



2020



# GROUP FINANCIAL STATEMENTS

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# TABLE OF CONTENTS

GENERAL COMPANY INFORMATION	<b>1</b>
CHAIRMAN'S REPORT	<b>2-7</b>
DIRECTORS' REPORT	<b>8-15</b>
CORPORATE GOVERNANCE STATEMENT	<b>16-21</b>
STATEMENT OF DIRECTORS' RESPONSIBILITIES	<b>23</b>
INDEPENDENT AUDITORS' REPORT	<b>24-27</b>
STATEMENT OF FINANCIAL POSITION	<b>28</b>
STATEMENT OF COMPERHENSIVE INCOME	<b>30</b>
STATEMENT OF REVENUES	<b>31</b>
STATEMENT OF CLAIMS	<b>32</b>
STATEMENT OF CHANGES IN EQUITY	<b>33</b>
CASH FLOW STATEMENT	<b>34</b>
STATEMENT OF ADMITTED ASSETS AND LIABILITIES	<b>35</b>
ACCOUNTING POLICIES & EXPLANATORY NOTES	<b>36-55</b>



## GENERAL COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER, 2020



### DIRECTORS

Mr. Joseph Mubiru Kizito	Chairman/ Non- Executive Director
Mr. Joseph William Kiwanuka	Managing Director
Mr. Joseph Balikuddembe Kiwanuka	Executive Director
Eng. Martin S. Kasekende	Independent Non- Executive Director
Mr. Stephen Kalema	Independent Non- Executive Director
Mrs. Rosemary Namatovu Ssenabulya	Independent Non- Executive Director
Mr. Charles Musisi	Independent Non- Executive Director

### COMPANY SECRETARY

M/s Doreen Esaete

### REGISTERED OFFICE

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

### UGANDA

### BANKERS

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

### AUDITORS MEMBERSHIP

Kazibwe Kenneth and Steven	Uganda Insurers Association
Certified Public Accountants	Insurance Institute of Uganda
Esiteri House	Uganda Manufacturers 'Association
Plot 71A Bunyonyi Drive-Nakawa	Private Sector Foundation of Uganda
P.O. Box 116	UNABSEC
<b>KAMPALA</b>	OESAI





# CHAIRMAN'S STATEMENT TO THE SHAREHOLDERS.

FOR THE YEAR ENDED 31 DECEMBER, 2020



Uganda's economy in 2020 was significantly impacted by the COVID - 19 pandemic. This impact is evident in the reduction in real gross domestic product (GDP), economic growth at 2.9% in FY 20, less than half the 6.8% recorded in FY19. Government measures to combat the pandemic included partial or total lock downs, which resulted in a substantial reduction in both economic and social activities. The effects of the pandemic linger, particularly on the uncertainty with respect to businesses and schools. **The medium-term outlook for Uganda has worsened considerably due to the impact of COVID - 19, and risks are tilted heavily to the downside.**

Despite the effects of the pandemic, the insurance industry posted a positive growth rate of 7.78% in Gross Written Premiums. This growth was largely driven by the life insurance sector, which grew at a rate of 20.56% compared to 3.42% for non-life insurance.

The insurance industry remained resilient in settling claims despite the constraints imposed by the pandemic. Industry-wide Net Incurred Claims rose by 1.17% compared to 2019. Proficiency in the operations of insurance companies continued to improve as the Management Expenses ratio dropped by 12.37%. This was attributable to the adoption of new ways of doing business such as technology-enabled remote operations.

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

They are ten regulations, that have been gazetted and special attention has been given to Mobile Insurance, Micro Insurance, Licensing & Governance, Payment of Premiums, Reinsurance, Capital Adequacy and Other Prudential requirements, among others. The Regulations all focus on a broad range of enforcement tools, but most importantly, with the aim of further protecting and safeguarding the interests of policyholders and other stakeholders.

The ban on insurance companies from issuing bonuses and dividends in order to support the maintenance of adequate reserves has not yet been lifted by the Regulator.

The cash and carry policy was relaxed for a short period during the pandemic but it has since been reinstated. The policy continues to pose risks to the retention of business as some potential clients fail to adjust to the requirements. The period established for the implementation of the new regulations is relatively short and the implementation of some of them will entail significant costs, but the Company is committed to reaching full compliance as our efforts to lay the foundation for their implementation mature.

The Company has already complied with the regulations in respect to the appointment of an independent Board Chair, updating of the Board Charter, the submission of quarterly Internal Audit Reports to the regulator and the maintenance of the capital adequacy ratio at 200%.

In addition, the Company intends to gradually include the appointment of key persons in the Risk Management, Compliance and Actuarial Functions in compliance with the relevant regulations.



## **Company Performance and Financial Position**

The COVID -19 pandemic continued to affect countries and businesses and the lock down gave rise to a number of challenges. The risks arising from the pandemic include reduction in premium income since major sectors like schools, import, exports and transportation were affected by the lock down, reduced banc assurance premium due to the low risk appetite for borrowers and inability of customers to access loans. Agencies were also affected due to unavailability of key persons and working locations being quarantined among others.

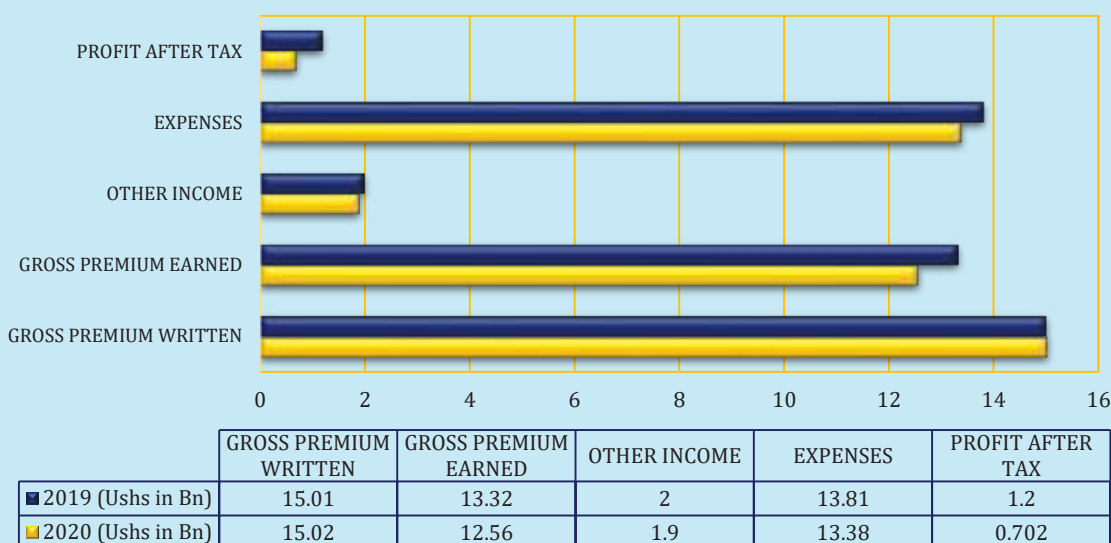
Gross premium written for the year 2020 was Ushs 15.028 billion compared to Ushs 15.010 billion written in 2019.

The net premium earned in 2020 was Ushs 12.56 billion compared to Ushs 13.32 billion earned in 2019. The drop in premium written was attributable to the negative impact of COVID - 19 that fully manifested itself in 2020. Many clients did not take up cover and or renewal their policies because the country was under restriction measures for a great part of 2020, particularly for schools which form a major part of especially the accounts which the Company has with schools.

Approximately Ushs 1.9 billion was earned from investment income, commission, rent and other incomes in 2020, compared to 2 billion in 2019. Rental Income from the Masaka building was greatly affected by the restriction measures as some of the tenants vacated the premises and those that remained were unable to keep up with their rental obligations.

Despite the effect of COVID -19, The Company achieved a profit of Ushs 702m after tax compared to Ushs 1.2 billion in 2019. The directors do not propose any dividend for the year ended 31st December 2020. With net assets of Ushs 13 billion the company's balance sheet continues to be robust, placing us on a firm foundation from which to continue on our growth path.

## FINANCIAL PERFORMANCE 2020



### 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, the Company 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

One Board Member, namely Mr. Joseph Balikuddembe Kiwanuka, resigned from the board having been appointed the Executive Director of Centenary Bank. Mr. Balikuddembe has also been the Chairman of the Board Finance, Investment & Technical Operations Committee. We are proud and delighted for his appointment in such a reputable organization and pride ourselves in having a SWICO ambassador rising in such ranks.

I am glad to report that the vacuum created by Mr. Balikuddembe's resignation has been filled by Mr. Joseph Mugagga, an independent non-executive director and we welcome him to the SWICO family. Joseph is a member of the Institute of Certified Public Accountants of Uganda (ICPAU) FM 1262 since 2011. He brings over 12 years' experience in accounting, financial management and taxation and, we are certain that he will greatly contribute to the Achievement of the Company's strategic goals as we continue moving the company forward to greater heights.

Two Board Committee members also resigned i.e. Ms. Esther J.N Kasirye and Mr. George Steven Okotha and joined other insurance companies because by regulation, they could not serve on two boards of two different insurance companies.

We are grateful for their contribution towards the success of SWICO and wish them well as they take up their new roles.

I am happy to report that the vacuum created by the two Board Committee members has been filled with members of wide experience and diverse qualifications and I am certain that they will have a positive contribution to the Company's success.

Ms. Evelyn Nkalubo Muwemba brings over 20 years' experience in business management with cross functional expertise in strategy execution, people management, financial management and business processes improvement; She is an enthusiastic and ambitious Lawyer, Chartered Insurer, business planner and Policy Analyst with the drive to succeed, proactive, with pride and commitment, a good communicator with the ability to work independently as well as in a team oriented environment. There is no doubt that she will contribute to the growth of SWICO to its desired heights.

Ms. Rose Kyotungire Taremwa brings over 10 years' experience in Human Resource operations and administration with in depth understanding of staffing needs, employee relations, policy development and implementation, training and development, recruitments, benefits and incentive programs. We are therefore comfortable that Rose will contribute to the growth of SWICO especially in her identified area of expertise.



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

**FOR THE YEAR ENDED 31 DECEMBER, 2020**



The Insurance (Licensing and Governance) Regulations of 2020, introduced provisions that bar major shareholders from holding the office of Chairman of the Board of Directors in insurance companies. To comply with these regulations, I am therefore not able to continue as the Chairman despite my willingness and ability to do so.

Fortunately, following a successful vetting process by the Corporate Governance and Risk Management Committee of the Board, Eng. Martin S. Kasekende has been appointed as our next Chairman. Eng. Kasekende brings on board over 20 years leadership skills attained as Chairman of Federation of Uganda Employers and UN Global Compact Local Network, and from several Boards like NSSF, PSFU, Housing Finance Bank, Buganda Land Board, Nsambya Hospital, and Uganda Clays Ltd. He has robust skills in multicultural multi sectorial enterprise and human resource management, accounting, audit, and real estate functions. I am therefore certain that I am handing over to a very qualified, experienced and able person who will continue SWICO's trajectory towards the achievement of its growth objectives. I wish him all the best as he assumes his new role and assure him of my support during the execution of his work.

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



**Eng. Martin. S. Kasekende**  
- Board Chairman



**Mr. Joseph Mugagga Ssengendo**  
- Independent Non-Executive  
Director



**Mrs. Evelyn Nkalubo Muwemba**  
-Board Committee Member



**Mrs. Rose Kyotungire Taremwa**  
-Board Committee Member



## Board Induction

The new members underwent a rigorous Board Induction activity which gave them a general overview of the Company's operations, the environment in which it operates, the financial performance for the last 10 years, the legal and regulatory framework under which the Company operates, the major risks to the Company as well as the five year strategy and their roles in ensuring that the Company achieves its strategic objectives.

I am therefore happy to report to the Shareholders that our new entrants to the SWICO family were well equipped before assuming their roles.



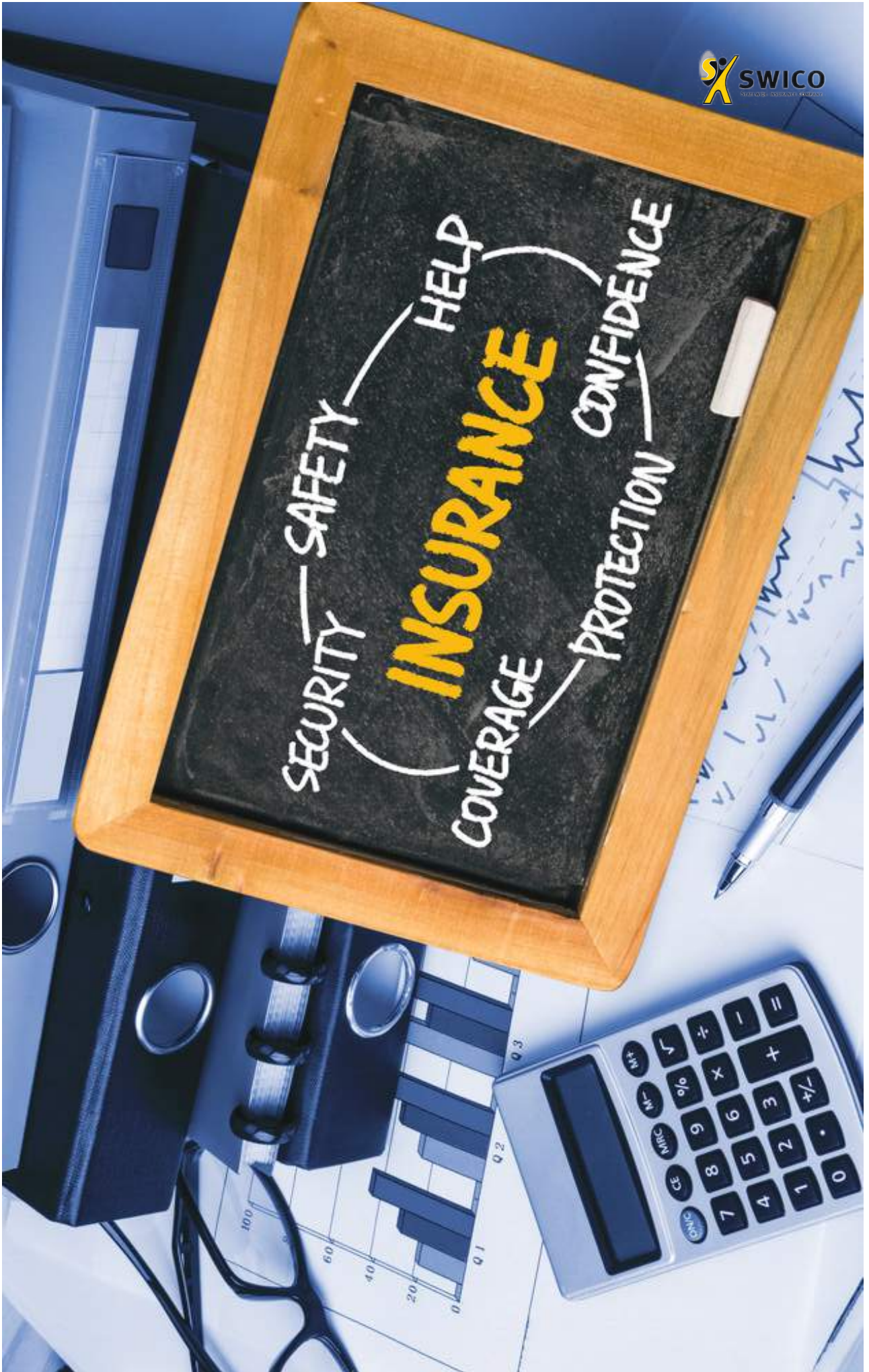
## Appreciation

I would like to thank my fellow Board members for their continued support and insight during the year and I look forward to working together in the years ahead.

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.**





# MANAGING DIRECTOR'S REPORT TO THE SHAREHOLDERS.

FOR THE YEAR ENDED 31 DECEMBER, 2020



## The Economic Overview

The year 2020 was challenging due to the occurrences of COVID -19 which led to the National lock down which greatly affected the economy globally not sparing the insurance industry. Clients like schools, could not renew their policies which 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 2020.

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.

Although the regulator relaxed the cash and carry policy amidst COVID - 19, most of the Company's clients could not still pay for their policies in the long run, which left the Company with a large debtor's portfolio which affected and is still affecting the Company's cash flows.

The full implementation of the compulsory marine cargo insurance, has not been felt in the industry and yet this was expected to be a source of good business given the adequacy of products we offer. Finalization with the platform tests are still on going and thereafter the operations are expected to start in June 2021. This being the Consortium arrangement it will boost SWICO's income since it is on a co- Insurance basis. In the meantime we are engaging the trade Associations like KACITA and Uganda Clearing and forwarding Association to directly sell to their members.

The oil and gas pool is actively seeking avenues to provide insurance support to the oil and gas sector and this engagement is progressing. Although membership of the pool places our company in a beneficial position to take advantage of new opportunities once they arise, the oil production and commercialization has not proceeded as rapidly as we expected and it is thus not yet a vibrant sector for business. As we speak, the Agreements forming part of the final investment decision were signed and according to the government the construction of the pipeline is likely to commence in July 2021, and we are still waiting.

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.

Minet Insurance Brokers have interested us in the project to insure the Agency Banking Officials on the Co - Insurance arrangement and the estimated annual income is 2.4 billion. We shall be venturing in this project and report on the same by the end of 2021.

SWICO has also partnered with Prudential Assurance Company, and come up with Personal Accident macro- product targeting business men and women. The Regulator has approved the rate to be applied and we are now to ready to sell it to big groups like Bank customers and members of different Associations.



## 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.



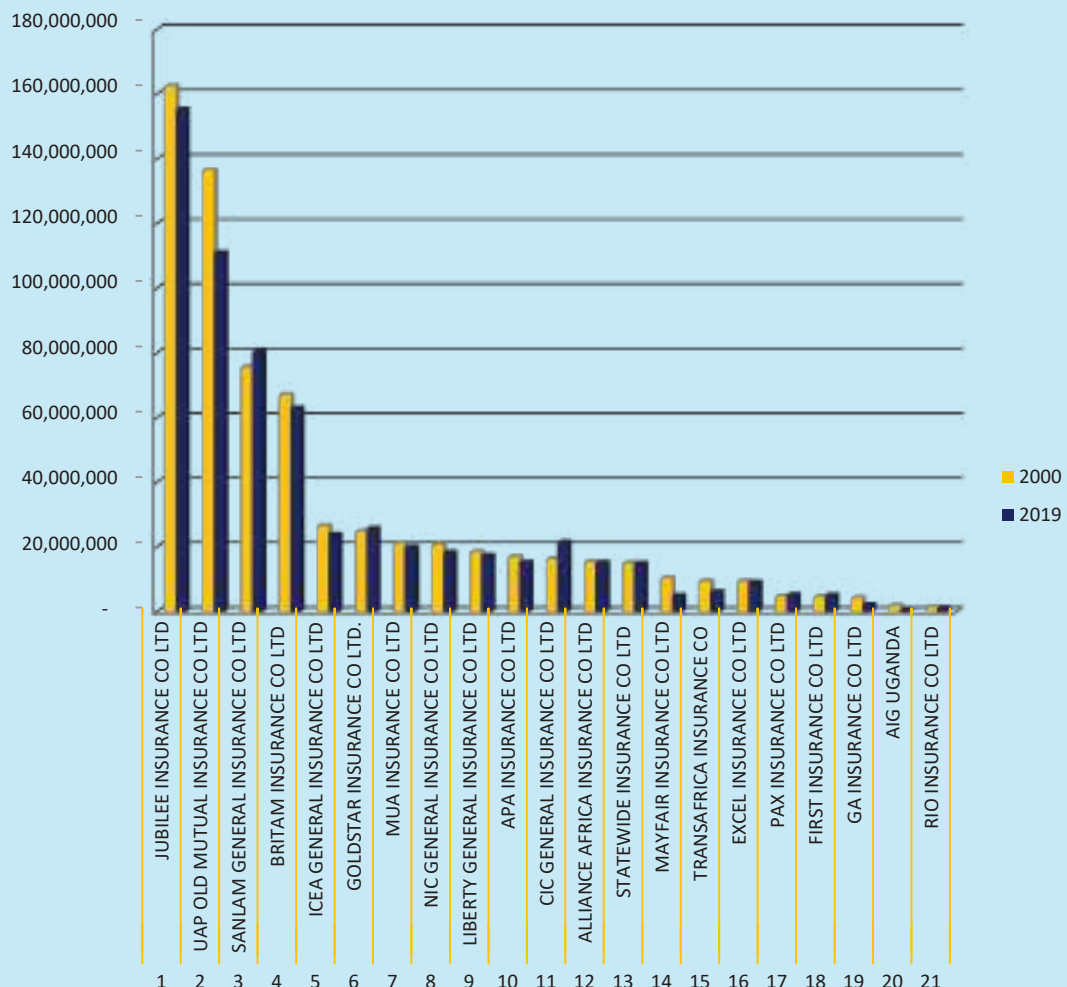


## Industry Performance

A study on the impact of COVID -19 on the Insurance Sector in Uganda, conducted by the research team of the Insurance Regulatory Authority of Uganda in October 2020, indicated that Covid-19 had an overall negative impact on the performance of the insurance sector in terms of Gross Written premiums. Despite the positive growth in gross written premiums, this growth was just marginal and would have been much higher had it not been the disruptions caused by the Pandemic.

Non-life insurance companies reported the following lines of business to be the most impacted in terms of premiums underwritten - travel, motor comprehensive and workers' compensation attributed to the lock down where travel was shut down, few cars were on the road and workers worked from home. The least impacted lines were fire, marine and agriculture.

Total premium underwritten (Medical premium excluded) by the non-life Insurance companies during the year 2020 was shs.529 billion as compared to shs.510 for 2019. The Industry grew by 3.7% and by 7.1 medical premium inclusive and some companies registered a negative growth. SWICO grew by 0.1% and was number 13 out of 21 companies in terms of premium income. Management is working smart to achieve a much better position in the years ahead.





## Company's Performance

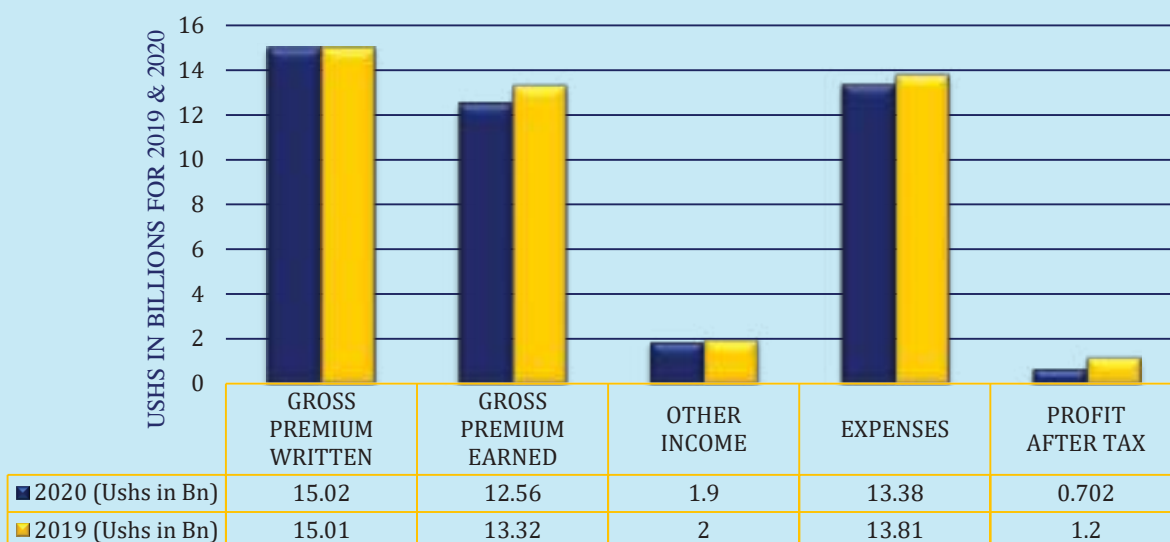
Gross premium written for the year 2020 was Ushs 15.028 billion compared to Ushs 15.010 billion written in 2019. The net premium earned in 2020 was Ushs 12.56 billion compared to Ushs 13.32 billion earned in 2019. The drop in premium written was attributed to the negative impact of COVID - 19 that fully manifested itself in 2020. Many clients did not take up cover and or renewal their policies because the country was under total lock down for a great part of 2020 especially the accounts which the Company has with schools.

Approximately Ushs 1.9 billion was earned from investment income, commission, rent and other incomes in 2020, compared to 2 billion in 2019. Rental Income from the Masaka building was greatly affected by the lock down as some of the tenants vacated the premises and those that remained on the premises could not raise the rent because they were not operating at full capacity, which explains the drop in income from other sources.

Despite the effect of COVID -19, The Company managed to achieve profit of Ushs 702m after tax compared to Ushs 1.2 billion in 2019. The directors did not propose any dividend for the year ended 31st December 2020

With net assets of Ushs 13 billion the company's balance sheet continues to be robust, placing us on a firm foundation from which to continue on our growth path.

### FINANCIAL PERFORMANCE 2020





## Industry challenges

COVID - 19 and its effects on production and productivity, slow growth of the economy occasioned by low disposable income, consumer awareness deficit, increased cases of insurance fraud, market conduct issues (undercutting; claims settlement), slow pace of Oil and Gas exploration, getting government to insure its key assets and properties, challenges associated with enforcement of Workers Compensation Insurance and MTP (liability) insurance.



## Five year strategy update

In October 2020 we completed one year since we started the implementation of the strategic plan. Management organized a session to review the progress and also replace the strategies which are not working with more viable strategies. The meeting was held on 24th March 2021 and all managers attended and fully participated.

Management reviewed the strategy focusing on; where the Company currently stands, where the Company desires to be in the next three years, whether the strategies in place are viable and can take the Company to its desired position in

the next three years and what can be changed/improved/done better for the Company to be where it desires to be in the next three years.

Management through their presentations clearly outlined where we want to be by end of 2023 and it was clear that if we implement the strategies agreed on, our objectives will be met. The suggested improvements were endorsed by the Board and we shall continue evaluating ourselves on the status of the implementation of the strategies in 2022 and report accordingly.



## Masaka Project

The tenancy of the Masaka building was greatly affected by the Pandemic as most tenants vacated the premises for failure of paying the rent while others were not operating at full capacity and therefore unable to pay their rent arrears. As a result, only Ushs 54,249,831/= million was generated from the Masaka building.



## 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 website engagements have increased from 513 monthly visitors in December 2020 to 1,207 monthly visitors in March 2021. Using the online platform, the Company designed a business caller tune for our customers which allows SWICO to promote its products and services through the incoming calls. It also creates awareness of a particular product hence bringing about new demand and market.

The Company also made use of virtual zoom meetings during the year which made the Board members to ably participate in all the scheduled meetings. For the first time, we had the first ever virtual Annual General Meeting organized and well attended by all the shareholders including those outside the jurisdiction of Uganda. I extend my appreciation to the Company Secretary with the support of the ICT team for having successfully organized a virtual 2020 Annual General Meeting amidst the turbulent times of COVID -19.



## The Enterprise Resource Planning system (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 were hopeful that the system would be fully functional before end of 2020. However the ERP system being the primary system to support the core business processes is slowly stabilizing as users have embarked on utilizing it fully despite some issues that come up ranging from system and user challenges that are handled as and when they occur. We continue being optimistic that complete system stability will be achieved by the end of 2021.

The development of the risk management policy and guidelines was concluded. Risks were identified using the department objectives as the basis, they were analyzed and mitigating measures developed.

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.

The Corporate Governance and Risk Management Committee reviewed the Strategic, Reinsurance, Claims and marketing risk registers and forwarded them to the Board for approval. The Human Resource, Legal, ICT and Underwriting risk registers will be reviewed before the end of 2021.

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 had cash flow challenges. However as we speak, this lee way was uplifted effective April 2021 and the cash and carry policy is now strictly enforced and impacting on our business as before as most business are still struggling with the impact of COVID - 19.

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. We conducted routine COVID -19 tests and ensured that the few identified cases receive the necessary treatment. We have also continued to encourage staff to go for vaccination as advised by the Ministry of Health.





## Corporate Social Responsibility

We continued to make efforts in 2020 to increase our visibility through donations to schools, churches, not for profit organizations that take care of less privileged children, sponsorships of business activities and governance programs as part of our Corporate Social Responsibility program.

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## 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 we are almost in our third year of our strategic plan implementation, I remain confident that we are still on track to achieve our strategic objectives. All we have to do is to re-think, re-engage and re-launch. Thank you for your support and let's continue working together towards achievement of our strategies.

**J.W Kiwanuka**  
Managing Director



## CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER, 2020



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, 2020. 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 practices of 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 2017, Regulations and the Companies Act 2012.

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, the number of Board of Directors was seven including the Chairman. The composition was one Executive Director, two Non-Executive Directors and four Independent Non-Executive 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 systems 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 2020 the Company was in material compliance with all laws, regulations, rules and guidelines on corporate governance. The Audit Committee and the Corporate Governance & Risk Management 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. The year under review was a special year having been hit by the COVID -19 pandemic which led to a total national lock down of over three months. The abrupt lock down affected the schedule of the Company's meetings.

Consequently, out of the four scheduled meetings, two 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:

### Directors' attendance of Board Meetings for the year 2020

	NAME	30/03	28/05	19/08
1	Mr. Joseph Mubiru Kizito	A	✓	✓
2	Mr. Joseph William Kiwanuka	✓	✓	✓
3	Eng. Martin S. Kasekende	✓	✓	✓
4	Mr. Joseph B. Kiwanuka	✓	A	✓
5	Mrs. Rosemary N. Ssenabulya	✓	✓	✓
6	Mr. Stephen Kalema	✓	✓	✓
7	Mr. Charles Musisi			



## Board Committees

The Board works through four Board committees herein below;

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

Apart from the Chairperson of the Finance, Investment & Technical Operations Committee, the Chairpersons of all other committees are independent and non-executive Directors.

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

## Resignations from Board Committees

During the year, two committee members resigned; Mr. George Steven Okotha, who was a member of the Corporate Governance & Risk Management Committee as well as the Finance, Investment & Technical Operations Committee; and Ms. Esther J.N Kasirye who was a member of the Audit Committee as well as the Corporate Governance & Risk Management Committee.

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

### Finance, Investment & Technical Operations Committee

NAME	23/03	29/07	16/12
Mr. Joseph B. Kiwanuka	✓	✓	✓
Mr. J W Kiwanuka	✓	✓	✓
Mr. Stephen Kalema	✓	✓	✓
Mr. Charles Musisi	✓	✓	✓
Mr. George Steven Okotha	✓	✓	R

### Human Resource and Administration Committee

NAME	08/01	09/01	04/02	14/07
Mrs. Rosemary N. Ssenabulya	✓	✓	✓	✓
Mr. Joseph W. Kiwanuka	✓	✓	A	✓
Owek. Eng. Martin S Kasekende	✓	✓	✓	✓

### Audit Committee

NAME	04/02	16/03	17/07	07/10
Owek. Eng. Martin .S. Kasekende	✓	✓	✓	✓
Mrs. Rosemary N. Ssenabulya	✓	✓	✓	✓
Ms. Esther J.N Kasirye	✓	✓	✓	✓

### Corporate Governance and Risk Management and Committee

NAME	15/07	22/07	15/10
Mr. Stephen Kalema	✓	✓	✓
Mr. Charles Musisi	✓	✓	✓
Ms. Ms Esther J. N Kasirye	✓	✓	R

A - Apology

R - Resigned

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 the 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 and Corporate Governance & Risk Management Committees of the board monitor 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.



# GROUP FINANCIAL STATEMENTS DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER, 2020



The directors submit their report together with the audited financial statements for the year ended 31 December 2020 which disclose the state of affairs of the Sure Group of Companies.



## STATE OF AFFAIRS

The directors believe that the group companies are still in a good state and are therefore going concerns for at least the next twelve months from the date of issue of this report.



## PRINCIPAL ACTIVITIES

The principal activities of the group include provision of general insurance business which include; Personal Accidents, Employer's Liability, Fidelity Guarantee, Motor Third Party, Motor Comprehensive, Burglary or Theft, Fire, Marine, Mortgage, Contractors, All Risks, Machinery Breakdown, Travel or any other business permitted by the Insurance Act 2017. The principal activity of the subsidiary is the development and management of real estate.

### RETAINED EARNINGS

Retained Profit (Loss) before tax

#### Less:

Transfer to Statutory Reserves

Declared Dividends

Proposed Dividends

Income tax charge

Retained Profit (Loss) after tax

### OTHER COMPREHENSIVE INCOME

Fair value gains/(losses) on quoted shares

Deferred tax

Revaluation surplus on investment property/Buildin

Deferred tax liability on revaluation surplus

Retained Profit/(Loss) from Subsidiary

**NET SURPLUS/(LOSS) FOR THE YEAR**

U.SHS

1,042,145,674

(35,107,617)

-

-

(339,993,327)

667,044,729

-

37,935,179

-

-

(54,350,846)

650,629,062

U.SHS

1,508,791,966

-

(60,893,108)

-

(335,000,000)

(290,929,803)

821,969,055

(9,965,724)

39,050,135

(558,500,000)

167,550,000

210,188,507

670,291,972



## DIVIDENDS

The directors do not propose payment of dividends for the current year 2020. In 2019, the dividends proposed were Shs 50/= per share payable to the shareholders on the register as at 31st December 2019.



## DIRECTORS

The names of the directors who held office during the year are set out on page 1.



## INDEPENDENT AUDITOR

M/s Kazibwe Kenneth & Steven, Certified Public Accountants were appointed as auditors in 2017. Accordingly, they retire by rotation in accordance with the Insurance Act Cap 2013.

**By the order of the Board**

**SECRETARY**



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER, 2020



**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:

- ✓ Select suitable accounting policies and apply them consistently.
- ✓ Make accounting estimates and judgments that are reasonable in the circumstances.
- ✓ Comply with International Financial Reporting Standards (IFRS), local laws, statutes and regulations.
- ✓ Prepare the financial statements on the going concern basis unless it is not appropriate to presume that the entity will 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:

- ✓ The consolidated financial statements give a true and fair view of the financial position of the group as at 31 December, 2020 and of the results of its operations and its cash flows for the year then ended;
- ✓ 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
- ✓ 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 \_\_\_\_\_ 2021  
and signed on its behalf by:

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

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

FOR THE YEAR ENDED 31 DECEMBER, 2020



## 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, 2020 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.

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, 2020 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



### Going Concern

Without qualifying our opinion, we draw attention to Note 29 to the group financial statements. The Covid-19 pandemic remains a material event that is impacting business activities. Road and air transport remain constrained while schools, houses of worship and social gatherings are banned. The year under review saw the parent company profits before tax decline from sh1.508bn in 2019 to sh1.042bn.

The subsidiary company returned a loss of sh54m compared to a profit of sh179m in 2019. As the pandemic continues to ravage the globe, the risks of the businesses remaining in operation as going concerns increase.

The group management is managing the risks through various measures including digitizing operating processes negotiating extended credit terms with business partners and engaging in aggressive client contacts.

Other measures include compliance with the SOPs as guided by the authorities, prudent capital and liquidity management and adherence to regulatory guidelines.



**✓ International Financial Reporting Standards (IFRS) and Local Laws**

We also draw attention to note 1'(c) to the financial statements. The group has adopted the use of IFRS in its financial reporting but is yet to fully implement the following standards:

- IFRS 17 on insurance contracts will come in force from 1st Jan 2022. However, the implementation of the standard will be impacted by the Insurance Act 2017 which is being implemented following regulatory guidelines.
- Further, IFRS 9 on financial instruments has not been applied because the company is yet to put in place the appropriate systems and policies. However, provisions for impairment continue to be made in accordance to regulatory guidelines.

## **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. There was one audit matter which is worth reporting in this regard.





**✓ Taxation**

Without qualifying our opinion, we draw attention to Note 33 to the financial statements. The Subsidiary tax computation and filing have been based on the general business model as opposed to rental. The change to rental mode of filing is expected to cause differences in the tax liability but they are not expected to be material.

## **5.0 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:

-  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.
-  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.
-  Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
-  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.

-  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.

## **6.0 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.

## **7.0 OTHER REQUIREMENTS**

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

-  We obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
-  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.
-  The financial statements are in agreement with the books of account.

## **8.0 REPORTING PARTNER**

The engagement partner on the audit relating to this independent auditor's report is CPA. Stephen Mazireyo Turyahikayo, P0017.

**P.O. Box 116  
KAMPALA**

**KAZIBWE KENNETH & STEVEN  
CERTIFIED PUBLIC ACCOUNTANTS**





 **SWICO**  
STATEWIDE INSURANCE COMPANY



# STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER, 2020



ASSETS	Note	2020 U.SHS	2019 U.SHS
<b>NON-CURRENT ASSETS</b>			
Property and Equipment	2	<u>27,742,314,164</u>	<u>26,832,800,827</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>27,742,314,164</u>	<u>26,832,800,827</u>
<b>INVESTMENTS</b>			
Investment Property	3	445,000,000	595,000,000
Other Long Term Investments	4	2,439,473,602	2,327,223,205
Short- Term Investments	5	<u>9,384,096,619</u>	<u>9,279,014,040</u>
<b>TOTAL INVESTMENTS</b>		<u>12,268,570,221</u>	<u>12,201,237,245</u>
<b>CURRENT ASSETS</b>			
Trade Receivables	6	2,685,199,648	1,654,675,350
Related party		63,318,397	92,645,540
Reinsurance Receivables	7	105,436,079	147,395,501
Reinsurance share on insurance liabilities and reserve	9	2,063,265,112	3,262,218,870
Other Receivables	8	1,121,207,169	1,329,812,974
Cash and cash equivalents	10	1,300,301,742	1,619,170,190
Inventory	11	85,401,221	59,215,611
Current Tax (Payable)Receivable	12	<u>(53,943,093)</u>	<u>14,612,059</u>
<b>TOTAL CURRENT ASSETS</b>		<u>7,370,186,275</u>	<u>8,179,746,095</u>
<b>TOTAL ASSETS</b>		<u>47,381,070,659</u>	<u>47,213,784,167</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade Payables	13 (a)	799,719,338	71,128,910
Other Payables & Accruals	13 (b)	1,861,647,115	1,393,059,816
Dividends Payable	13 (b)	<u>337,238,959</u>	<u>494,196,859</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,998,605,412</u>	<u>1,958,385,585</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred Tax	14	342,958,077	380,893,256
Minority Interest	15	<u>912,665,580</u>	<u>922,564,521</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,255,623,657</u>	<u>1,303,457,777</u>
<b>INSURANCE RESERVES</b>			
Unearned Premium Reserve	16	6,501,167,048	7,984,151,207
Claims Reserve	17	1,468,977,233	1,499,936,701
IBNR Reserve	18	<u>220,346,585</u>	<u>224,990,505</u>
<b>TOTAL RESERVES</b>		<u>8,190,490,866</u>	<u>9,709,078,413</u>
<b>TOTAL LIABILITIES</b>		<u>12,444,719,935</u>	<u>12,970,921,775</u>
<b>NET ASSETS</b>		<u>34,936,350,725</u>	<u>34,242,862,392</u>

	Note	2020 U.SHS	2019 U.SHS
<b>SHARE CAPITAL AND RESERVES</b>			
<b>AUTHORISED SHARE CAPITAL</b>		<u>7,000,000,000</u>	<u>7,000,000,000</u>
Issued and fully Paid Up capital	19	6,700,000,000	6,700,000,000
Share Premium	20	300,000	300,000
Contingency Reserves	21	3,364,327,354	3,063,760,721
Revaluation Reserves	22	20,617,589,334	20,617,589,334
Statutory Reserves	23	96,000,725	60,893,108
Revenue Reserves	24	4,158,133,186	3,800,319,206
<b>TOTAL CAPITAL AND RESERVES</b>		<u>34,936,350,725</u>	<u>34,242,862,392</u>

**Signed on behalf of the Board**

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

The Statements were approved and signed on \_\_\_\_\_ 2021  
The notes on pages 15 to 33 form part of these financial statements.

# STATEMENTS STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER, 2020



	NOTE	2020	2019
	Page 10	U.SHS	U.SHS
Gross premiums		15,028,331,63	15,010,136,527
Premium ceded to reinsurers		<u>(2,713,368,558)</u>	<u>(2,082,068,425)</u>
<b>NET PREMIUMS WRITTEN</b>		<b>12,314,963,079</b>	<b>12,928,068,102</b>
Provision for unearned premium		<u>245,242,009</u>	<u>401,077,355</u>
<b>NET PREMIUMS EARNED</b>		<b>12,560,205,088</b>	<b>13,329,145,457</b>
Investment income		1,121,463,690	1,115,883,700
Commission earned		534,943,559	426,186,036
Other incomes		178,465,301	432,896,724
Rental Income		71,728,814	32,445,881
Exchange Gain/(Loss)		<u>(39,689,559)</u>	<u>(12,641,782)</u>
<b>TOTAL INCOME</b>		<b><u>14,427,116,893</u></b>	<b><u>15,323,916,016</u></b>
Net claims incurred		<u>(3,050,352,780)</u>	<u>(2,582,046,456)</u>
Commission expenses		<u>(3,186,636,082)</u>	<u>(3,263,873,348)</u>
Management expenses		<u>(7,006,071,994)</u>	<u>(7,687,188,415)</u>
Other write offs		<u>(141,910,363)</u>	<u>(282,015,833)</u>
<b>TOTAL EXPENSES</b>		<b><u>(13,384,971,219)</u></b>	<b><u>(13,815,124,052)</u></b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b><u>1,042,145,674</u></b>	<b><u>1,508,791,965</u></b>
Provision for tax		<u>(339,993,327)</u>	<u>(290,929,803)</u>
<b>PROFIT/(LOSS) FOR THE YEAR AFTER TAX</b>		<b>702,152,347</b>	<b>1,217,862,162</b>
Dividends Proposed		-	(335,000,000)
Dividends Declared		-	-
Statutory Reserve		-	<u>(60,893,108)</u>
Retained Profit/(Loss) after appropriation		<u>667,044,729</u>	<u>821,969,054</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value gains/(losses) on quoted shares		-	(9,965,724)
Deferred tax	11	37,935,179	39,050,135
Revaluation surplus on investment property/Building		-	(558,500,000)
Deferred tax liability on revaluation surplus		-	167,550,000
Retained Profit/(Loss) from Subsidiary		<u>(54,350,846)</u>	<u>210,188,507</u>
<b>NET SURPLUS/(LOSS) FOR THE YEAR</b>		<b><u>650,629,062</u></b>	<b><u>670,291,971</u></b>

# STATEMENT OF UNDERWRITING REVENUES

FOR THE YEAR ENDED 31 DECEMBER, 2020



	Accident		Motor		Fire		Marine		Total	
	2020 U.Shs	2019 U.Shs	2020 U.Shs	2019 U.Shs	2020 U.Shs	2019 U.Shs	2020 U.Shs	2019 U.Shs	2020 U.Shs	2019 U.Shs
Gross Premium Written	5,388,700,743	5,841,503,177	7,669,580,310	7,652,599,568	1,336,038,983	1,249,111,454	634,011,601	266,922,329	15,028,331,637	15,010,136,527
Less:										
Gross Premium Ceded	1,339,263,436	1,360,616,388	777,754,303	332,807,356	594,187,304	336,286,498	2,163,515	52,358,183	2,713,368,558	2,082,068,425
Net Premium Written	4,049,437,307	4,480,886,789	6,891,826,007	7,319,792,212	741,851,679	912,824,956	631,848,086	214,564,145	12,314,963,079	12,928,068,102
Commission Receivable	338,747,859	308,158,995	43,177,362	24,397,550	152,531,548	81,866,048	486,790	11,763,443	534,943,559	426,186,036
Reinsurers share on UPR b/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)
Premium Reserves B/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
	6,180,539,882	6,860,365,696	9,862,920,254	10,259,988,338	1,259,513,209	1,413,222,825	718,160,534	392,981,876	18,021,133,879	18,926,558,735
Less:										
Premium Reserves C/f	2,723,247,118	3,695,423,079	2,931,760,440	3,465,493,355	591,776,181	646,501,504	254,383,309	176,733,269	6,501,167,048	7,984,151,207
Reinsurers share on UPR C/F	(1,103,472,195)	(1,903,068,363)	(175,030,038)	(537,576,470)	(295,035,510)	(281,371,522)	(1,644,075)	(90,907,611)	(1,575,181,817)	(2,812,923,966)
Net Claims Incurred	1,232,846,759	225,537,860	1,661,920,429	2,178,051,270	202,105,120	156,372,717	(46,519,528)	22,084,609	3,050,352,780	2,582,046,456
Commission paid	1,691,855,987	1,761,658,476	1,199,396,866	1,172,289,803	280,070,169	306,773,563	15,313,060	23,151,506	3,186,636,082	3,263,873,348
Management Expenses	2,303,754,313	2,664,390,437	3,920,809,901	4,352,438,543	422,044,812	542,776,954	359,462,968	127,582,482	7,006,071,994	7,687,188,415
	6,848,231,982	6,443,941,488	9,538,857,599	10,630,696,500	1,200,960,772	1,371,053,217	580,995,734	258,644,255	18,169,046,088	18,704,335,459
Underwriting Surplus/ (Loss) for the year	(667,692,100)	416,424,208	324,062,654	(370,708,162)	58,552,437	42,169,608	137,164,800	134,337,621	(147,912,209)	222,223,275



# CLAIMS SCHEDULE

FOR THE YEAR ENDED 31 DECEMBER, 2020



CLAIMS :	Accident		Motor		Fire		Marine		Total	
	2020 U.Shs	2019 U.Shs	2020 U.Shs	2019 U.Shs	2020 U.Shs	2019 U.Shs	2020 U.Shs	2019 U.Shs	2020 U.Shs	2019 U.Shs
Claims Paid	1,132,212,162	1,086,668,055	2,075,318,067	2,470,859,549	145,108,759	149,052,802	-	15,184,609	3,352,638,988	3,721,765,015
Claims O/S B/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)
Claims O/S C/F	595,580,297	456,062,076	334,894,530	622,837,305	538,502,406	421,037,320	-	-	1,468,977,233	1,499,936,701
Other Claims Expenses	1,978,150	-	1,335,500	613,000	-	3,762,000	-	-	3,313,650	4,375,000
Reinsurance Claim Recovery	(22,765,707)	(435,544,937)	(46,508,372)	(410,173,998)	(65,546,556)	(44,207,053)	(46,519,528)	-	(181,340,163)	(889,925,988)
Reinsur Liab & Reserves B/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
Reinsur Liab & Reserves C/F	(32,792,000)	-	(2,719,664)	(3,358,221)	(388,908,593)	(387,333,000)	-	-	(424,420,257)	(390,691,221)
Salvage Proceeds	(1,313,000)	(200,000)	(37,824,915)	(28,127,500)	(10,730,000)	(1,000,000)	-	-	(49,867,915)	(29,327,500)
<b>NET CLAIMS BEFORE IBRN</b>	<b>1,216,837,826</b>	<b>281,022,893</b>	<b>1,705,016,062</b>	<b>2,159,153,850</b>	<b>184,721,696</b>	<b>150,012,069</b>	<b>(46,519,528)</b>	<b>21,184,609</b>	<b>3,060,056,056</b>	<b>2,611,373,421</b>
IBRN Provision C/F	89,337,045	68,409,311	50,234,180	93,425,596	80,775,361	63,155,598	-	-	220,346,585	224,990,505
IBRN Provision - Reinsur B/F	-	36,178,548	503,733	20,754,731	58,099,950	9,450,000	-	3,000,000	58,603,683	69,383,280
IBRN Provision - Reinsur C/F	(4,918,800)	-	(407,950)	(503,733)	(58,336,289)	(58,099,950)	-	-	(63,663,039)	(58,603,683)
IBRN Provision B/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)
<b>NET CLAIM INCURRED</b>	<b>1,237,846,759</b>	<b>225,537,860</b>	<b>1,661,920,429</b>	<b>2,178,051,270</b>	<b>202,105,120</b>	<b>156,372,717</b>	<b>(46,519,528)</b>	<b>22,084,609</b>	<b>3,050,352,780</b>	<b>2,582,046,456</b>
<b>PROVISIONS AS AT 31 DECEMBER, 2020</b>										
Reported	595,580,297	456,062,076	334,894,530	622,837,305	538,502,406	421,037,320	-	-	1,468,977,233	1,499,936,701
IBNR	89,337,045	68,409,311	50,234,180	93,425,596	80,775,361	63,155,598	-	-	220,346,585	224,990,505
<b>Total</b>	<b>684,917,342</b>	<b>524,471,387</b>	<b>385,128,710</b>	<b>716,262,901</b>	<b>619,277,767</b>	<b>484,192,918</b>	<b>-</b>	<b>-</b>	<b>1,689,323,818</b>	<b>1,724,927,206</b>

# GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER, 2020



	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.
<b>Balance as at 1/01/2019</b>	<b>6,000,000,000</b>	<b>300,000</b>	<b>42,574,512</b>	<b>2,763,557,990</b>	<b>688,054,356</b>	<b>2,599,666,518</b>	<b>12,094,153,376</b>
Subsidiary Revaluation Reserve	-	-	-	-	20,498,000,702	-	20,498,000,702
Subsidiary Revenue Reserve	-	-	-	-	-	1,087,073,210	1,087,073,210
Revaluation Surplus	-	-	-	-	(558,500,000)	-	(558,500,000)
Deferred Tax on Timing-differences	-	-	-	-	-	39,050,135	39,050,135
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
Retained Surplus (loss) subsidiary	-	-	-	-	-	210,188,507	210,188,507
Transfer from Capital- Reserves to Share Capital	42,574,512	-	(42,574,512)	-	-	-	-
Capitalisation of Reserves	657,425,488	-	-	-	-	(657,425,488)	-
Dividends Declared	-	-	-	-	-	(335,000,000)	(335,000,000)
<b>Balance as at 31/12/2019</b>	<b>6,700,000,000</b>	<b>300,000</b>	<b>60,893,108</b>	<b>3,063,760,721</b>	<b>20,617,589,334</b>	<b>3,800,319,206</b>	<b>34,242,862,369</b>
<b>Balance as at 1/01/2020</b>	<b>6,700,000,000</b>	<b>300,000</b>	<b>60,893,108</b>	<b>3,063,760,721</b>	<b>119,588,632</b>	<b>2,503,057,489</b>	<b>12,447,599,950</b>
Prior year adjustment	-	-	-	-	-	-	-
Revaluation Surplus	-	-	-	-	-	37,935,179	37,935,179
Deferred Tax on Timing Differences	-	-	-	-	-	(35,107,617)	-
Deferred Tax on Fair value and Revaluation of assets	-	-	-	-	-	-	-
Transfer from profits	-	-	35,107,617	-	-	-	-
Fair value gain /loss on quoted shares	-	-	-	300,566,633	-	(300,566,633)	-
Contingency reserve	-	-	-	-	-	702,152,347	702,152,347
Net profit for the year	-	-	-	-	-	(46,599,296)	-
Retained Surplus (loss) subsidiary	-	-	-	-	-	-	-
Transfer from Capital Reser	-	-	-	-	-	-	-
Capitalisation of Reserves	-	-	-	-	-	-	-
Proposed Dividends	-	-	-	-	-	-	-
Dividends Declared	-	-	-	-	-	-	-
<b>Balance as at 31/12/2020</b>	<b>6,700,000,000</b>	<b>300,000</b>	<b>96,000,725</b>	<b>3,364,327,354</b>	<b>20,617,589,334</b>	<b>4,158,133,185</b>	<b>34,936,350,725</b>

# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



	2020 U.SHS	2019 U.SHS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	1,044,439,133	1,814,941,677
<b>Adjustment for:</b>		
Non-current assets write off	141,910,363	282,015,833
Other movements	2,591,454	-
Prior Year Adjustment	(300,831,121)	1,629,263
Depreciation	470,086,304	453,996,464
Profit on Disposal of Non-Current Assets	(88,160,077)	(245,731,506)
Interest Income Received	<u>(1,121,463,690)</u>	<u>(1,115,883,700)</u>
<b>Operating Profit Before Working Capital Changes</b>	<b>148,572,366</b>	<b>1,190,968,031</b>
Increase/(Decrease) in insurance Reserves	<b>(1,482,984,159)</b>	<b>(988,794,153)</b>
Reinsurers Share of Insurance Assets & Reserves	<b>1,198,953,758</b>	<b>670,360,371</b>
Increase in Reserves for Outstanding Claims	<b>(35,603,388)</b>	<b>(307,483,645)</b>
(Increase)/Decrease in Inventory	<b>(26,185,610)</b>	<b>65,236,389</b>
(Increase)/Decrease in Receivables	<b>(750,631,928)</b>	<b>619,275,295</b>
(Decrease)/Increase in Payables	<b><u>1,197,177,727</u></b>	<b><u>(142,923,142)</u></b>
<b>Net Cash Inflows from Operating Activities</b>	<b><u>249,298,765</u></b>	<b><u>1,106,639,146</u></b>
<b>Tax Paid</b>	<b><u>(345,229,896)</u></b>	<b><u>(357,515,433)</u></b>
	<b><u>(95,931,131)</u></b>	<b><u>749,123,713</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest Income Received	<b>1,121,463,690</b>	<b>1,115,883,700</b>
Purchase of Non-current Assets	<b>(973,388,094)</b>	<b>(131,200,557)</b>
Decrease / (Increase) in Investment property	<b>(104,666,107)</b>	<b>(503,691,249)</b>
Decrease / (Increase) in Capital WIP	<b>(142,055,932)</b>	<b>(260,691,335)</b>
Decrease / (Increase) in Short Term Investments	<b>(105,082,579)</b>	<b>(1,570,116,439)</b>
Decrease/( Increase) in Long Term Investments	<b>(112,250,397)</b>	<b>(204,966,476)</b>
Proceeds from Sale of Investment properties	<b>250,000,000</b>	<b>25,000,000</b>
Proceeds from Sale of Non-Current Assets	<b>69,188,316</b>	<b>69,188,316</b>
Dividends Paid	<b><u>(156,957,900)</u></b>	<b><u>(148,578,241)</u></b>
	<b><u>(222,937,319)</u></b>	<b><u>(1,609,172,281)</u></b>
<b>Net Increase/(decrease) in Cash &amp; Cash Equivalents</b>	<b><u>(318,868,449)</u></b>	<b><u>(860,048,568)</u></b>
Cash & Cash Equivalents at 01 January 2020	<b><u>1,619,170,191</u></b>	<b><u>2,479,218,759</u></b>
<b>Cash &amp; Cash Equivalents at 31st December 2020</b>	<b><u>1,300,301,742</u></b>	<b><u>1,619,170,191</u></b>

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

# STATEMENT OF ADMITTED ASSETS & LIABILITIES

FOR THE YEAR ENDED 31 DECEMBER, 2020



	2020 U.SHS	2019 U.SHS
<b>1 ADMITTED ASSETS</b>		
Investment in Uganda Government Securities	3,313,211,826	5,513,320,207
Deposits in Banks and other financial institutions	6,070,884,793	3,765,693,833
Cash in hand and bank accounts in Uganda	1,300,301,742	1,619,170,190
Investment Property	445,000,000	595,000,000
Shares in other Companies	1,564,190,587	1,564,190,587
Premium Debtors not exceeding 3 months	777,169,860	819,468,128
Interest, dividends, rent accrued and other debtors	1,121,207,169	754,848,762
Capital Developments	26,697,250,985	26,307,639,020
Amount due from reinsurers	105,436,079	147,395,501
Investment in other Securities (Statutory Deposits)	668,082,618	668,082,618
Computers and equipment	101,043,745	42,100,279
Motor Vehicles	20,690,529	70,312,661
Inventory of 3rd party stickers and Duty Embossing	85,401,221	59,215,611
Current Tax	<u>(53,943,093)</u>	<u>14,612,059</u>
	<b><u>42,215,928,061</u></b>	<b><u>41,941,049,456</u></b>
<b>2 ADMITTED LIABILITIES</b>		
Deferred Tax Liability	342,958,077	380,893,256
Provision for Unearned Premium Reserves	4,437,901,936	4,721,932,337
Provision for Claims Payable	1,689,323,818	1,724,927,206
Contingency reserves	3,364,327,354	3,063,760,721
Sundry Creditors	619,697,092	908,727,653
Dividends	337,238,959	494,196,859
Due to Reinsurers	<u>799,719,338</u>	<u>71,128,910</u>
	<b><u>11,591,166,573</u></b>	<b><u>11,365,566,942</u></b>
<b>MARGIN OF SOLVENCY</b>	<b><u>30,624,761,488</u></b>	<b><u>30,575,482,514</u></b>
15% Net premium	<u>1,847,244,462</u>	<u>1,939,210,215</u>

The group is enjoying a healthy margin of solvency.





# NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



## 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.

### 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.

### 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.

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

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

#### • IFRS 17 Insurance Contracts

The applicable accounting standards for insurers in Uganda would be the IFRS 17 on insurance contracts. The standard establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. However, while it is deferred to commence from 1st Jan 2022, the financial statements for insurers are drawn in accordance with the Insurance Act and the Regulatory Guidelines.

#### • IFRS 15 Revenue from Contracts With Customers

This standard introduces an all embracing model for revenue recognition. In this model, revenue is 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. The company recognizes revenue in accordance with the Insurance Act and regulatory guidelines.

• **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 financial assets. By definition, trade receivables are recognized as financial assets and attract impairment in accordance with this IFRS. The regulator (IRAU) has also recommended the adaption of this standard by the insurers. However, the company is yet to adapt its systems and policies aligned to reporting in accordance to this standard. Meanwhile, the company applied regulatory guidelines of 2002 to make appropriate provisions for receivables identified as doubtful.

 **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 is being implemented in phases as guided by regulatory guidelines. In the meantime, the financial statements continue to be drawn in accordance with certain parts of the Insurance Act 1996 and the regulatory guidelines of 2002.

 **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
Free hold Land	Nil	Nil
Computers, Accessories and Intangible Assets	33%	33.3%
Motor Vehicle and Cycles	25%	-
Furniture, Fittings & Equipment	12.5%	12.5%
Buildings	2%	1%
CCTV	-	20%

 **Functional Currency**

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

### **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.

### **Inventory**

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

### **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.

### **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.

### **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

### **Short-Term Investments**

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

## Recognition and Measurement

### • 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.

### • 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.

### • 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.

### • 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.

### • 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.

### • Management Expenses

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

## 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.

## 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.

### **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.

### **Taxation**

#### **•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.

#### **•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. Differed 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.

### **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 copany 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.

### **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.

### **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.



### **Operational Risk**

This is the risk of a loss arising from inadequate or failed procedures or policies due to employee errors, system failures and/ or fraud. The company manages this risk 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, monitoring and reporting.



### **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.



### **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.



### **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.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



### **Capital Adequacy Risk**

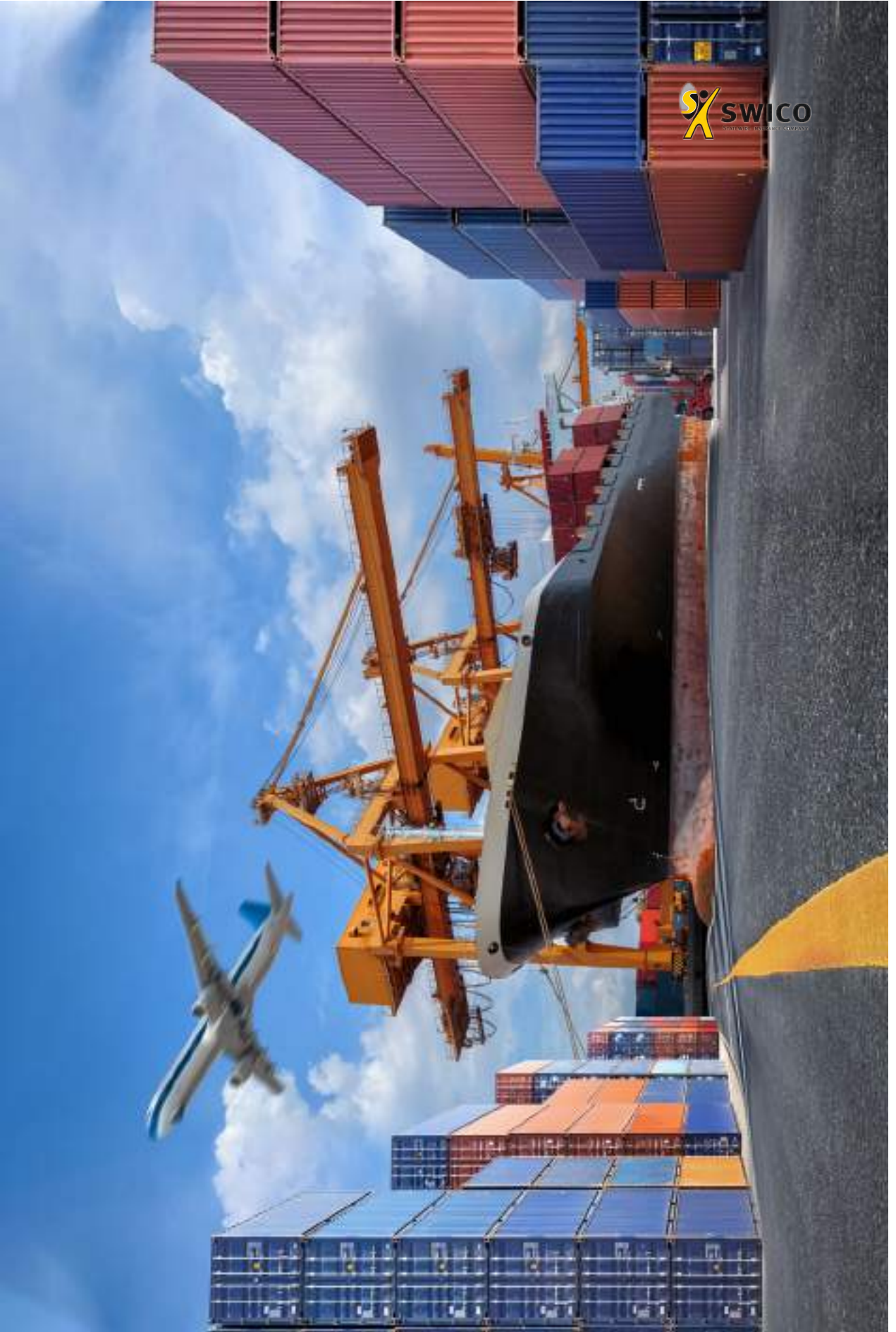
This is the risk that the group would not attain its strategic objectives due to inadequate funding and/or not meeting regulatory requirements. The group management regularly reviews its capital structure in accordance with the Insurance Act and its risk management policy.

### **Investment Property Risk**

This is 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.

### **Compliance Risk**

This is the risk that failure to comply with regulations or legal demands will materially impact the operations of the company. The company has a designated the internal audit function to monitors and report on compliance issues.



## NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



### 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/ 2020	3,949,473,310	23,435,798,410	260,691,335	182,060,000	215,116,664	731,214,624	440,713,299	29,215,067,642
Prior year Adjustment	-	-	391,518,000	-	-	-	-	391,518,000
Assets derecognized	-	-	-	(182,060,000)	-	-	-	(182,060,000)
Additions	-	104,666,107	142,055,932	583,892,945	118,628,762	24,144,348	-	973,388,094
<b>As at 31/12/2020</b>	<b>3,949,473,310</b>	<b>23,540,464,517</b>	<b>794,265,267</b>	<b>583,892,945</b>	<b>333,745,426</b>	<b>755,358,972</b>	<b>440,713,299</b>	<b>30,397,913,736</b>
<b>Depreciation</b>								
As at 1/1/ 2020	-	1,338,324,034	-	182,060,000	160,745,658	401,049,144	300,087,978	2,382,266,814
Prior Adjustments	-	-	-	-	-	-	-	-
Derecognized ACC Dep	-	-	-	(182,060,000)	-	-	-	(182,060,000)
Derecognized ACC Dep-Disposal	-	-	-	-	-	-	-	-
Charge for the year	-	248,628,075	-	-	46,106,389	61,414,031	99,244,263	455,392,758
<b>As at 31/12/2020</b>	<b>-</b>	<b>1,586,952,109</b>	<b>-</b>	<b>-</b>	<b>206,852,047</b>	<b>462,463,175</b>	<b>399,332,241</b>	<b>2,655,599,572</b>
<b>As at 31/12/2020</b>	<b>3,949,473,310</b>	<b>21,953,512,408</b>	<b>794,265,267</b>	<b>583,892,945</b>	<b>126,893,379</b>	<b>292,895,797</b>	<b>41,381,058</b>	<b>27,742,314,164</b>
As at 31/12/2019	3,949,473,310	22,097,474,375	260,691,335	-	43,640,932	340,895,554	140,625,321	26,832,800,827

### 3. INVESTMENTS PROPERTY (LAND) 2020

Cost/Valuation	SWICO U.SHS	SURE U.SH	GROUP U.SH	2019 U.SHS
As at 1 January, 2020	595,000,000	-	595,000,000	1,454,000,000
Revaluations-Land	-	-	-	70,000,000
Disposals/Derecognition	(150,000,000)	-	(150,000,000)	(129,000,000)
Disposals/Derecognition	-	-	-	(800,000,000)
<b>As at 31 December, 2019</b>	<b>-</b>	<b>-</b>	<b>445,000,000</b>	<b>595,000,000</b>

During the year, the company one of its Plots at Bwaise, Gayaza Road.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



	2020 SWICO U.SHS	2020 SURE U.SHS	2020 GROUP U.SHS	2019 GROUP U.SHS
<b>4. LONG TERM INVESTMENTS</b>				
New park lock - up shop	94,950,000	-	94,950,000	94,950,000
Shares in other companies	1,619,390,587	-	1,619,390,587	1,564,190,587
Capital Developments -Sure House	-	-	-	-
Statutory deposits	725,133,015	-	725,133,015	668,082,618
	<u>2,439,473,602</u>	<u>-</u>	<u>2,439,473,602</u>	<u>2,327,223,205</u>

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

	2020	2019
<b>5. SHORT TERM INVESTMENTS</b>		
Fixed Deposits	3,313,211,826	5,513,320,207
Treasury Bills	6,070,884,793	3,765,693,833
	<u>9,384,096,619</u>	<u>9,279,014,040</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	2020 Total U.Shs	2019 Total U.Shs
<b>6. Premium Debtors</b>					
Due from Contract Ho	2,387,435,971	-	(398,193,078)	1,989,243,042	1,340,239,843
Due from Brokers	648,215,704	-	-	648,215,704	267,073,099
Due from Agents	47,740,902	-	-	47,740,902	47,362,408
Total Premium Debt	<u>3,083,392,577</u>	<u>-</u>	<u>(398,193,078)</u>	<u>2,685,199,648</u>	<u>1,654,675,350</u>
<b>7. Reinsurance Receivables</b>	<u>105,436,079</u>	<u>-</u>	<u>-</u>	<u>105,436,079</u>	<u>147,395,501</u>
<b>8. Other Receivables</b>					
Sure Rental Debtors	-	-	-	35,638,135	94,124,529
Sundry Debtors	1,249,881,665	-	(287,095,150)	962,786,515	1,105,149,644
Staff Loans	85,331,421	-	-	85,331,421	75,333,729
Pre-payments	37,451,098	-	-	37,451,098	55,205,072
	<u>1,372,664,184</u>	<u>-</u>	<u>(287,095,150)</u>	<u>1,121,207,169</u>	<u>1,329,812,974</u>



NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



**9 Re insurance Share of Insurance Liabilities**

	2020	2019
A CLAIMS	U.SHS	U.SHS
Accidents	32,792,000	-
Motor	2,719,664	3,358,221
Fire	388,908,593	387,333,000
Marine	-	-
	<u>424,420,257</u>	<u>390,691,221</u>
IBNR		
Accidents	4,918,800	-
Motor	407,950	503,733
Fire	58,336,289	58,099,950
Marine	-	-
	<u>63,663,039</u>	<u>58,603,683</u>
B UNEARNED PREMIUM		
Accidents	1,103,472,195	1,903,068,363
Motor	175,030,038	537,576,470
Fire	295,035,510	281,371,522
Marine	1,644,075	90,907,611
	<u>1,575,181,817</u>	<u>2,812,923,966</u>
GRAND TOTALS	<u>2,063,265,112</u>	<u>3,262,218,870</u>

**10. CASH AND CASH EQUIVALENTS**

	2020	2020	2020	2019
	SWICO	SURE	GROUP	GROUP
	U.SHS	U.SHS	U.SHS	U.SHS
Bank Balances	907,653,877	375,842,420	1,283,496,297	1,603,778,590
Cash on Hand	<u>16,636,945</u>	<u>168,500</u>	<u>16,805,445</u>	<u>15,391,600</u>
	<u>924,290,822</u>	<u>376,010,920</u>	<u>1,300,301,742</u>	<u>1,619,170,190</u>

**11. INVENTORY**

MTP Sticker Certificates	<u>85,401,221</u>	-	<u>85,401,221</u>	<u>59,215,611</u>
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**12. TAX PAYABLE (RECOVERABLE)**

As at 1 January, 2020	(40,451,450)	25,839,392	(14,612,058)	(35,684,978)
Provision for the year	339,993,327	73,791,720	413,785,047	378,588,352
Payments during the year	<u>319,390,504</u>	<u>(25,839,392)</u>	<u>(345,229,896)</u>	<u>(357,515,433)</u>
As at 31 December, 2020	<u>(19,848,627)</u>	<u>73,791,720</u>	<u>53,943,093</u>	<u>(14,612,059)</u>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



<b>13. PAYABLES</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
a) Trade payables	<b>SWICO</b>	<b>SURE</b>	<b>GROUP</b>	<b>GROUP</b>
	<b>U.SHS</b>	<b>U.SHS</b>	<b>U.SHS</b>	<b>U.SHS</b>
Premium Creditors	<u>799,719,338</u>	-	<u>799,719,338</u>	<u>71,128,910</u>
<b>b) Other Payables:</b>				
Advance Premiums	1,241,950,023	-	1,241,950,023	484,332,164
Stamp Duty & 3rd Party	99,720,259	-	99,720,259	112,441,551
Accruals	452,079	-	452,079	31,015,741
PAYE	99,486,289	4,179,210	103,665,499	107,018,931
Other Creditors	270,716,493	24,584,684	295,301,177	185,516,236
Sundry Creditors	52,419,101	-	52,419,101	173,476,078
Insurance Training Levy	9,216,119	-	9,216,119	22,692,364
WHT	69,373,463	-	69,373,463	58,545,896
NSSF	42,475,608	1,118,040	43,593,648	40,301,236
VAT	(73,397,151)	19,352,898	(54,044,253)	177,719,619
	<u>1,812,412,283</u>	<u>49,234,832</u>	<u>1,861,647,115</u>	<u>1,393,059,816</u>
<b>c) Dividends Payable</b>				
Balance as at 1st jan 2020	494,196,859	-	494,196,859	307,775,100
Dividends Declared 2019	-	-	-	335000000
Dividends Proposed 2020	-	-	-	-
Paid	(156,957,900)	-	(156,957,900)	(148,578,241)
<b>Balance as at 31st Dec 2020</b>	<u>337,238,959</u>	-	<u>337,238,959</u>	<u>494,196,859</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, 2020	380,893,256	-	380,893,256	587,493,391
Due to Revaluation Reserve	-	-	-	(167,550,000)
Due to timing Differences	(37,935,179)	-	(37,935,179)	(39,050,135)
As at 31 December, 2020	<u>342,958,077</u>	-	<u>342,958,077</u>	<u>380,893,256</u>

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



	2020 SWICO U.SHS	2020 SURE U.SHS	2020 GROUP U.SHS	2019 GROUP U.SHS
<b>15. MINORITY INTEREST</b>				
Share Capital	-	61,629,032	61,629,032	61,629,000
Revaluation Reserve	-	809,692,335	809,692,335	809,692,335
Revenue Reserve	-	41,344,212	41,344,212	51,243,186
As at 31 December, 2020	-	912,665,580	912,665,580	922,564,521

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

**16. RESERVES FOR UNEARNED PREMIUM**

	2020 SWICO U.SHS	2020 SURE U.SHS	2020 GROUP U.SHS	2019 GROUP U.SHS
Accidents	2,723,247,118	-	2,723,247,118	3,695,423,079
Motor	2,931,760,440	-	2,931,760,440	3,465,493,355
Fire	591,776,181	-	591,776,181	646,501,504
Marine	254,383,309	-	254,383,309	176,733,269
	<u>6,501,167,048</u>	-	<u>6,501,167,048</u>	<u>7,984,151,207</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	595,580,297	-	595,580,297	456,062,076
Motor	334,894,530	-	334,894,530	622,837,305
Fire	538,502,406	-	538,502,406	421,037,320
Marine	-	-	-	-
	<u>1,468,977,233</u>	-	<u>1,468,977,233</u>	<u>1,499,936,701</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	89,337,045	-	89,337,045	68,409,311
Motor	50,234,180	-	50,234,180	93,425,596
Fire	80,775,361	-	80,775,361	63,155,598
Marine	-	-	-	-
	<u>220,346,585</u>	-	<u>220,346,585</u>	<u>224,990,505</u>

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



**19. AUTHORIZED CAPITAL**

7,000,000 shares of Shs 1,000/= each

Issued and fully Paid Up Share Capital

6,700,000 shares at Shs 1,000/= each

As at 1 January, 2020

Issued and paid during the year

As at 31 December, 2019

2020 GROUP U.SHS	2019 GROUP U.SHS
<u>7,000,000,000</u>	<u>7,000,000,000</u>
6,700,000,000	6,000,000,000
-	700,000,000
<u>6,700,000,000</u>	<u>6,700,000,000</u>

**20. SHARE PREMIUM**

<u>300,000</u>	<u>300,000</u>
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**21. CONTINGENCY RESERVE**

As at 1 January, 2020

Provision for the year

As at 31 December, 2020

3,063,760,721	2,763,557,990
<u>300,566,633</u>	<u>300,202,731</u>
<u>3,364,327,354</u>	<u>3,063,760,721</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.

**22. REVALUATION RESERVES**

As at 1 January, 2020

Addition due to increased share capital

Derecognized assets

Fair value gain /loss on quoted shares

As at 31 December, 2020

2020 SWICO U.SHS	2020 SURE U.SHS	2020 GROUP U.SHS	2019 GROUP U.SHS
119,588,632	20,498,000,702	20,617,589,334	20,717,285,811
-	-	-	468,769,247
-	-	-	(558,500,000)
-	-	-	(9,965,724)
<u>119,588,632</u>	<u>20,498,000,702</u>	<u>20,617,589,334</u>	<u>20,617,589,334</u>

The reserves arise from the periodic restatement of the company and the group properties at fair values based on the market prices. The fair market values are arrived at following professional valuation of the properties. The properties of the holding company were last revalued on 25th March 2019 by M/s Allied Property Surveyors. The subsidiary property, Sure House, was last revalued on 13th October 2013 by M/s Bageine & Co Limited.

**23. STATUTORY RESERVES**

As at 1 January, 2020

Transfer to Share capital

Transfer from Revenue reserves

As at 31 December, 2020

60,893,108	-	60,893,108	42,574,512
-	-	-	(42,574,512)
<u>35,107,617</u>	-	<u>35,107,617</u>	<u>60,893,108</u>
<u>96,000,725</u>	-	<u>96,000,725</u>	<u>60,893,108</u>

The reserve arises out of the Insurance Regulations requirement for the insurer (Holding Company) to transfer 5% of its profit after tax before dividends, to a statutory reserve. The reserve is used to build up the paid-up capital base of the company. Accordingly, during the year, sh35,107,617= was transferred to the reserve.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



24. REVENUE RESERVES	2020	2020	2020	2019
	SWICO	SURE	GROUP	
As at 1 January, 2020	2,503,057,489	1,297,261,717	3,800,319,206	3,686,739,728
Prior year adjustment		-	-	
Deferred Tax on FV & Timing Diff	37,935,179		37,935,180	39,050,135
Contingency Reserve	(300,566,633)		(300,566,633)	(300,202,731)
Net profit( loss) after tax	702,152,347	(46,599,296)	655,553,050	1,217,862,163
Proposed Dividends	-		-	
Dividends Declared	0		-	(335,000,000)
Retained Profits(Sure Prop)	-		-	210,188,507
Transfer to Statutory reserves	(35,107,617)		(35,107,617)	(60,893,108)
Transfer to paid up share capital	-	-	-	(657,425,488)
As at 31 December, 2020	<u>2,907,470,764</u>	<u>1,250,662,421</u>	<u>4,158,133,186</u>	<u>3,800,319,206</u>

## 23. RELATED PARTY TRANSACTIONS

### 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 holder, M/s Statewide Insurance Company Limited is in full control of Sure Properties Limited. Minority shareholders include M/s Interstate Insurance Services Limited and the founder members of M/s Statewide Insurance Company Limited.

### Sales

	U.SHS	U.SHS
Interstate Insurance Services Limited	277,020,710	316,611,118
Sure Properties Limited (Rent)	112,800,000	112,800,000
	<u>389,820,710</u>	<u>429,411,118</u>

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

### Key Management Compensation

	Group	U.SHS	U.SHS
Salaries and other short- term employee benefits	1,699,206,324	1,331,257,980	
Salaries and other short- term employee benefits	49,894,000	49,894,000	
	<u>1,749,100,324</u>	<u>1,381,151,980</u>	

### Related Party Balances

Due from Interstate Insurance	-	63,318,397	63,318,397	92,645,540
Shares in Sure Properties	-	-	-	-
Capital Devt in Sure Properties	-	-	-	-
	<u>-</u>	<u>63,318,397</u>	<u>63,318,397</u>	<u>92,645,540</u>





**24. MANAGEMENT EXPENSES**

	U.SHS	U.SHS
Salaries and Wages	2,911,353,034	2,935,946,201
Advertising	228,058,296	575,923,731
Staff Welfare	457,132,401	479,429,170
Vehicle Running Expenses	288,926,880	461,461,484
Bad Debts Written off	336,435,459	465,809,327
Rent & Rates	335,076,942	315,583,542
Co. Contribution to NSSF and other Contributory schemes	329,547,474	311,617,873
ICT/System Technology	142,353,435	248,205,575
Depreciation	259,107,991	241,271,788
Annual Contributions to IRA	173,766,757	234,091,934
Consultancy & Professional Fees Audit fees	79,144,286	202,471,084
Provision for Doubtful Debts	589,915,399	114,343,013
Directors Expenses	189,220,899	163,870,239
Printing & Stationery	111,319,049	152,381,891
Transport, Travel and Subsistence	43,109,391	141,425,287
Training	75,903,654	107,148,352
Insurance Cover	96,856,947	106,294,517
Telephone and Faxes	83,626,073	86,911,558
Corporate Social Responsibilities	41,224,000	81,314,800
Office Expenses	55,475,722	77,399,415
Legal & Other Professional Fees	47,876,000	77,264,575
Electricity & Lighting	49,251,890	34,337,096
Bank Charges	35,368,773	34,217,457
Repairs to Furniture & Equipment	4,947,662	18,522,057
Postage & Deliveries	9,639,761	11,039,900
Trading Licenses	12,102,675	8,906,550
Masaka Property expenses	8,354,000	-
Sticker Expenses	10,977,144	-
<b>Total</b>	<b>7,006,071,994</b>	<b>7,687,188,415</b>
<b>Other write offs</b>	<b>141,910,363</b>	<b>282,015,833</b>

## 25. CONTINGENT LIABILITIES AND ASSETS

### Plot 247 Block 246 Kyeitabya sh5.4bn

The property is in the hands of M/s Kisozi Complex Limited who claim 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 in the above sum.

### Insurance Software-Turnquest \$31,212.25

Statewide Insurance Company Limited entered into a contract with M/s Turnkey Africa Limited for the supply and delivery of an enterprise resource software known as Turnquest at a cost of \$152,000=. The contract sum was to be paid in three instalments. However, due to the onset of Covid 19 pandemic, the timelines were impacted and by 31st Dec 2020, the delivery had not been completed and the last two instalments worth \$31,212,25 were yet to be paid as delivery is not complete.

### 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.

## 25. 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020



**27. SURE PROPERTIES LIMITED FOR THE YEAR ENDED 31 DECEMBER, 2020**

**INCOME:**

Rental Income

**LESS: EXPENDITURE**

Electricity & Lighting

Depreciation

Salaries

Wages

Directors Remuneration

Repairs & Maintenance

Staff Welfare

Water

Insurance cover for the Building

Property Rates

Small Tools & Equipment

Cleaning

Company Contribution to NSSF

Local Service Tax

Printing & Stationery

Professional fees

Bank Charges

Telephone & Box Rentals

Security

Insurance cover for Staff

Staff Medical

Trading Licenses

Transport & Travel

Condolence contribution

Other Expenses

**PROFIT BEFORE TAX**

INCOME TAX EXPENSE

**PROFIT/(LOSS) AFTER TAX**

	2020	2019
	U.SHS	U.SHS
	<u>711,744,247</u>	<u>1,077,156,472</u>
Electricity & Lighting	160,496,946	172,069,883
Depreciation	196,284,768	212,724,676
Salaries	61,076,932	111,387,050
Wages	5,585,900	7,838,155
Directors Remuneration	49,894,000	49,894,000
Repairs & Maintenance	12,935,500	16,290,000
Staff Welfare	18,559,000	31,076,500
Water	46,239,433	68,971,045
Insurance cover for the Building	27,495,752	14,141,180
Property Rates	21,647,479	21,647,478
Small Tools & Equipment	5,480,000	1,120,000
Cleaning	20,749,000	19,476,214
Company Contribution to NSSF	8,288,768	6,673,390
Local Service Tax	375,000	825,000
Printing & Stationery	2,964,900	2,299,000
Professional fees	27,570,500	3,500,000
Bank Charges	233,000	1,725,820
Telephone & Box Rentals	3,010,000	4,905,000
Security	25,073,854	18,744,600
Insurance cover for Staff	3,622,056	2,255,810
Staff Medical	645,000	1,750,000
Trading Licenses	-	400,000
Transport & Travel	7,880,000	1,291,660
Condolence contribution	250,000	-
Other Expenses	3,092,500	-
	<u>709,450,288</u>	<u>771,006,461</u>
<b>PROFIT BEFORE TAX</b>	<b>2,293,959</b>	<b>306,150,011</b>
INCOME TAX EXPENSE	58,791,720	87,658,540
<b>PROFIT/(LOSS) AFTER TAX</b>	<u><b>(56,497,761)</b></u>	<u><b>218,491,471</b></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. GOING CONCERN

The year under report was characterized by the onset and spread of the COVID-19 disease. Government actions to check the spread of the disease impacted business activities with road and air transport coming to a standstill. Schools and houses of worship were closed and public gatherings including leisure centres were banned. Although these measures were eased in the last quarter of the year, and businesses were picking up in the first quarter of 2021, the second wave of the pandemic set in and the government had to impose another lockdown. The group has faced challenges ranging from loss of business as people switched to survival mode. Its access to customers is impacted as businesses are closed and tenants are not able to meet their rental obligations. Other challenges include reduced economic activity and strained cash flows.

As the pandemic continues to ravage the globe, the risks of the businesses remaining in operation as going concerns increase. The group management is managing the risks through cost reductions measures, digitizing operating processes negotiating extended credit terms with business partners and engaging in aggressive client contacts. Other measures include compliance with the SOPs as guided by the authorities, prudent capital and liquidity management and adherence to regulatory guidelines.

The Board and management believe these measures will reduce the risks and lead to business resilience and sustain the performance of the group in this era of the pandemic. In the opinion of the board and management, the group is a going concern and should remain so in the foreseeable future.

# GROUP TAX ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER, 2020



	SWICO	SURE	GROUP	2019
	U.SHS	U.SHS	U.SHS	GROUP
				U.SHS
<b>29. TAXATION</b>				
Profit Per Accounts	1,042,145,674	2,293,459	1,044,439,133	1,814,941,677
<b>Add:</b>	-	-	-	-
Depreciation	259,107,991	196,284,768	455,392,759	453,996,464
Penalty	1,500,000	-	1,500,000	1,050,000
Other Provisions	589,915,399	-	589,915,399	-
Bad Debts Provision	28,410,900	-	28,410,900	114,343,013
Entertainment	39,689,559	-	39,689,559	16,743,000
Rental Expenses(Mska Property)	8,354,000	-	8,354,000	-
	<u>1,969,123,523</u>	<u>198,578,227</u>	<u>2,167,701,750</u>	<u>2,401,074,154</u>
<b>Less:</b>				
Interest on Treasury Bills/FDR	1,066,301,255	-	1,066,301,255	1,025,756,256
Prior year adjustment	-	-	-	-
Wear & Tear	132,657,394	2,605,828	135,263,222	115,315,740
IBD	20,933,221	-	20,933,221	324,635,635
Bad Debts w/o Earlier	135,301,575	-	135,301,575	104,352,415
Translation Difference	-	-	-	(12,641,782)
Rental Income	71,728,814	-	71,728,814	-
	<u>1,426,922,259</u>	<u>2,605,828</u>	<u>1,429,528,087</u>	<u>1,557,418,263</u>
<b>Adjusted Taxable Income</b>	<u>542,201,264</u>	<u>195,972,399</u>	<u>738,173,663</u>	<u>843,655,891</u>
Tax Thereon at 30%	162,660,379	58,791,720	221,452,099	253,096,767
Final Tax on Interest Income	19,012,444	4,500,000	23,512,444	125,491,584
Deferred Tax Credit	158,320,504	-	158,320,504	-
<b>TAX PAYABLE</b>	<u>339,993,327</u>	<u>63,291,720</u>	<u>403,285,047</u>	<u>378,588,352</u>
Corporation Tax Payable				
Balance fwd	(40,451,451)	25,839,392	(14,612,059)	(35,684,978)
Current Tax Payable	339,993,327	63,291,720	403,285,047	378,588,352
<b>TOTAL TAX Liability/(asset).</b>	<u>299,541,876</u>	<u>89,131,112</u>	<u>388,672,988</u>	<u>342,903,374</u>
Provisional tax paid	161,070,000	15,000,000	176,070,000	176,639,999
WHT on treasury Bills/FDR	158,320,504	4,500,000	162,820,504	168,710,741
Tax Credit Certificates	-	5,371,530	5,371,530	-
<b>TOTAL TAX PAID</b>	<u>319,390,504</u>	<u>24,871,530</u>	<u>344,262,034</u>	<u>12,164,693</u>
<b>TAX LIABILITY/(CREDIT)</b>	<u>(19,848,628)</u>	<u>64,259,582</u>	<u>44,410,954</u>	<u>(14,612,060)</u>



## WEAR AND TEAR SCHEDULE

FOR THE YEAR ENDED 31 DECEMBER, 2020



	Computers & Data Handling Equipments Class I 40% U.SHS.	Motor Automobiles with sitting capacity 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 1/1/2019	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	-	-	-	-
	50,444,357	85,165,118	305,595,689	441,205,164
Wear and Tear Allowance	20,177,743	29,807,791	61,119,138	111,104,672
W.D.V as at 31/12/2019	30,266,614	55,357,327	244,476,551	330,100,492
W.D.V as at 1/1/2020	30,266,614	55,357,327	244,476,551	330,100,492
Additions	118,628,762	-	24,144,348	142,773,110
Initial Allowance	-	-	-	-
	148,895,376	55,357,327	268,620,899	472,873,602
Wear and Tear Allowance	59,558,150	19,375,064	53,724,180	132,657,395
W.D.V as at 31/12/2020	<b>89,337,225</b>	<b>35,982,262</b>	<b>214,896,719</b>	<b>340,216,207</b>

### 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
2020	2,829,132,190	2,622,298,605	131,114,930	-
	104,666,107	-	4,186,644	79,546,241
		Total IBD for 2020	135,301,575	2,701,844,846

### INITIAL ALLOWANCE

#### ADDITION OF BUILDINGS DURING THE YEAR

YEAR	Cost	IA @ 20%	-	IBD	RESIDUAL C/F
2020	104,666,107	20,933,221	83,732,886	4,186,644	79,546,241

### RENTAL TAX COMPUTATION

	2020 Ushs.	2019 Ushs.
Gross rental income	71,728,814	-
Less rental expenses	-	-
Masaka property expenses	8,354,000	-
	8,354,000	-
Chargeable Income	63,374,814	-
Tax thereon at 30%	19,012,444	-

### Note

The above tax computations do not include those of Sure Properties Limited as the management are in the process of rationalizing the company tax filing with the tax authority. The company tax consultants were to amend filing to rental mode as opposed to general business that was done before. The changes are not likely to result into tax liabilities and/or assets that are material.





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## AUDITORS

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