	-	-	28,470,758	63,607,583	113,937,809	453,996,465
As at 31/12/2019	<u>-</u>	<u>1,338,324,035</u>	<u>-</u>	<u>182,060,000</u>	<u>143,418,967</u>	<u>418,375,835</u>	<u>300,087,978</u>	<u>2,382,266,815</u>
As at 31/12/2019	<u>3,949,473,310</u>	<u>22,097,474,375</u>	<u>260,691,335</u>	<u>-</u>	<u>43,640,932</u>	<u>340,895,554</u>	<u>140,625,321</u>	<u>26,832,800,827</u>
As at 31/12/2018	<u>3,949,473,310</u>	<u>21,841,763,441</u>	<u>-</u>	<u>-</u>	<u>53,852,537</u>	<u>346,050,221</u>	<u>207,563,130</u>	<u>26,398,702,639</u>

During the year the cost of plot 34 Edward Avenue Masaka Municipality and the developments thereon were completed and classified as Property, plant and Equipment.

3 INVESTMENTS PROPERTY (LAND)

Cost/Valuation	2019 SWICO U.SHS	2019 SURE U.SH	2019 GROUP U.SH	2018 U.SHS
As at 1 January, 2019	1,454,000,000	-	1,454,000,000	1,454,000,000
Revaluations-Land	70,000,000	-	70,000,000	-
Disposals/Derecognition	(129,000,000)	-	(129,000,000)	-
Disposals/Derecognition	(800,000,000)	-	(800,000,000)	-
As at 31 December, 2019	<u>595,000,000</u>	<u>-</u>	<u>595,000,000</u>	<u>1,454,000,000</u>

During the year, the company investments in land was reviewed. This resulted into derecognition of plots that were either encumbered due to contested ownership or were in a wetland.

	2019 SWICO U.SHS	2019 SURE U.SHS	2019 GROUP U.SHS	2018 GROUP U.SHS
4 LONG TERM INVESTMENTS				
New park lock - up shop	94,950,000	-	94,950,000	94,950,000
Shares in other companies	1,564,190,587	-	1,564,190,587	1,374,710,111
Capital Developments -Sure House	968	(968)	-	-
Statutory deposits	668,082,618	-	668,082,618	652,596,618
	<u>2,327,224,173</u>	<u>(968)</u>	<u>2,327,223,205</u>	<u>2,122,256,729</u>

These are assets held for long-term capital appreciation and/or earnings returns on shares held.

	2019	2018
5 SHORT TERM INVESTMENTS		
Fixed Deposits	5,513,320,207	3,822,359,597
Treasury Bills	3,765,693,833	3,886,538,004
	<u>9,279,014,040</u>	<u>7,708,897,601</u>

These are financial assets held as deposits in various banks. The investments are held to maturity.

#### TRADE AND OTHER RECEIVABLES

	Trade Receivables U.Shs	Bad Debts Written off U.Shs	Provision for Bad Debts U.Shs	2019 Total U.Shs	2018 Total U.Shs
6 Premium Debtors					
Due from Contract Holders	1,808,866,719	(332,270,761)	(136,356,263)	1,340,239,844	2,652,588,876
Due from Brokers	267,073,099	-	-	267,073,099	355,749,124
Due from Agents	57,856,164	(10,493,756)	-	47,362,408	22,431,931
Total Premium Debt	<u>2,133,795,982</u>	<u>(342,764,517)</u>	<u>(136,356,263)</u>	<u>1,654,675,351</u>	<u>3,030,769,931</u>
7 Reinsurance Receivables					
		<u>147,395,501</u>	<u>-</u>	<u>147,395,501</u>	<u>165,893,126</u>
8 Other Receivables					
Sure Rental Debtors	-	-	-	94,124,529	60,279,680
Sundry Debtors	1,323,567,283	(123,044,810)	(95,372,829)	1,105,149,644	526,402,414
Staff Loans	75,333,729	-	-	75,333,729	74,837,535
Pre-payments	55,205,072	-	-	55,205,072	37,147,635
	<u>1,454,106,084</u>	<u>(123,044,810)</u>	<u>(95,372,829)</u>	<u>1,329,812,974</u>	<u>698,667,263</u>

9 REINSURANCE SHARE OF INSURANCE LIABILITIES

A	CLAIMS RESERVES	GROSS CLAIMS	REINSURANCE SHARE	2019 U.SHS	2018 U.SHS
	Accidents			-	241,190,323
	Motor			3,358,221	138,364,875
	Fire			387,333,000	63,000,000
	Marine			-	20,000,000
				<u>390,691,221</u>	<u>462,555,198</u>
	IBNR				
	Accidents			-	36,178,548
	Motor			503,733	20,754,731
	Fire			58,099,950	9,450,000
	Marine			-	3,000,000
				<u>58,603,683</u>	<u>69,383,280</u>
B	UNEARNED PREMIUM				
	Accidents			1,903,068,363	2,074,702,116
	Motor			537,576,470	826,988,800
	Fire			281,371,522	429,623,582
	Marine			90,907,611	69,326,266
				<u>2,812,923,966</u>	<u>3,400,640,764</u>
	GRAND TOTALS			<u>3,262,218,870</u>	<u>3,932,579,241</u>

10 CASH AND CASH EQUIVALENTS

	2019 SWICO U.SHS	2019 SURE U.SHS	2019 GROUP U.SHS	2018 GROUP U.SHS
Bank Balances	963,435,685	640,342,905	1,603,778,590	2,417,210,457
Cash on Hand	15,297,600	94,000	15,391,600	62,008,439
	<u>978,733,285</u>	<u>640,436,905</u>	<u>1,619,170,190</u>	<u>2,479,218,896</u>

11 INVENTORY

MTP Sticker Certificates	<u>59,215,611</u>	<u>-</u>	<u>59,215,611</u>	<u>124,452,000</u>
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12 TAX PAYABLE (RECOVERABLE)

As at 1 January, 2019	(47,849,671)	12,164,693	(35,684,978)	(23,742,498)
Provision for the year	290,929,803	87,658,549	378,588,352	324,453,704
Prior adjustments	-	-	-	44,347,733
Payments during the year	<u>(283,531,583)</u>	<u>(73,983,850)</u>	<u>(357,515,433)</u>	<u>(380,743,917)</u>
As at 31 December, 2019	<u>(40,451,451)</u>	<u>25,839,392</u>	<u>(14,612,059)</u>	<u>(35,684,978)</u>

13 PAYABLES	2019 SWICO U.SHS	2019 SURE U.SHS	2019 GROUP U.SHS	2018 GROUP U.SHS
a) Trade payables				
Premium Creditors	<u>71,128,910</u>	<u>-</u>	<u>71,128,910</u>	<u>76,500,445</u>
b) Other Payables:				
Advance Premiums	484,332,164	-	484,332,164	764,169,206
Stamp Duty & 3rd Party	112,441,551	-	112,441,551	200,957,947
PAYE	102,432,101	4,586,830	107,018,931	75,743,857
Other Creditors	163,569,413	21,946,823	185,516,236	194,925,828
Sundry Creditors	173,476,078	-	173,476,078	-
Insurance Training Levy	22,692,364	-	22,692,364	20,909,144
WHT	58,545,896	-	58,545,896	102,307,120
NSSF	39,126,576	1,174,660	40,301,236	42,368,997
VAT	169,715,818	8,003,801	177,719,619	129,229,324
Accruals	<u>31,015,741</u>	<u>-</u>	<u>31,015,741</u>	<u>-</u>
	<u>1,357,347,702</u>	<u>35,712,114</u>	<u>1,393,059,816</u>	<u>1,530,611,423</u>
c) Dividends Payable				
Balance bfwd	307,775,100	-	307,775,100	271,827,455
Dividends Declared 2018	-	-	-	300,000,000
Dividends Proposed 2019	335,000,000	-	335,000,000	-
Paid	<u>(148,578,241)</u>	<u>-</u>	<u>(148,578,241)</u>	<u>(264,052,355)</u>
Balance as at 31st Dec 2019	<u>494,196,859</u>	<u>-</u>	<u>494,196,859</u>	<u>307,775,100</u>
d) Related Party Balances				
Due from Interstate Insurance	-	92,645,540	92,645,540	5,878,700
Shares in Sure Properties	-	-	-	(1,629,000)
Capital Devt in Sure Properties	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,775,360)</u>
	<u>-</u>	<u>92,645,540</u>	<u>92,645,540</u>	<u>(51,525,660)</u>

#### 14 DEFERRED TAX

Deferred Tax is calculated in full on all temporary timing differences under the liability method, using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

As at 1 January, 2019	587,493,391	-	587,493,391	587,697,720
Due to Revaluation Reserve	(167,550,000)	-	(167,550,000)	20,406,371
Due to timing Differences	<u>(39,050,135)</u>	<u>-</u>	<u>(39,050,135)</u>	<u>68,838,417</u>
As at 31 December, 2019	<u>380,893,256</u>	<u>-</u>	<u>380,893,256</u>	<u>676,942,508</u>



NOTES TO THE GROUP  
FINANCIAL STATEMENTS

	2019 SWICO U.SHS	2019 SURE U.SHS	2019 GROUP U.SHS	2018 GROUP U.SHS
<b>15 MINORITY INTEREST</b>				
Share Capital	-	61,629,000	61,629,000	60,000,000
Revaluation Reserve	-	809,692,335	809,692,335	1,278,461,582
Retained Profit	-	51,243,186	51,243,186	67,800,824
As at 31 December, 2019	-	922,564,521	922,564,521	1,406,262,406

These represent the residue of assets and liabilities due to minority shareholders as at the reporting date.

**16 RESERVES FOR UNEARNED PREMIUM**

	2019 SWICO U.SHS	2019 SURE U.SHS	2019 GROUP U.SHS	2018 GROUP U.SHS
Accidents	3,695,423,079	-	3,695,423,079	4,146,022,027
Motor	3,465,493,355	-	3,465,493,355	3,742,787,376
Fire	646,501,504	-	646,501,504	848,155,403
Marine	176,733,269	-	176,733,269	235,980,554
	<u>7,984,151,207</u>	-	<u>7,984,151,207</u>	<u>8,972,945,360</u>

This reserve is created in accordance with the Insurance Act. The reserve is capped at 40% of the net premium written during the year under review.

**17 RESERVES FOR OUTSTANDING CLAIMS**

Accidents	456,062,076	-	456,062,076	1,067,152,624
Motor	622,837,305	-	622,837,305	631,861,160
Fire	421,037,320	-	421,037,320	54,300,000
Marine	-	-	-	14,000,000
	<u>1,499,936,701</u>	-	<u>1,499,936,701</u>	<u>1,767,313,784</u>

This is a provision for claims reported but not yet paid. It is created in accordance with Insurance Act.

**18 RESERVE INCURRED BUT NOT REPORTED (IBNR)**

Accidents	68,409,311	-	68,409,311	160,072,894
Motor	93,425,596	-	93,425,596	94,779,174
Fire	63,155,598	-	63,155,598	8,145,000
Marine	-	-	-	2,100,000
	<u>224,990,505</u>	-	<u>224,990,505</u>	<u>265,097,068</u>

This reserve is also created in accordance with Section 47 of the Insurance Act. The reserve is capped at 15% of the total outstanding claims reported.

	2019 GROUP U.SHS	2018 GROUP U.SHS
<b>19 AUTHORIZED CAPITAL</b>		
<b>7,000,000 shares of Shs 1,000/= each</b>	<u>7,000,000,000</u>	<u>7,000,000,000</u>
Issued and fully Paid Up Share Capital		
6,700,000 shares at Shs 1,000/= each		
As at 1 January, 2019	6,000,000,000	5,400,000,000
Issued and paid during the year	<u>700,000,000</u>	<u>600,000,000</u>
As at 31 December, 2019	<u>6,700,000,000</u>	<u>6,000,000,000</u>

<b>20 SHARE PREMIUM</b>	<u>300,000</u>	<u>300,000</u>
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<b>21 CONTINGENCY RESERVE</b>		
As at 1 January, 2019	2,763,557,990	2,434,150,739
Provision for the year	<u>300,202,731</u>	<u>329,407,251</u>
As at 31 December, 2019	<u>3,063,760,721</u>	<u>2,763,557,990</u>

The statutory reserve is created in accordance with the Insurance Act and is either 2% of the gross premium or 15% of the net profits whichever is higher.

	2019 SWICO U.SHS	2019 SURE U.SHS	2019 GROUP U.SHS	2018 GROUP U.SHS
<b>22 REVALUATION RESERVES</b>				
As at 1 January, 2019	688,054,356	20,029,231,455	20,717,285,811	20,626,788,472
Addition due to increased share capital		468,769,247	468,769,247	
Revaluation of Non-Current Assets	-	-	-	20,232,103
Derecognized assets	(558,500,000)	-	(558,500,000)	-
Fair value gain /loss on quoted shares	<u>(9,965,724)</u>	-	<u>(9,965,724)</u>	70,265,236
As at 31 December, 2019	<u>119,588,632</u>	<u>20,498,000,702</u>	<u>20,617,589,334</u>	<u>20,717,285,811</u>

The reserves arise from the periodic restatement of the company and the group properties at fair values based on market prices. The fair market values are arrived at following professional valuation of the properties. The properties of the holding company were revalued on 25th March 2019 by M/s Allied Property Surveyors resulting in a surplus of Shs 17.6bn. However, management made its own assessments and determined to instead derecognize assets worth sh558.5m in surplus held in the revaluation reserves. The subsidiary's property, Sure House, was last valued on 13th October 2013 by M/s Bageine & Co Limited.

<b>23 STATUTORY RESERVES</b>				
As at 1 January, 2019	42,574,512	-	42,574,512	61,816,162
Transfer to Share capital	(42,574,512)	-	(42,574,512)	(61,816,162)
Transfer from Revenue reserves	<u>60,893,108</u>	-	<u>60,893,108</u>	<u>42,574,512</u>
As at 31 December, 2019	<u>60,893,108</u>	-	<u>60,893,108</u>	<u>42,574,512</u>

In accordance with the Insurance Act, the Insurer (Holding Company) transfers 5% of its Profit After Tax before Dividends, annually to the statutory reserve. The reserve is used to build up the Paid-Up Capital base of the company. Accordingly, amounts of Shs 42,574,512 and Shs 60,893,108 were transferred to paid-up share capital and Statutory Reserve respectively.

#### 24 REVENUE RESERVES

As at 1 January, 2019	2,599,666,518	1,087,073,210	3,686,739,728	3,884,903,056
Prior year adjustment	-	-	-	(43,819,129)
Deferred Tax on FV & Timing Diff	39,050,135	-	39,050,136	204,330
Contingency Reserve	(300,202,731)	-	(300,202,731)	(329,407,251)
Net profit after tax	1,217,862,163	-	1,217,862,163	851,490,236
Proposed Dividends	-	-	-	(300,000,000)
Dividends Declared	(335,000,000)	-	(335,000,000)	-
Retained Profits(Sure Prop)	-	210,188,507	210,188,507	179,266,534
Transfer to Statutory reserves	(60,893,108)	-	(60,893,108)	(42,574,512)
Transfer to paid up share capital	(657,425,488)	-	(657,425,488)	(538,183,838)
As at 31 December, 2019	<u>2,503,057,489</u>	<u>1,297,261,717</u>	<u>3,800,319,207</u>	<u>3,661,879,426</u>

#### 23 RELATED PARTY TRANSACTIONS

##### a) Subsidiary Company

A subsidiary company is a company owned and or controlled by a parent company. Sure Properties Limited is a subsidiary of M/s Statewide Insurance Company Limited. Statewide Insurance Company owns 96.2% of the share capital of Sure Properties Limited. By virtue of being an overwhelming majority share holders M/s Statewide Insurance Company Limited is in full control of the board of directors of Sure Properties Limited.

Minority shareholders include M/s Interstate Insurance Services Limited and the founder members of M/s Statewide Insurance Company Limited.

	2019	2018
b) Sales	U.SHS	U.SHS
Interstate Insurance Services Limited	316,611,118	246,400,099
Sure Properties Limited	-	-
	<u>316,611,118</u>	<u>246,400,099</u>

Insurance contracts are sold on the basis of the prices in force with non-related parties. Rent payable by Statewide Insurance Company for the offices occupied at Sure House are based on rates paid by other tenants on the property.

##### c) Key Management Compensation

Salaries and other short- term employee benefits	Group	1,331,257,980	1,264,426,235
Salaries and other short- term employee benefits	Subsidiary	<u>49,894,000</u>	<u>49,894,000</u>
		<u>1,381,151,980</u>	<u>1,314,320,235</u>

24 MANAGEMENT EXPENSES

	U.SHS	U.SHS
Salaries and Wages	2,935,946,201	2,911,307,881
Advertising	575,923,731	553,595,556
Staff Welfare	479,429,170	564,609,523
Vehicle Running Expenses	461,461,484	354,374,526
Bad Debts Written off	465,809,327	7,305,685
Rent & Rates	315,583,542	303,304,608
Co. Contribution to NSSF and other Contributory schemes	311,617,873	314,472,629
ICT/System Technology	248,205,575	124,208,292
Depreciation	241,271,788	193,099,260
Annual Contributions to IRA	234,091,934	153,782,509
Consultancy & Professional Fees Audit fees	202,471,084	101,519,562
Provision for Doubtful Debts	114,343,013	210,247,704
Directors Expenses	163,870,239	96,469,243
Printing & Stationery	152,381,891	211,899,013
Transport, Travel and Subsistence	141,425,287	179,565,124
Training	107,148,352	90,156,673
Insurance Cover	106,294,517	103,777,896
Telephone and Faxes	86,911,558	91,940,196
Corporate Social Responsibilities	81,314,800	81,990,000
Office Expenses	77,399,415	79,634,945
Legal & Other Professional Fees	77,264,575	12,640,521
Electricity & Lighting	34,337,096	35,676,484
Bank Charges	34,217,457	33,263,059
Repairs to Furniture & Equipment	18,522,057	18,511,402
Postage & Deliveries	11,039,900	19,338,361
Trading Licenses	8,906,550	15,865,500
<b>Total</b>	<b><u>7,687,188,415</u></b>	<b><u>6,862,556,151</u></b>
Other write offs	282,015,833	-



## 25 CONTINGENT LIABILITIES AND ASSETS

### (a) Plot 247 Block 246 Kyeitabya

The property is in the hands of M/s Kisozi Complex Limited who claims to have bought it. The company bought the property from the same seller and has title issued before the one of Kisozi Complex Limited. Apart from being a court case, the land is subject of compensation by Uganda National Road Authority. The company has lodged a caveat on the compensation and has contested the ownership by Kisozi in court demanding compensation of shs 5.4bn.

### (b) Uganda Land Commission shs 5.0bn

The company is in court with Uganda Land Commission claiming shs 5.0bn in respect of land at Kisugu which was compulsorily acquired by the Government. The parties are in negotiations to reach an out of court settlement.

## 26 CALCULATION OF UPR AND IBNR

In 2014, a template was introduced for use in calculation of UPR and IBNR. This was intended to replace the 40% of the net premium written and 15% of claims outstanding as per regulatory guidelines. The insurers were requested to compare it with the 40% and take the highest result. While the template is applied to calculate UPR and IBNR, the basis of calculation of revenue flows from reinsurers is not specified. Consequently, the reserves have been maintained at the former statutory guidelines of 40% of net premium and 15% of outstanding claims respectively.

Consequently, the reserves have been maintained at the former statutory guidelines of 40% of net premium and 15% of outstanding claims respectively.

27 SURE PROPERTIES LIMITED FOR THE YEAR ENDED 31 DECEMBER, 2019

	2019 U.SHS	2018
INCOME:		
Rental Income	<u>1,077,156,472</u>	<u>1,056,423,217</u>
LESS: EXPENDITURE		
Electricity & Lighting	172,069,883	170,672,898
Depreciation	212,724,676	204,210,860
Salaries	111,387,050	100,284,550
Bonus	-	10,341,300
Wages	7,838,155	6,310,425
Directors Remuneration	49,894,000	49,894,000
Repairs & Maintenance	16,290,300	31,738,000
Staff Welfare	31,076,500	25,767,043
Water	68,971,045	84,550,684
Insurance cover for the Building	14,141,180	14,141,180
Property Rates	21,647,478	21,647,478
Small Tools & Equipment	1,120,000	6,492,590
Cleaning	19,476,214	18,440,359
Company Contribution to NSSF	6,673,390	7,747,610
Local Service Tax	825,000	320,000
Printing & Stationery	2,299,000	2,292,600
Computer & Internet	-	-
Professional fees -Audit	3,500,000	3,500,000
Bank Charges	1,725,820	1,818,490
Telephone & Box Rentals	4,905,000	3,713,000
Security	18,744,600	17,614,400
Insurance cover for Staff	2,255,810	2,255,810
Staff Medical	1,750,000	2,231,900
Trading Licenses	400,000	400,000
Transport & Travel	1,291,660	2,487,070
Condolence contribution	-	1,020,000
Assets Write off	-	-
	<u>771,006,761</u>	<u>789,892,247</u>
PROFIT BEFORE TAX	306,149,711	266,530,970
INCOME TAX EXPENSE	<u>87,658,540</u>	<u>75,821,892</u>
PROFIT/(LOSS) AFTER TAX	<u>218,491,171</u>	<u>190,709,078</u>

**28 AUDIT OF THE FINANCIAL STATEMENTS OF SURE PROPERTIES LIMITED**

The financial statements of M/S Sure Properties Limited were audited by M/S Sserebe, Opolot, Rugumayo & Associates Certified Public Accountants who gave an unqualified opinion. The firm is one of the authorized firms to practice as accountants in Uganda.

**29 SUBSEQUENT EVENTS**

The Board and management considered the events occurring after the reporting date and evaluated the impact they could have on the amounts and disclosures in the sure group's financial statements. Following the occurrence of the Covid-19 pandemic, in early 2020, the Government imposed a lockdown on the whole country. The lockdown, which brought all movements to a standstill, disrupted all business operations in the country inclusive of the houses of worship. The Sure Group businesses were impacted by the depressed economic conditions that set in. The losses incurred due to lost insurance revenues and rent defaults were likely to cripple the group operations as a going concern. However, the Board is of the opinion that, despite the losses, the group companies' financial positions remain sound and believes that operations will rebound when the pandemic abates. The group therefore remains a viable going concern as of the reporting date and in the foreseeable future.



	SWICO	SURE	2019 GROUP	2018 GROUP
	U.SHS	U.SHS	U.SHS	U.SHS
<b>29 TAXATION</b>				
Profit Per Accounts	1,508,791,966	306,149,711	1,814,941,677	1,366,653,018
Add:				
Depreciation	241,271,788	212,724,676	453,996,464	397,310,120
Penalty	1,050,000	-	1,050,000	-
Other Provisions	-	-	-	-
Bad Debts Provision	114,343,013	-	114,343,013	210,247,704
Entertainment	16,743,000	-	16,743,000	25,792,340
	<u>1,882,199,767</u>	<u>518,874,387</u>	<u>2,401,074,154</u>	<u>2,000,003,182</u>
Less:				
Interest on Treasury Bills/FDR	1,025,756,256	-	1,025,756,256	659,835,093
Prior year adjustment	-	-	-	2,132,260
Wear & Tear	111,104,672	4,211,068	115,315,740	319,923,012
IBD	102,167,478	222,468,157	324,635,635	
Bad Debts w/o Earlier	104,352,415	-	104,352,415	318,509,212
Translation Difference	(12,641,782)	-	(12,641,782)	82,649,784
	<u>1,330,739,038</u>	<u>226,679,225</u>	<u>1,557,418,263</u>	<u>1,383,049,362</u>
Adjusted Taxable Pay	<u>551,460,729</u>	<u>292,195,162</u>	<u>843,655,891</u>	<u>616,953,820</u>
Tax Thereon at 30%	165,438,219	87,658,549	253,096,767	185,086,146
Final Tax on Interest Income	125,491,584		125,491,584	139,367,558
Deferred Tax Credit	-	-	-	-
<b>TAX PAYABLE FY</b>	<u>290,929,803</u>	<u>87,658,549</u>	<u>378,588,352</u>	<u>324,453,704</u>
Corporation Tax Payable				
Balance fwd	(47,849,671)	12,164,693	(35,684,978)	(23,742,498)
Current Tax Payable	290,929,803	87,658,549	378,588,352	324,453,704
Assessment	-	-	-	44,347,733
<b>TOTAL TAX Liability/(asset).</b>	<u>243,080,132</u>	<u>99,823,242</u>	<u>342,903,374</u>	<u>345,058,939</u>
Provisional tax paid	158,039,999	18,600,000	176,639,999	174,570,000
WHT on treasury Bills/FDR	125,491,584	43,219,157	168,710,741	139,367,558
Tax Credit Certificates	-	-	-	22,458,626
Tax relating to prior years	-	12,164,693	12,164,693	44,347,733
<b>TOTAL TAX PAID</b>	<u>283,531,583</u>	<u>73,983,850</u>	<u>357,515,433</u>	<u>380,743,917</u>
<b>TAX LIABILITY/(CREDIT)</b>	<u>(40,451,451)</u>	<u>25,839,392</u>	<u>(14,612,060)</u>	<u>(35,684,978)</u>



WEAR AND TEAR SCHEDULE

	Computers & Data Handling Equipments Class I 40% U.SHS.	Motor Automobiles with sitting capacity of less than 30 passengers Class II 35% U.SHS.	Office furniture & Equipment Class IV 20% U.SHS.	TOTAL  U.SHS.
W.D.V as at 01.01.2019	32,185,204	38,165,118	239,654,285	310,004,607
Additions	18,259,153	47,000,000	65,941,404	131,200,557
Initial Allowance	-	-	-	-
	<u>50,444,357</u>	<u>85,165,118</u>	<u>305,595,689</u>	<u>441,205,164</u>
Wear and Tear Allowance	<u>20,177,742.80</u>	<u>29,807,791</u>	<u>61,119,138</u>	<u>111,104,672</u>
W.D.V as at 31.12. 2019	<u>30,266,614</u>	<u>55,357,327</u>	<u>244,476,551</u>	<u>330,100,492</u>

INDUSTRIAL BUILDING DEDUCTION

YEAR	COST	RESIDUAL B/F	IBD	RESIDUAL C/F
2019	2,724,466,083	2,724,466,083	102,167,478	2,622,298,605

Chairman  
Managing Director/Vice Chairman  
Director  
Director  
Director  
Director

Director

Committee Member  
Committee Member



