

2009

ANNUAL
REPORT



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Message from the Chairman

The effects of the international financial crisis that began in 2008 caused a relenting in world economic activity in 2009. This reflected the Mozambican economy that only grew 6% compared to average growth of 7.2 in recent years.

In a year characterized by some uncertainty and the above-mentioned market constraints the solvency of Seguradora Internacional de Moçambique continues to grow. In December 2009 the coverage rate of the solvency margin reached the very comfortable level of 449%. This means a high degree of security for all our Clients and the Economic Agents who work with the Seguradora.

In 2009, we followed with concern the exponential growth of claims involving motor vehicle accidents that have cost human lives and caused material damage to the citizens and companies patrimony, with negative effects on the lives of families and the economy in general. This increase in motor vehicle claims alerts us to the need for a stronger intervention by everyone involved in the entire process: civil society, state institutions responsible for these matters and also all the country's insurance companies.

Despite this unfavorable context and due to improved internal organization, strong commercial dynamism and the implementation of measures to pursue greater efficiency and operational rigour in our branches, strengthening partnership relations and the professionalization of the broker network, insurance consultants in particular, the Seguradora Internacional de Moçambique saw its processed revenue grow by 11% and its net income by 13% compared to the previous year.


Here we must emphasize the important contribution to growth made by the Millennium bim branch network. In 2009 it continued to be the main channel for distributing and selling Seguradora Internacional de Moçambique insurance.

The operating income obtained in this business segment confirms that the Group's cross-selling strategy continues to be one of the most successful projects involving the Bank and our Seguradora. Capitalizing on the fact that Millennium bim, Mozambique's largest bank, is present throughout Mozambique the Seguradora Internacional de Moçambique is in a privileged position and has competitive advantages that enable it to maintain its indisputable leadership in the Mozambican insurance market.

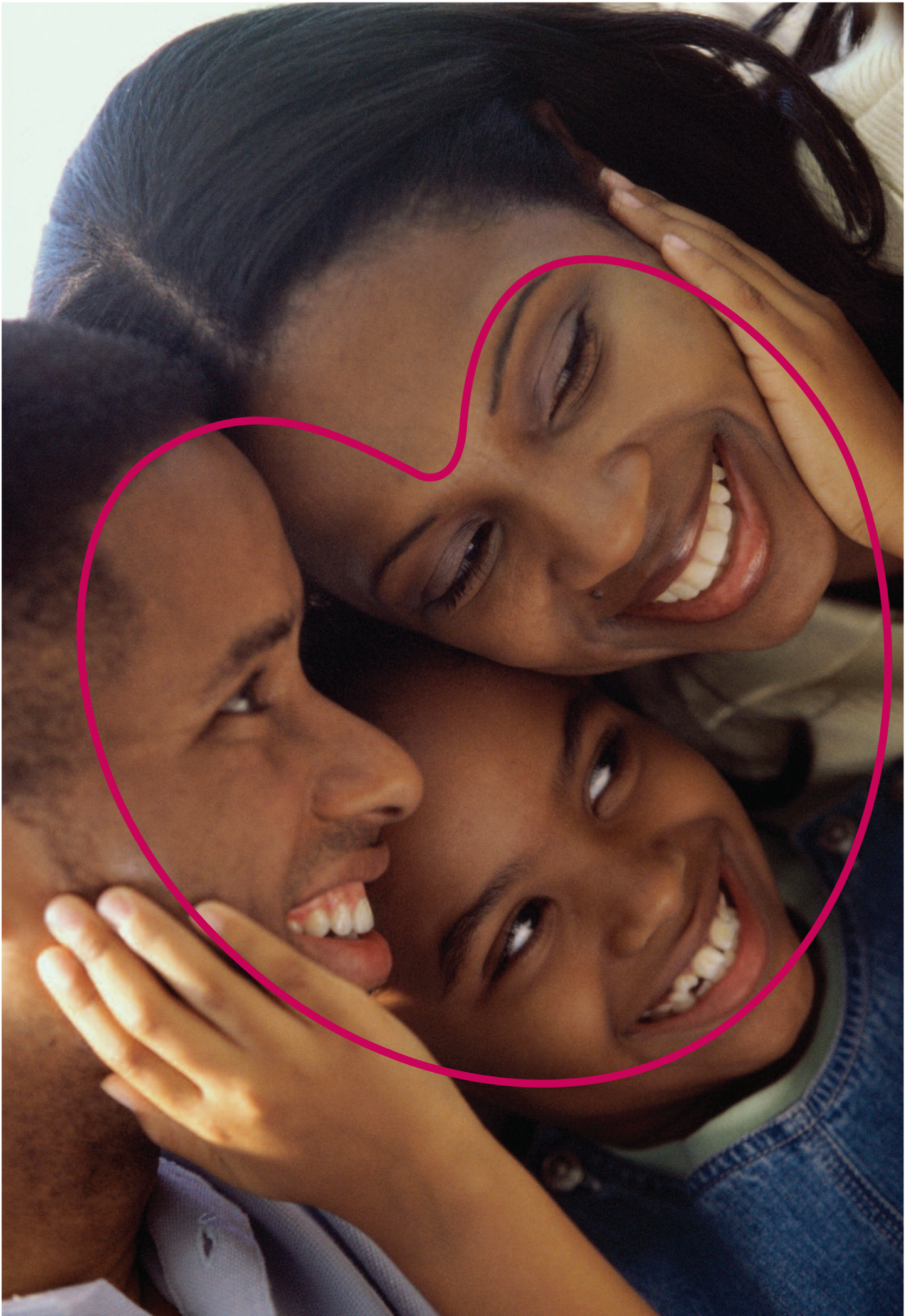
The parameterization process and the transfer of insurance products to a new information technology system are proceeding safely and steadily. It is already producing excellent results in terms of the efficiency, reliability and technical, accounting and financial processes that are starting to function within a single computerized platform. All that remains is the parameterization and transfer of products in the Patrimonial and Motor areas that will be integrated into the new system in 2010.

Before concluding, I would like to express my appreciation of our Shareholders for the way they have followed and supported us throughout the year that has now come to a close. I also thank Government Entities for their habitual support and our Customers for their confidence and for honoring us with their preference.

Finally, to all Employees of Seguradora Internacional de Moçambique I must express our appreciation of their strong commitment and professionalism during the year that has enabled the Seguradora to continue to warrant the trust of our Customers. Without our Customers it would not have been possible to achieve these objectives and results.



Mário Machungo
Chairman of the Board
of Directors



Summary of Indicators

Activity indicators

Million MZN

	2009	2008	Var. 09/08
Income Statement			
Direct Insurance Premiums	935	844	10.7%
– Non-Life	721	578	24.6%
– Life	214	266	-19.4%
Technical margin	453	368	23.3%
Net income	202	179	13.2%
Balance Sheet			
Shareholders' equity	801	695	15.4%
Total assets	3,204	2,699	18.9%
Investments	2,945	2,483	18.6%
Ratios			
Efficiency			
1 – Non-Life claims ratio, net of reinsurance	39.9%	41.2%	-1.3 p.p.
2 – Non-Life expenses ratio, net of reinsurance	32.3%	32.1%	+0.2 p.p.
3 – Non-Life combined ratio, net of reinsurance	72.2%	73.3%	-1.1 p.p.
4 – Life net operating costs/Life investments	0.4%	0.4%	-
Profitability			
1 – Technical income/Revenue from premiums	48.5%	43.6%	+4.9 p.p.
Non-Life	53.7%	56.2%	-2.5 p.p.
Life	30.9%	16.0%	+14.9 p.p.
2 – Returns on average Shareholders' equity – ROE	25.2%	25.7%	-0.5 p.p.
Solvency			
1 – Solvency ratio	448.9%	390.8%	+58.1 p.p.
2 – Shareholders' equity/Total assets	25.0%	25.8%	-0.8 p.p.
3 – Coverage of technical provisions	138.2%	138.6%	-0.4 p.p.
Other Indicators			
Market share	n.d.	38.4%	-
Number of Employees	131	127	3.1%

Shareholder Structure

Shareholders

MZN

	Number of Shares	%	Paid up Capital
BIM – Banco Internacional de Moçambique, S.A.	1,326,232	89.9140%	132,623,200
PT Participações, SGPS, S.A.	86,068	5.8351%	8,606,800
FDC – Fundação para o Desenvolvimento da Comunidade	30,716	2.0824%	3,071,600
TDM – Telecomunicações de Moçambique, S.A.	30,716	2.0824%	3,071,600
PROINVEST, Lda.	634	0.0430%	63,400
Inocência Matavel	634	0.0430%	63,400
Total	1,475,000	100.0000%	147,500,000

Corporate Boards

General Shareholders' Meeting

Chairperson:	Graça Simbine Machel
Deputy Chairman:	Mamudo Ibraimo
Secretary:	Maria da Luz Pereira Nobre Polónia

Board of Directors

Chairman:	Mário Fernandes da Graça Machungo
Deputy Chairman:	João Filipe de Figueiredo Júnior
Director:	Rui Manuel Teles R. Pinho de Oliveira
Director:	Rui Jorge Lourenço Fernandes
Director:	Inocência António Matavel

Audit Committee

Chairman:	António de Almeida
Member:	Subhaschandra Manishanker Bhatt
Member :	Daniel Filipe Gabriel Tembe
Substitute Member:	Maria Iolanda Wane

Report by the Board of Directors

The year 2009 having come to an end the Board of Directors of Seguradora Internacional de Moçambique, S.A. presents to its Shareholders its Annual Report for the year ending 31st December 2009, which has been audited by PricewaterhouseCoopers, Lda..

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Macroeconomic Context

World economy

The world economy contracted by -1.3% in 2009 (2.8% in 2008) due to falling GDP in the most developed countries: USA (-2.4%), United Kingdom (-4.6%), Japan (-5.8%), Germany (-4.9%), Russia (-7.0%), France (-2.1%) and Eastern Europe, and with a dampening effect on China (8.2%), India (6.8%) and other emerging economies ⁽¹⁾. In 2009, first there was recession and then stabilization. The way it unfolded, the magnitude of the policies and the speed with which they were implemented made it an extraordinary year. The reversal of falling GDP as of the third quarter 2009 has so far been due to monetary and fiscal policies that produced measures to stabilize the economy through public expenditure and incentives for consumption once the monetary policy approach ran out at the end of 2008. This kind of action was common to all countries, including China and India while Africa benefited from almost USD 10 thousand million in IMF loans to soften the negative effects of external shocks. Whereas the USA and the more advanced European countries recorded the end of the recession, there was still unemployment (averaging 9% in the OECD) and a public deficit that could require painful corrective measures. It will mean falling public expenditure, and a rise in Central Bank interest rates as well as other occasional measures related to correcting the balance sheets of financial institutions that have been declared bankrupt, considering the uncertainty on the loans continuity.

In the last semester of 2009, stock exchange indicators reversed the decline thanks to economic recovery and signs of improved performance by the banking sector. In addition, authorities in France and United Kingdom, among other countries, implemented banking supervision on regulation and measures that limited the risk associated with investments in financial products with high short-term yields. They included restrictions on the indebtedness of the margin accounts of investors engaged in stock exchange transactions.

The 2010 prospects are global growth of some 3.2% driven by China (8.6%), with timid recovery in the Euro Zone (0.6%) and moderate growth in the USA (2.4%). Growth in China bringing with it demand for raw materials and energy products will be beneficial for African countries, Brazil and Australia while other countries face uncertainty about the sustainability of growth in 2010 without fiscal stimulus packages and the injection of liquidity into the system. Consequently, China and other countries in Asia (including the Middle East) must contribute to global growth, reversing their surplus by increasing domestic consumption and imports. This requires a more flexible foreign exchange policy and internal structural reforms. Injecting liquidity and galloping credit levels, accompanied by the euphoria of growth, carry the risk of a bubble in the Asian market. Moreover, the possibility that the authorities might start to tighten up by correcting interest rates and withdrawing assistance could soften the recovery, especially in countries with rather weak private consumption, high unemployment (10% in the USA), family indebtedness, falling house prices and the need to correct balance sheets through savings.

Mozambique

Estimates point to GDP growth of around 6% in 2009 (6.8% in 2008) ⁽²⁾. Growth in the first quarter was 5.9%, in a situation of cooling external demand that had a negative impact on exports, tourism and the flow of Direct Foreign Investment (DFI). This slowed the growth observed over the last five years. Growth in the second and third quarters was 6.1% and 6.5% respectively in a more benign scenario due to the recovery of the world economy, reversing the falling GDP in more developed countries. Growth in the first semester was driven by the primary sector (12.1%), supported by agriculture (12.8%) and mining (8.2%), a trend that continued in the third quarter (8.9%), with variations in rates of 9.6% and 5.6% respectively. The secondary sector provided crucial

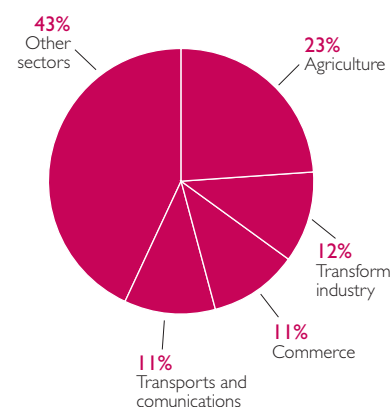
⁽¹⁾ Indonesia (4.2%), Pakistan (3.7%) and Egypt (4.7%)

⁽²⁾ The results of an upward revision by the government following 6.5% growth in the third quarter, producing a cumulative rate of 6.1% (INE, Preliminary National Accounts: third Quarter 2009)

support for production, growing 7.7% in the first semester, reflecting dynamics in the transforming industry (9.5%), electricity and water (9.2%), associated with a recovery in the price of aluminum and solutions to constraints on energy supplies to South Africa. On the negative side, however, in the first semester the severity of the crisis produced a fall in the tourism sector (-7.7%) and in transport and communications (-18.2%) and, in the third quarter a 5.2% reduction in the level of industrial activity.

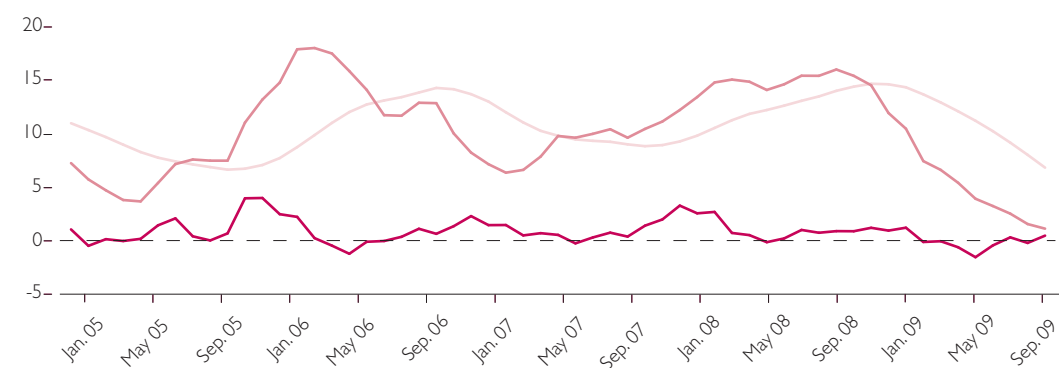
As regards the evolution of prices, cooling world demand had a positive effect on the price of food and fuel, in particular falling prices per barrel from around USD 144 in August 2008 to USD 44 in January 2009, due to negative monthly variations in the overall price level, a trend constantly interrupted in September as the world economy started to recover. The recovery meant a rise in the price of oil that reached USD 77.9 per barrel in the first week of December. As of November 2009 INE – Instituto Nacional de Estatística indicated homologous inflation of some 2.5% and an average rate of 3.4% linked to food and non-alcoholic drinks.

Sector contributions to GDP Cumulative 3rd Quarter



Source: INE Instituto Nacional de Estatística

Evolution of inflation



Source: INE

In November: homologous variation 2.55%, monthly var: 1.42%, 12-month average var: 3.41%.

- Monthly variation
- Homologous variation
- 12 month variation

The following table summarizes some economic indicators over the period 2004 - 2009.

Macroeconomic indicators

	2004	2005	2006	2007	2008	2009E
Real GDP (a.v.r)	7.5%	6.2%	8%	7.50%	6.80%	6.0% ^a
Inflation (a.v.r)	12.6%	6.4%	13%	8.2%	10.3%	3.4% ^b
Money supply (a.v.r)	6.1%	22.0%	20.9%	25.0%	26.0% ^c	33.8% ^c
Current account balance (as % of GDP)	-9.5%	-12.0%	-8.9%	-9.2%	-12.2% ^c	-10.9% ^c
Budget balance (as % do GDP)	-4.9%	-5.8%	-2.0%	-5.3%	-2.3% ^c	-5.6% ^c
Exchange rate MZN/USD, end of period	18.89	23.06	25.97	23.82	25.50	29.19
% change in exchange rate MZN/USD	-20.8%	22.0%	12.6%	-8.3%	7.1%	14.5%
Exchange rate MZN/ZAR, end of period	3.38	3.62	3.82	3.50	2.72	3.96
% change in exchange rate MZN/ZAR	-4.0%	7.1%	11%	-8.4%	-22.3%	45.6%

Notes:

E – Estimates, except Interest Rate.

a – Government/IMF, 5.2% by EIU, 5.8% BMI Africa.

b – INE up to November 2009.

c – Real in December 2008 and target for December 2009 (Banco de Mocambique/IMF).

Public accounts and external sector

Expenditure in 2009 could reach 98 thousand million Meticaís, about USD 3.3 thousand million, equivalent to 36% of GDP with allocations for infrastructure, education, health and good governance predominating in total expenditure under PARPA. As regards the structure of applications, operating expenditure will be above 50% (56.4% in the first semester), followed by investment expenditure of around 30% (32.1% in the first semester). As regards trends, donor commitments (USD 485 million in 2009 and USD 472 million in 2010) provide more stability by financing the future deficit, while at the same time it is expected that coverage by own revenue will rise from 45.7% in 2008 to 55.7% in 2011. However, civil service salary adjustments, public expenditure to mitigate the effects of the crisis, expenditure under PARPA and the food program, could produce a higher than expected deficit (-8.0% of GDP).

As regards the external balance, the current account deficit was USD 400 million in the first semester of 2009 (USD 332 million over the same period in 2008), due to a roughly 39% reduction in exports following a sharp fall of 50% in the price of aluminum between July 2008 and the second quarter of 2009, as well as volatile prices for traditional exports that recorded an overall (semester) reduction in homologous term in the first two quarters of the year. The service balance for transport and communications, travel, construction services and payments to technicians recorded a deficit of USD 223 million. On the positive side, in the first two quarters of the year exports of energy to South Africa and Zimbabwe rose by 8.9% and 16.2%. Financing the current deficit was supported by the entry of Direct Foreign Investment – DFI (USD 147 million), less than usual, and also external loans and IMF assistance packages under its funding for African countries to mitigate the effects of the world financial and economic crisis. The current deficit in 2009 is an estimated 10.9% in 2009.

Mozambican financial system

The benign evolution of inflation gave the monetary authorities more room for manoeuvre in managing liquidity, in a situation where credit to the domestic market is important given the reduction in external funding, and also in managing foreign exchange, due to the risk of draining reserves following the deterioration of the current transactions balance. In this scenario changes in two fundamental variables should be noted:

- (i) Central Bank rates: faced with falling prices, at least until August 2009, the *Banco de Moçambique* did not change its monetary policy rates, which fell in July: Standing Lending Facility (SLF) by 11.5%; Standing Deposits Facility (SDF) by about 3% and the Mandatory Reserve was reduced to 8%.
- ii) Money supply: there was an annual rise of around 33.8% (October) in money in circulation (M3) on transactions in the public state sector and bank loans. In November the monetary base showed a balance of 22,881 million Meticaís, which was 223 million Meticaís more than the target. As of October 2009 loans damping anomalies in external funding amounted to 63,973 million Meticaís i.e. a monthly average of 2,622 million, corresponding to an annual rise of 55.5%. Credit was concentrated in the transport and communications, energy and transforming industry sectors as well as the family sector where it includes loans for consumption and mortgages.

At the end of December 2009 the financial sector had net international reserves of some USD 1.8 thousand million. Interventions in the foreign exchange market resulted in some USD 798 million in foreign exchange (roughly USD 668 million in 2008) being sold by the Banco de Moçambique, easing the depreciation of Metical to a cumulative 9.7% (7.1% in 2008). The largest depreciation was in relation to the Euro (12.4%) and the Rand (39.6%). The South African currency consolidated its position with the rising value of gold in the international market, the recovery of capital flows for the financing operations of investments in portfolio in certain sectors of the economy, and the performance of offshore public indebtedness.

Overview of the Insurance Sector in Mozambique

The insurance market in Mozambique continues to show signs of robust growth and strong competitive dynamism. Following the appearance in the market of an additional national insurance company the country now has six companies: Seguradora Internacional de Moçambique, Emose – Empresa Moçambicana de Seguros, Global Alliance CGSM Seguros, Hollard Moçambique Companhia de Seguros, MCS Moçambique Companhia de Seguros and the Companhia de Seguros da África Austral.

Of the six insurance companies operating in Mozambique only Seguradora Internacional de Moçambique and Emose have both Life and Non-Life Insurance. The other three companies only handle Non-Life Insurance.

In addition to the insurance companies there is also a Non-Life Reinsurance company, ZIMRE – Moçambique, operating in the country.

According to information provided by Mozambique's General Insurance Inspectorate (Inspecção Geral de Seguros – IGS) as well as information on 2008 published by the country's insurance companies, the only data available, Seguradora Internacional de Moçambique maintained its leadership in the sector; its market share rising by 1.5 percentage points.

In 2008 Seguradora Internacional de Moçambique was the market leader with 38.4% of the total market, followed by Emose with 27.2% and Global Alliance in third place with 17.6%. Seguradora Internacional de Moçambique was also the leader in the Non-Life business with 31.4%, and in the Non-Life business with 74.6%.

In 2008 insurance activity in Mozambique totaled 2,196 million Meticals in direct insurance premiums, a rise of 25.8% compared to the previous year. Nevertheless, the penetration of insurance in the country's economy is still low, equivalent to 0.92% of GDP.

As regards processed revenue, the Real business (Non-Life Business) rose by 20.2% and Life Business experienced substantial growth of 65.9%.

Direct Insurance Premiums – Mozambique

Million MZN

Insurance	2008	2007	Var. 08/07
Life	357	215	65.9%
Non-Life	1,839	1,530	20.2%
Total	2,196	1,745	25.8%

Source: Inspecção Geral de Seguros – IGS, Novembro 2009.

In 2008 Non-Life Insurance accounted for 83.8% of the volume of total direct insurance premiums and Life

Indicators

	2008	2007
% Insurance Premiums in GDP	0.92%	0.84%
Premiums per Capita (MZN)	108.5	85.1

Insurance the remaining 16.2%.

The weight of Insurance penetration in GDP was slightly higher than in 2007 but it continues to be less than 1%. The premium per capita also rose from 85 Meticaïs to 109 Meticaïs for a population of 20.2 million inhabitants.

It should be noted that in the composition of the Non-Life Insurance market, although the Motor products still have considerable weight compared to the others, its share has fallen to 37.3% of the Seguradora's insurance premiums compared to 46.5% the previous year. Life Insurance increased its weight, with 16.2% of the overall market portfolio compared to 12.3% in 2007.

The claim rate in Non-Life Insurance was 39.6%, slightly higher than in 2007. The highest claim rates were in Motor products with 66.2% and in Sundry with 13.5%.

In 2008 the net income of the insurance sector increased substantially to 315.6 million Meticaïs overall. All insurance companies in the market had positive results. Seguradora Internacional de Moçambique contributed 56.6% of total net income, followed by Hollard with 19.7% and Emose with 17.1%.

The Returns on Equity of the insurance sector were 14.2% overall. The Seguradora Internacional de Moçambique and Hollard earned returns on Equity of more than 25.0%, while the remainder had lower rates – 14.7% for Global Alliance, 13.5% for MCS, and 4.5% for Emose.

At the end of the 2008 financial year, the Mozambican insurance market reported investments totaling 5,082 million Meticaïs, 10.8% higher than in 2007. Investments represented 81.4% of all assets held by insurance companies.

Although the share of Buildings in total investments fell from 44.8% in 2007 to roughly 39.1% in 2008 they are still the predominant assets.

The most important liabilities in the insurance companies' balance sheets are still their technical reserves. On 31st December 2008 insurance companies had technical reserves worth 2,761 million Meticaïs compared to 5,082 million Meticaïs in investments in assets representing technical reserves. All insurance companies have assets that cover their technical reserves.

Main Events in 2009

Despite constraints arising from the international financial crisis and its repercussions on the country's economy, the processed revenue of Seguradora Internacional de Moçambique rose to 935 million Meticaïs, an 11% increase over 2008.

The Non-Life Insurance contributed to this with a 25% increase over the previous year; due to new business in Health, Works and Assembly, Motor, Fire and Workman's Compensation products. Strong growth of 63% in Health insurance is due mainly to a substantial rise in the production of the Payment Protection Plan (PPP) insurance associated with Crédito Nova Vida.

More intensive cross selling and the importance of the rational use of the Group's synergies are reflected in Life Insurance, in particular a 41% rise in Life Risk processed revenue due to a rise in bancassurance business through Millennium bim branches.

In 2009 there was a special focus on the Seguradora's branches network in the country's main economic development centers. They were equipped with technical and human resources and there was a strong emphasis on Staff training and regular monitoring of their work. This successful strategy produced a 42% rise in the network's processed revenue compared to the previous year.

Despite the strong growth in processed revenue the inventory of premiums collected was the same as the previous year, 49 million Meticaïs, which in itself represents a major collection effort given the difficulties arising from the economic and financial state of the market. It should be noted that the average collection period fell from 21 days the previous year to 17 days in 2009.

As regards information systems and following the conclusion of the parameterization process in 2008 and the transfer of Life Insurance products to the new computerized system, the parameterization and transfer of all Non-Life Insurance products concluded successfully, including accounting linkages and the collection process.

In 2010, with the parameterization and transfer of Patrimonial and Motor Insurance products, implementation of the new computerized platform will be complete. This will be an important step forward in modernizing the Seguradora's work processes with effective results in terms of simplicity and reliability and thus higher productivity, greater efficiency in services and commercial effectiveness.

Staff training received special attention, with participation by consultants from the supplier of the I2S computer application in order to maximize the system's potential. At the same time it also provided the human capital working in various areas of intervention with the knowledge needed to handle the system correctly and safely.

In the technical areas, the rise in Motor claims is a source of concern because the large number of vehicle accidents result in death and substantial material damage, with serious implications for families and for the country's economy.

The adjustment of tariffs and additional measures throughout the year, as well as a regular monitoring on the evolution of technical accounts in general and claims in particular, reversed the trend in technical results in the Third Party Liability product, as demonstrated by the results of this product at the end of the year.

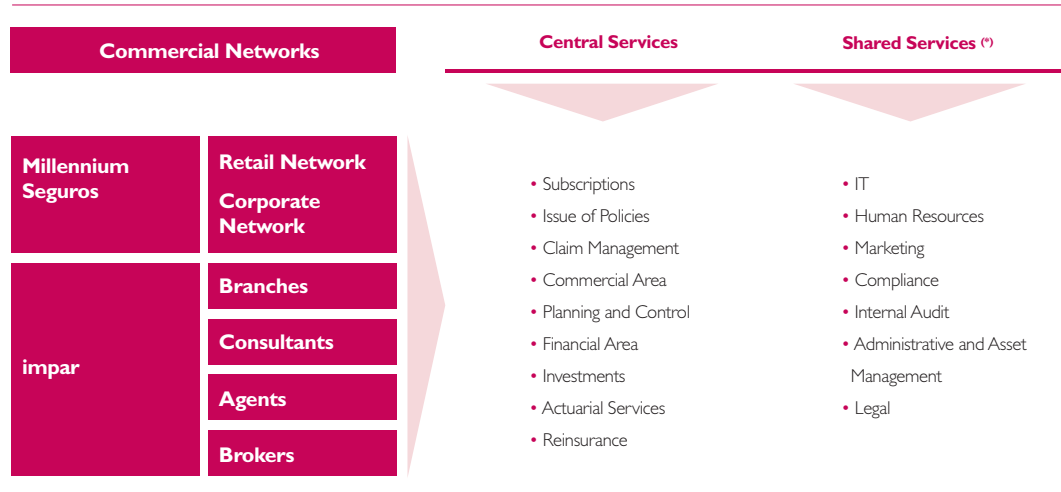
In 2009 claims performed better than the previous year, due to a 61% fall in the Life Business that was essentially because fewer pensions were redeemed. In contrast, claims in the Non-Life products were about 70% higher than the previous year due mainly to two Marine Hull and Works and Assembly claims, although they had no impact on net claims due to strong re-insurance coverage. It was also due to a rise in the Motor claims portfolio, aggravated by higher repair costs.

Work in the re-insurance area continued, with intensive commercial relations with the main international partners. The principle of prudence in negotiations continued, seeking to increase gradually and steadily the Seguradora's business retentions, in line with the growing improvements in its financial strength.

The Net income of Seguradora Internacional de Moçambique was 202 million Meticaïs, 13% higher than the previous year.

Seguradora Internacional de Moçambique maintained its leadership position in the Mozambican market. According to the latest available data, it had a market share of 38% in December 2008 compared to 37% in December 2007 and it is still the leader in Real Insurance with a market share of 31% and in Life Insurance where its share is 75%.

Organizational Structure



(*) With Millennium bim

Financial Analysis

In 2009 the total volume of direct insurance premiums was 935 million Meticaís, 10.7% higher than the previous year, with a contribution of 721 million Meticaís by Non-Life Insurance and 266 million Meticaís by Life Insurance.

Direct Insurance Premiums

Thousand MZN

Insurance	2009	2008	Var. 09/08
Life	214,245	265,880	-19.4%
Non-Life	720,563	578,242	24.6%
Total	934,808	844,122	10.7%

Life Insurance

Direct Insurance Premiums

Life Insurance fell by 19.4% due to a reduction in the premiums issued during 2009, Pension Complement Policies in particular, as fewer Millennium bim Employees retired. Nevertheless, Life risk products contributed most to the Seguradora's technical margin, rising by 40.9%, due to more bancassurance business through Millennium bim branches.

Thousand MZN

Products	2009	2008	Var. 09/08
Life Risk	123,945	87,979	40.9%
Life Capitalization	33,307	34,496	-3.4%
Life Income	56,992	143,405	-60.3%
Total	214,244	265,880	-19.4%

Technical analysis

In 2009 the technical margin in Life Insurance, excluding administrative costs, was 24 million Meticaís higher than in 2008, reaching 66 million Meticaís and accounting for 30.9% of gross premiums.

Technical margin

Thousand MZN

Products	2009	2008	Var. 09/08
Life Risk	53,945	32,915	63.9%
Life Capitalisation	-18	1,171	-101.5%
Life Income	12,330	8,569	43.9%
Total	66,258	42,655	55.3%

Life Risk products accounted for 57.9% of the total volume of premiums in Life insurance and 81.4% in its technical margin.

The technical profitability of the Life Risk product rose from 37.4% in 2008 to 43.5% in December 2009 due to strong growth of 40.9% in premiums and a slight reduction in the claims rate from 12.2% to 10.7%.

Non-Life Insurance

Direct Insurance Premiums

In 2009 the volume of direct insurance premiums of Seguradora Internacional de Moçambique was 721 million Meticaís, 24.6% higher than in 2008.

Growth in the volume of Non-Life insurance premiums was due to the following efforts. The commercial area worked to attract new business, in particular aviation and road construction insurance. There was more intensive selling of Health - Plano Protecção Pagamento (PPP) insurance related to the Crédito Nova Vida banking product, as well as mobilization of insurance sales in the Seguradora's branch network, where the portfolio was 42% higher than the previous year.

The products that contributed most to this growth in the volume of business were: Sundry products that grew by 64.5%; Personal Accident and Health products that grew by 42.4%; Third Party Liability and Maritime products, both of which grew by 32.0%; Fire and other damage with 29.6% and Motor products with 15.1%.

Direct Insurance Premiums Non-Life

Thousand MZN

Products	2009	2008	Var. 09/08
Workman's Compensation	57,442	51,913	10.7%
Personal Accident and Health	178,968	125,668	42.4%
Fire and Natural Disasters	65,506	50,535	29.6%
Motor	319,572	277,742	15.1%
Marine	12,769	9,670	32.0%
Air	2,821	-	100.0%
Transport	16,371	19,772	-17.2%
General Third Party Liability	14,301	10,833	32.0%
Sundry	52,814	32,109	64.5%
Total	720,564	578,242	24.6%

Technical analysis

The Non-Life claim rate before administrative costs was 41.7%. A fall of 11.1 percentage points compared to 2008. This is due essentially to more claims in the following products:

- Sundry, from 40% to 147% due to a claim involving a large engineering project;
- Marine, from 1% to 183% due to a damaged tug;
- Transport, from 1% to 32% due to damage to vehicles being transported;
- Workman's Compensation from 14% to 22% due to increased provision for a major accident.

It should, however, be noted that most of the above claims were recovered due to participation by re-insurance companies.

The technical margin before administrative costs was 387 million Meticaís, 19.1% higher than in 2008. A rise of 69 million Meticaís in retained net premiums was decisive for this growth while compensation net of re-insurance fell from 24 to 22 million Meticaís.

The combined Non-Life ratio after administrative costs was 72.2%, an improvement of 1.1 percentage points compared to 2008. This was because the net of reinsurance claim rate fell by 1.3 percentage points whereas the general expenditure rate only rose by 0.2 percentage points.

Claim Rates Non-Life

Thousand MZN

Products	2009	2008	Var. 09/08
Workman's Compensation	21.9%	13.8%	8.1 p.p.
Personal Accident and Health	12.3%	12.3%	0.0 p.p.
Fire and Natural Disasters	3.4%	2.1%	1.4 p.p.
Motor	49.0%	50.4%	-1.4 p.p.
Marine	182.7%	0.5%	182.1 p.p.
Air	1.3%	-	1.3 p.p.
Transport	32.4%	1.2%	31.2 p.p.
General Third Party Liability	2.8%	2.7%	0.2 p.p.
Sundry	147.4%	39.7%	107.7 p.p.
Total	41.7%	30.6%	11.1 pp

Administrative costs

Administrative Costs rose by 17.1%, to 145 million Meticaís and accounted for 15.5% of gross premiums issued.

Thousand MZN

Administrative costs	2009	2008	Var. 09/08
Personnel expenses	84,444	70,043	20.6%
Supplies and External Services	57,230	51,355	11.4%
Other Administrative Costs	2,915	2,105	38.5%
Total	144,589	123,503	17.1%

Administrative costs rose by 21 million Meticaís due essentially to higher costs with personnel, publicity and promotional campaigns and also higher costs for external supplies and services.

Net income

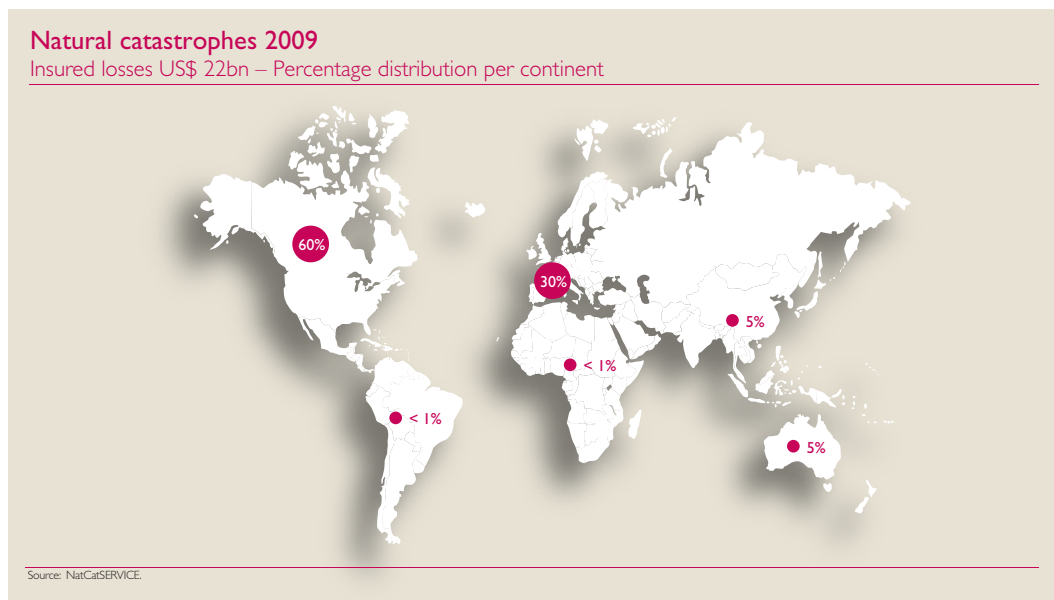
Growth in financial profits assigned to technical reserves and the higher volume of premiums contributed to improvements in the technical margin. This was reflected positively in income before tax amounting to 298 million Meticaís, 16.2% higher than the previous year. Net income after tax was 202 million Meticaís, 13.2% higher than in 2008; the tax on profits rose by 23.1%.

Reinsurance

In 2009 the international re-insurance market recorded few losses from natural disasters compared to 2008, as on the whole there were no major catastrophes and the cyclone season in the North Atlantic was very benign.

However, the total number of severe but not catastrophic phenomena was above average, with 850 recorded cases. As a benchmark, it should be noted that the average number of natural events with relevant losses over the last 10 years was roughly 770 a year.

Despite the absence of large-scale natural disasters in 2009, economic losses were high, around USD 50 billion and insurance losses USD 22 billion. In the previous year economic losses due to catastrophic events were USD 200 billion and insured losses USD 50 billion.



Continent	Overall losses (USD m)	Insured losses (USD m)	Fatalities
Africa	500	-	720
America (North and South America)	22,000	13,500	800
Asia	11,500	1,000	7,400
Australia/Oceania	3,000	1,000	450
Europe	13,000	6,500	670

Source: December 2009. NatCatSERVICE, Geo Risks Research, Munich Re.

According to the statistics, over the last 10 years economic losses have averaged USD 115 billion a year and insured losses USD 36 billion, and there were approximately 75,000 fatalities a year.

It can thus be concluded that in terms of both losses and fatalities – about 10,000 per natural disaster in 2009 – the figures were below average.

Nevertheless, Professor Peter Hoppe, Head of the MUNICH RE Department of Geological Risk Research issues the following warning: "However, we should make no mistake: despite the lack of severe hurricanes and other mega catastrophes, there was a large number of moderately severe natural catastrophes. In particular, the trend towards an increase in weather-related catastrophes continues, whilst there has fundamentally been no change in the risk of geophysical events such as earthquakes".

Statistics in 2009 reveal a high level of losses in the USA due to climate-related events: three events alone each caused insurance losses of more than USD 1 billion. Severe climate events accounted for 45% of all insured losses.

In the USA, between the 1980s and today the average annual cost of losses caused by storms with hailstones, torrential rain or tornadoes has risen from USD 4 billion to USD 10 billion a year.

The most severe losses throughout the world recorded in 2009

Date	Country/Region	Event	Fatalities	Economic losses (Million USD)	Insured losses (Million USD)
23-25.01.09	France, Spain	Winter Storm Klaus	26	5,100	3,000
10-13.02.09	USA	Severe storms, tornadoes	15	2,500	1,350
23-24.07.09	Europe	Severe storms, Rain with hailstones	11	1,800	1,200
9-11.04.09	USA	Severe storms, tornadoes	9	1,700	1,150

Source: December 2009, NatCatSERVICE, Geo Risks Research, Munich Re.

There were no major natural disasters in Mozambique in 2009.

In their unbridled search for business at any price some actors in Mozambique's insurance market obtain reinsurance from partners with a low rating. This makes it more difficult for insurance companies that observe rigorous standards and responsibility in their search for more business, based on international market practices and that require reliable reinsurance companies, such as those involved in the reinsurance programme of Seguradora Internacional de Moçambique, shown in the following table.

Company	S&P Rating
Munich Re (leader)	AA
Munich Reinsurance Company of Africa Ltd. (leader)	A+
Munich Mauritius Reinsurance Co. Ltd. (leader)	A+
Hannover Re	AA-
Hannover Re Africa Ltd	A
Africa Re	A-
Swiss Re	A+

Source: S&P – Standard and Poor's.

The Seguradora made no changes to its reinsurance policy in 2009. It continued to choose partners with a good name and international reputation for both Agreements (Automatic Reinsurance Contracts) and the selective placing of large-scale and/or complex risks.

Investment Management

As of 31st December 2008 the investment portfolio of Seguradora Internacional de Moçambique was 2,945 million Meticaís, 18.6% higher than the previous year.

The average yield rate was 10% compared to 11% the previous year. This reduction is due to falling in interest rates.

To a large extent the rise in investments is due to progress in collections that were 21% higher than in the previous year and also to the careful management of treasury and the investment portfolio.

Investment portfolio

Thousand MZN

	2009	%	2008	%
Available for sale				
Short term public debt	1,434,398	70.7%	715,064	52.0%
Long term public debt	153,917	7.6%	217,420	15.8%
Bonds	419,170	20.7%	426,718	31.0%
Shares	20,757	1.0%	17,170	1.2%
	2,028,242	100.0%	1,376,371	100.0%
Other				
Land and buildings	769,486	-	769,486	-
Term deposits	146,783	-	337,284	-
	916,269	-	1,106,770	-
Total	2,944,511	-	2,483,141	-

Employees

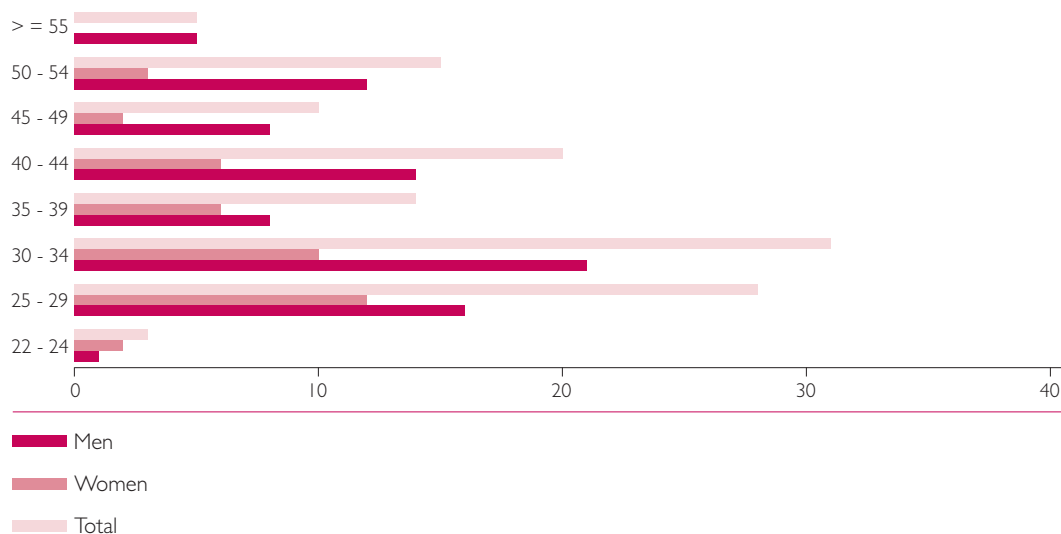
Human Resource Management at Seguradora Internacional de Moçambique is part of a policy that emphasizes Competence, Accountability, Merit, worth and recognition.

Personnel management is the responsibility of the direct hierarchy. All managers are directly responsible for training, assigning tasks, mentoring and assessing performance, and for taking decisions that support the career advancement and remuneration of the Staff under them.

All Employees receive appropriate training for the effective performance of their tasks, and at the same time the Seguradora promotes an appropriate awareness and attitude whereby the Employees themselves must take charge of their own training through a mind-set of constant learning.

At the end of the 2009 financial year Seguradora Internacional de Moçambique had 131 Employees, with an average age of 41 years: 67.5% are men and 32.5% are women. All Employees work full time; there are no part time staff.

Distribution of employees by age and gender



Prospects for 2010

The commercial strategy for 2010 will involve the launch of new products, especially in the branch network. Early in the year innovative products will be presented that, in addition to their commercial character, will also contemplate social involvement.

Also in the commercial area, special attention will be paid to pursuing excellence in the service provided to the Customer; with a closer relationship and a timely response to his/her needs, ensuring high levels of service.

In addition, there will be adjustments to the tariffs charged for some products in order to facilitate their application and adjust rates to the reality of the market and profitability, with emphasis on activities with business partners in general and brokers in particular:

The parameterization and transfer of Patrimonial and Motor products will begin and will be concluded, marking a quantitative leap in services for Customers. The entire system for the technical management of the business, totally interlinked with accounting, and the Treasury and Fixed Assets module will operate on the same computerized platform, with efficiency and effectiveness gains at all levels.

Given the changes in the management information system and thus in work processes, in 2010 special attention will be paid to existing norms and regulations, making any adjustments and alterations that might be required and introducing others, in an attempt to establish and implement appropriate internal control systems and redefine the workings of the company's various areas.

As the new Chart of Accounts, that will contemplate International Financial Reporting Standards, will take effect in 2011, with 2010 the transition period for comparative purposes, Seguradora Internacional de Moçambique will introduce it this year in parallel with the existing Chart of Accounts. Consequently, activities will range from training staff in this subject to the configuration of the aforementioned Plan in the accounting module.

Proposal on the Application of Income

The income of Seguradora Internacional de Moçambique net of taxes in the financial year ended 31st December 2009 was 202,288,824.93 Meticaís.

In the light of the report by the Board of Directors and under line a) of article 39 of Law 3/2003 regulating insurance activity, it is proposed that net income in 2009 be applied as follows:

Legal Reserve	2.8%	5,642,530.78 Meticaís
Free reserves	72.2%	146,074,088.15 Meticaís
Dividends	25.0%	50,572,206.00 Meticaís

After the above-mentioned allocations the Legal Reserve of *Seguradora Internacional de Moçambique* will equal the minimum share capital required of insurance companies under number 1 of article 17 line c) of Law 3/2003 of 21st January.

References

In concluding this report, the Board of Directors would like to express its gratitude to all those who have contributed to the development and continued affirmation of the Seguradora, in particular the following:

- state entities, namely the Ministry of Finance and the Inspeção Geral de Seguros for their special monitoring of the sector and their attention to the different issues presented to them;
- our Customers, for preferring the Seguradora and their constant encouragement to improve the quality of our service;
- our Re-insurance companies, Brokers and Agents for their constant support and for their trust that is an honor for the Seguradora, making a decisive contribution to the development of our activity;
- our Shareholders, for their constant support, trust, confidence and interest since the company was created;
- the Officers of the Annual Shareholders' Meeting and the Audit Board for their constant interest, availability and commitment to monitoring and controlling the work of the Seguradora;
- our Employees, whose professionalism, dedication, competence and total identification with the Group's values and strategy have made a decisive contribution to the results achieved.

Maputo, 18th February 2010

Board of Directors

Mário Fernandes da Graça Machungo, Chairman
 João Filipe de Figueiredo Júnior; Deputy Chairman
 Rui Manuel Teles Raposo Pinho de Oliveira, Director
 Rui Jorge Lourenço Fernandes, Director
 Inocência Matavel, Director

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Seguradora Internacional de Moçambique, S.A.

Balance Sheet

for the year ended 31st December 2009

MZN

	Notes	2009	2008
Assets			
Intangible fixed assets	2	1,266,981	2,024,481
Investments			
Buildings	3	769,485,905	769,485,905
Group and associated companies	3	336,282,755	335,191,446
Other financial investments	3	257,561,653	326,115,949
Term bank deposits	3	1,581,180,486	1,052,347,755
		2,944,510,799	2,483,141,055
Technical provisions for assigned reinsurance	4	136,075,914	39,854,474
Debtors			
Direct insurance and reinsurance undertaking operations	5	39,276,687	44,207,220
Assigned reinsurance operations	5	2,158,363	7,571,047
Other operations	5	1,628,297	1,354,692
		43,063,347	53,132,959
Other Assets			
Tangible fixed assets and stocks	6	31,253,977	30,865,787
Cash and bank deposits	7	36,407,660	45,452,494
		67,661,637	76,318,281
Accruals and deferrals			
Interest receivable	8	9,961,274	42,085,750
Other accruals and deferrals	8	1,167,111	2,028,154
		11,128,385	44,113,904
		3,203,707,063	2,698,585,155
Liabilities and Equity			
Equity			
Capital	9	147,500,000	147,500,000
Issue premiums		8,258,661	8,258,661
Retained earnings and other reserves	10	443,365,829	360,158,314
Income for the year		202,288,825	178,776,002
Total Equity		801,413,315	694,692,978
Fund for future appropriations	11	3,601,857	996,469
Technical provisions for direct insurance and undertaken reinsurance	12	2,267,021,704	1,832,078,664
Provisions for other risks and charges	13	1,350,000	1,350,000
Creditors			
Direct insurance and reinsurance undertaking operations	14	20,270,955	29,139,580
Assigned reinsurance operations	14	9,825,397	13,463,239
State and other public entities	14	41,064,849	76,952,823
Sundry creditors	14	40,712,806	33,110,839
		111,874,007	152,666,481
Accruals and deferrals	15	18,446,180	16,800,564
		3,203,707,063	2,698,585,155

Seguradora Internacional de Moçambique, S.A.

Income Statement

for the year ended 31st December 2009

MZN

	Notas	2009	2008
Direct insurance and undertaken reinsurance premiums	16	934,807,597	844,121,889
Assigned reinsurance premiums		(141,262,808)	(107,424,300)
		793,544,789	736,697,590
Direct insurance and undertaken reinsurance claims	16	(385,316,500)	(394,346,251)
Assigned reinsurance claims	17	105,894,297	8,954,268
Direct insurance and undertaken reinsurance commissions	16	(59,853,932)	(46,867,221)
Assigned reinsurance commissions		28,658,271	17,200,707
Technical provisions for direct insurance and Undertaken reinsurance	18	(243,211,789)	(103,504,341)
Technical provisions for Assigned reinsurance		8,739,514	(4,412,488)
Equity pickup		(120,894,335)	(111,727,413)
Provisions for uncollected premiums	5	5,281,134	3,072,518
		(660,703,340)	(631,630,221)
Financial income from investments allocated to technical provisions	19	320,329,211	262,550,788
Technical margin before administrative costs		453,170,660	367,618,157
Financial income from free investments		1,301,486	1,998,827
Operating income/(costs):			
Administrative	20	(144,589,289)	(123,502,958)
Amortization during the year	2 e 6	(9,536,170)	(7,923,635)
Provisions	21	293,171	(369,449)
Other income/(costs)	22	(2,168,411)	19,110,021
		(156,000,699)	(112,686,021)
Income for the year before taxes		298,471,447	256,930,963
Tax on profits	23	(96,182,622)	(78,154,961)
Income for the year		202,288,825	178,776,002

Seguradora Internacional de Moçambique, S.A.

Cash Flow Statement

for the year ended 31st December 2009

MZN

	2009	2008
Cash flow of operational activities		
Income for the year	202,288,825	178,776,002
Amortization	9,276,170	7,923,635
Variation in provision for claims of		
direct insurance and undertaken reinsurance	127,047,932	18,039,762
assigned reinsurance	(87,481,925)	10,588,083
Variation in other technical provisions		
of direct insurance and undertaken reinsurance	307,895,108	138,483,777
assigned reinsurance	(8,739,514)	4,399,828
Variation in provisions for uncollected premiums	(5,281,134)	(3,072,518)
Variation in provisions for other risks and charges	-	350,000
(Increase)/decrease in debtors for		
direct insurance and undertaken reinsurance operations	10,211,666	12,405,331
assigned reinsurance operations	5,412,684	(480,019)
other operations	6,614,186	(1,962,777)
Increase/(decrease) in creditors for		
direct insurance and undertaken reinsurance operations	(8,868,625)	(22,247,707)
assigned reinsurance operations	(3,637,842)	3,155,776
State and other public entities	(42,775,765)	73,163,354
Sundry creditors	7,601,967	(852,352)
Variation in other income accounts	32,985,519	(12,992,694)
Variation in other liability accounts	1,645,618	(10,846,131)
Interest and similar income	(293,321,489)	(272,821,389)
Effect of foreign exchange differences	(4,189,592)	321,431
	256,683,789	122,331,392
Cash flows of investment activities		
Acquisition of investments	(708,619,097)	(316,819,553)
Reimbursement of investments	261,551,854	13,263,840
Acquisition of fixed assets	(8,906,860)	(4,534,792)
Interest and similar income	293,321,489	272,821,389
	(162,652,614)	(35,269,117)
Cash flow from financing activities		
Dividends distributed	(107,265,601)	(82,042,357)
	(107,265,601)	(82,042,357)
Net variation in cash and cash equivalent	(13,234,426)	5,019,918
Effect of foreign exchange differences	4,189,592	(321,431)
Cash and cash equivalent at the beginning of the period	45,452,494	40,754,007
Cash and cash equivalent at the end of the period	36,407,660	45,452,494

Seguradora Internacional de Moçambique, S.A.

Statement on Changes in Equity

for the year ended 31st December 2009

MZN

	Capital	Issued Premiums	Retained earnings and other reserves	Annual Income	Total Equity
Balance on 31st December 2007	147,500,000	8,258,661	248,574,272	164,084,715	568,417,648
Legal reserve	-	-	16,408,471	(16,408,471)	-
Revaluation reserve	-	-	29,541,685	-	29,541,685
Free reserves	-	-	65,633,887	(65,633,887)	-
Dividends Distributed	-	-	-	(82,042,357)	(82,042,357)
Income for the year	-	-	-	178,776,002	178,776,002
Balance on 31st December 2008	147,500,000	8,258,661	360,158,315	178,776,002	694,692,978
Legal reserve	-	-	17,877,600	(17,877,600)	-
Revaluation reserve	-	-	11,697,113	-	11,697,113
Free reserve	-	-	53,632,801	(53,632,801)	-
Dividends distributed	-	-	-	(107,265,601)	(107,265,601)
Income for the year	-	-	-	202,288,825	202,288,825
Balance on 31st December 2009	147,500,000	8,258,661	443,365,829	202,288,825	801,413,315



Seguradora Internacional de Moçambique, S.A.

Notes to the Financial Statements

for the year ended 31st December 2009

I. Accounting policies

a) Basis of presentation

Seguradora Internacional de Moçambique, S.A. is an insurance company established in Mozambique on 3rd September 1992 and it began operations the same year. The purpose of Seguradora Internacional de Moçambique, S.A. is to engage in Life and Non-Life insurance activities. The financial statements presented here reflect the results of its operations for the year ended 31st December 2009.

Under the Group's 2001 restructuring process in Mozambique, the merger by acquisition of SIM – Seguradora Internacional de Moçambique, S.A.R.L. (acquired company) into Impar – Companhia de Seguros de Moçambique, S.A.R.L. (acquiring company) was formally executed by public deed on 27th November 2001. The acquired company was then dissolved. The merger by acquisition involved the transfer of all assets of the acquired company to Impar – Companhia de Seguros de Moçambique, S.A.R.L.

On the same date, the company changed its corporate name from Impar – Companhia de Seguros de Moçambique, S.A.R.L. to Seguradora Internacional de Moçambique, S.A.R.L.

Except for investments at market value, the financial statements were based on the historical cost principle, without any adjustment to reflect the impact of specific price changes or the evolution of price changes in general. The financial statements were prepared in Meticals.

The financial statements of Seguradora Internacional de Moçambique, S.A. have been prepared in accordance with the Accounting Principles defined in the Chart of Accounts for Entities Qualified to Conduct Insurance Activities and rules laid down by the IGS – Inspeção Geral de Seguros.

In December 2004, Ministerial Diploma 113/2004 approved a new Chart of Accounts for insurance activity in Mozambique. According to this diploma, the Chart of Accounts had to be implemented on 1st January 2005. Although the regulatory body had not published either the rules for the transition to the new Chart of Accounts or the fiscal rules to be followed, Seguradora Internacional de Moçambique adopted the said Chart of Accounts in its entirety in accordance with the rules existing on that date.

b) Appropriation of costs and revenue

Costs and revenue are recorded in the financial year in which they occur, irrespective of the payment or receipt date, according to the accrual basis accounting system for the year.

c) Provision for unearned premiums

The provision for unearned premiums is based on the valuation of premiums issued prior to year end, but remains in force after that date. It is calculated using the “pro-rata temporis” method for each valid contract. This method is applied to the gross premiums issued minus the respective underwriting costs.

d) Provision for claims

The provision for claims corresponds to the cost of unsettled claims and also estimated liabilities for claims incurred but not yet reported (IBNR).

The mathematical reserve in the Workman's Compensation products is calculated for pensions already approved by the Labor Court and for estimates arising from cases where claimants are "clinically cured".

e) Mathematical provision for Life Business

The objective of mathematical provisions for Life Business is to record the actual value of the Company's future policy liabilities and they are calculated using recognized actuarial methods.

f) Provision for profit sharing

The provision for profit sharing corresponds to sums attributed to policy holders or contract beneficiaries in the form of a share in profits that have not yet been distributed, namely, through inclusion in the mathematical provision for Life Business.

g) Provision for uncollected premiums

The calculation of the provision for uncollected premiums is based on the probability of collecting them by year end. This provision is recorded in the Balance sheet as a deduction from Debtors for direct insurance operations.

h) Provision for claim rate changes

Provision for claim rate changes must be established for credit insurance, escrow and flood and storm risks in the natural phenomenon products and its calculation must comply with criteria established by the IGS – *Inspecção Geral de Seguros*.

i) Provision for current risks

The provision for current risks corresponds to the estimated amount needed to pay probable compensation and other charges after year end and that exceed the value of unearned premiums, receivable for contracts in force and premiums to be renewed the following January, in accordance with criteria established by the IGS.

j) Investments

Real estate

Real estate is recorded at its acquisition or construction value, adjusted to its current or its market value. The law does not specify the frequency of revaluations. The Company revalued its real estate in 2008. Previous revaluations took place in 2002 and 2003.

Financial investments

The securities portfolio is valued at its market value on the date of the balance sheet in accordance with valuation criteria established by the IGS. Unquoted securities are valued at their acquisition cost. In the case of bonds issued at their nominal value and in proportion to the holding in the book value. The frequency of interest on bonds is based on their nominal value and the interest rate applicable to the year.

Gains and losses on investments

The unearned gains and losses resulting from the difference between the book value and the value ascertained using the above-mentioned valuation criteria on the date of the balance sheet, are recorded in the respective underwriting and non-underwriting accounts, depending on whether the investment appropriation is recorded as "Unearned gains on investments" or "Unearned losses on investments".

In the case of investments that constitute technical provisions for life insurance with profit sharing, unearned gains are transferred to the "Fund for future appropriations" through the item "Appropriation or use of funds for future appropriations". Unearned losses may be offset against the "Fund for future appropriations", up to the level of its credit balance.

As regards other investments not included in the above-mentioned cases, unearned gains are transferred to the "Regulatory revaluation reserve", through the item "Appropriation or use of regulatory revaluation reserve". Unearned losses are offset against the regulatory revaluation reserve, up to the level of its credit balance.

The gains and losses resulting from the sale or maturity of the above-mentioned securities are recognized as income in the year in which they occur. Investment appropriations reflecting "Gains from the sale of investments" or "Losses from the sale of investments" are recorded in the underwriting and non-underwriting accounts respectively.

k) Foreign currency transactions

The balances of foreign currency accounts are converted into Meticals at the average exchange rate set by *Banco de Moçambique* at the end of each month. In the case of investments, the resulting exchange rate differences go to the Revaluation reserve (Non-Life and Life without profit sharing) or to the Fund for future appropriations (Life with profit sharing).

l) Tangible fixed assets

Tangible fixed assets are recorded at their respective acquisition cost, minus accrued depreciation.

Amortization is calculated using the constant rate method for the following periods, which do not differ substantially from the expected working life.

	Number of years
Administrative equipment	6 to 10
Machinery, equipment and tools	6 to 8
IT equipment	6
Interior fittings	8
Transport material	4
Other tangible fixed assets	3 to 10

m) Intangible fixed assets

Intangible fixed assets include set-up and operating costs prior to the start of activities and remodeling works in buildings rented by the company. Intangible fixed assets are recorded at their net value, and are amortized within three years.

n) Financial leasing

Financial leasing contracts are recorded as assets and liabilities on their start-up date at the fair value of the leased property, which is equivalent to the current value of the mature lease.

Revenue comprises the financial charge and the financial amortization of capital. The financial charges are allocated to periods during the lease term, so as to produce a constant periodic interest rate on the remaining liability balance for each period.

o) Retirement and survival pensions

The company has granted its Employees a supplementary retirement pension, for which there is an insurance policy managed by the Company itself to cover liabilities related to the supplementary retirement pension.

However, in the case of Employees hired before 1st November 2002, length of service is calculated as of this date, except for Employees of the previous Seguradora Internacional de Moçambique, S.A.R.L., who benefit from the supplementary retirement pension as of the date of hire. This is because all Employees have become entitled to this benefit as of 1st November 2002, following the review of the Company's Collective Labor Agreement.

The Company has established an internal fund to cover the costs of the above-mentioned supplementary retirement pension. The fund's assets comprise investments in deposit accounts, real estate and bonds issued by reputable companies.

The actuarial assessment of liabilities under these retirement benefits uses the projected credit unit method, based on the actuarial and financial assumptions contained in note 24 Pension Liabilities

p) Taxes

Seguradora Internacional de Moçambique, S.A. is subject to the tax regulations contained in the Income Tax Code. Profits attributable to each financial year are subject to Corporate Income Tax – IRPC (rate currently 32%).

Under the terms of the customs and tax incentives contained in Mozambique's Fiscal Benefits Code (Código dos Benefícios Fiscais de Moçambique – CBFM) approved by Decree 12/93 of 21st July the Company benefited from a 50% reduction in the Industrial Contribution Tax and the Complementary Tax on Final Profits distributed to Shareholders, during the recovery period for investments effectively made. This period cannot be more than 10 years from the date the operation started.

Under the 2001 merger, under a Dispatch by the Ministry of Planning and Finance dated 23rd November 2001 the accrued losses of the acquired companies were transferred to the acquiring companies and the fiscal loss carried forward as outlined in article 119 of the Income Tax Code approved by Decree 3/87 of 30th January was extended for five years.

q) Continuity principle

The directors believe that the Seguradora has the necessary conditions to continue operating and thereby assumes continuity in the following year. The company has thus observed the continuity principle in the preparation of its financial statements.

2. Intangible fixed assets

The balance on this account is analyzed as follows:

MZN

	2009	2008
Setting up expenses	423,736	423,736
Expenses on leased real estate	5,105,058	4,537,019
Other intangible fixed assets	376,033	376,033
	5,904,827	5,336,788
Accrued amortization	(4,637,846)	(3,312,307)
	1,266,981	2,024,481

Amortization movements in 2009 are analysed as follows:

MZN

	2009			
	Opening balance	Amortization for the year	Written-off /Regulariz.	Closing balance
Set-up and installation expenditure	423,736	-	-	423,736
Expenses on leased real estate	2,512,538	1,372,871	(47,332)	3,888,077
Other intangible fixed assets	376,033	-	-	376,033
	3,312,307	1,372,871	(47,332)	4,637,846

3. Investments

The balance on this account is analyzed as follows:

MZN

	2009	2008
Buildings	769,485,905	769,485,905
Group and associated companies		
Shares in Group and associated companies	11,282,755	10,191,446
Bonds in Group company	325,000,000	325,000,000
	336,282,755	335,191,446
Other financial investments		
Shares and other variable income securities	9,474,629	6,978,123
Bonds and other fixed income securities	248,087,024	319,137,826
	257,561,653	326,115,949
Applications in credit institutions		
Deposits in credit institutions	146,782,975	337,284,027
Purchase with resale agreement transactions	1,434,397,511	715,063,728
	1,581,180,486	1,052,347,755
	2,944,510,799	2,483,141,055

Real Estate

In 2008 the Company's fixed assets were revalued by a reputable entity hired for this purpose, Zambujo & Associados Lda. Each fixed asset was valued using two criteria: Cost and Market. The latter is used to ascertain potential value because it is considered the most appropriate one for the activity, and as such foreseen in the Chart of Accounts for Insurance Activity.

Shares in Group and Associated Companies

On the of 31st December 2009 the Seguradora had the following shares in Group and associated companies:

	% Share	MZN
BEIRANAVE-ESTALEIROS NAVAIS DA BEIRA S.A.	22.84%	11,282,755

Based on the 2008 Annual Reports of the entities in which the Seguradora holds shares, namely Beiranave – Estaleiros Navais da Beira, S.A. and BCI – Banco Comercial e de Investimentos, S.A., the value of the shares held in these companies was updated using the Equity Proportion method. The following potential values were ascertained and recorded in the revaluation reserve item in equity.

MZN

	Share in equity 2007	Share in equity 2008	Potential Value
BCI shares	4,553,253	5,542,409	989,156
Beira-Nave Shares	10,191,446	11,282,755	1,091,309

Movements in the item “Other financial investments” and “Applications in credit institutions” are analyzed as follows:

MZN

	2009			
	Opening Balance	Acquisitions/ Increases	Redemption/ Changes in Value	Closing Balance
Other financial investments				
Shares and other variable income securities	6,978,123	2,496,506	-	9,474,629
Bonds and other fixed income securities	319,137,826	-	71,050,802	248,087,024
	326,115,949	2,496,506	71,050,802	257,561,653
Applications in credit institutions				
Deposits in credit institutions	337,284,027	-	190,501,052	146,782,975
Purchases with resale agreement	715,063,728	719,333,783	-	1,434,397,511
	1,052,347,755	719,333,783	190,501,052	1,581,180,486

On 31st December 2009, investments were allocated as follows:

MZN

	2009			
	Life Insurance	Non-Life Insurance	Free	Closing Balance
Buildings	633,598,905	135,537,000	350,000	769,485,905
Investments in Group and associated companies	146,732,676	189,550,079	-	336,282,755
Other financial investments	135,386,241	122,175,411	-	257,561,652
Applications in credit institutions	767,546,283	813,634,204	-	1,581,180,487
	1,683,264,105	1,260,896,694	350,000	2,944,510,799

MZN

	2008			
	Life Insurance	Non-Life Insurance	Free	Closing Balance
Buildings	633,598,905	135,537,000	350,000	769,485,905
Investments in Group and associated companies	146,732,675	188,458,771	-	335,191,446
Other financial investments	218,796,694	107,319,255	-	326,115,949
Applications in credit institutions	479,862,265	572,485,490	-	1,052,347,755
	1,478,990,539	1,003,800,516	350,000	2,483,141,055

4. Technical provisions for assigned reinsurance

The balance on this account is analyzed as follows:

MZN

	2009	2008
Life		
Provision for claims	1,147,415	816,664
Mathematical reserve	143,510	148,591
	1,290,925	965,255
Non-Life		
Provision for unearned premiums	25,389,612	16,645,016
Provision for claims	109,395,377	22,244,203
	134,784,989	38,889,219
	136,075,914	39,854,474

The MZN 87,151,174 rise in assigned reinsurance claims (Non-Life Insurance) is due essentially to a recorded claim of MZN 56,589,626 that still has to be settled and is thus also recorded in the Provision for direct insurance claims.

5. Debtors

The balance on this account is analyzed as follows:

	2009	2008
Direct insurance operations		
Insurance underwriters	49,373,001	50,809,536
Insurance brokers	3,596,981	11,872,368
Co-insurers	-	499,745
	52,969,982	63,181,649
Provision for uncollected premiums	(13,693,295)	(18,974,429)
	39,276,687	44,207,220
Reinsurance operations		
Other reinsurance companies	2,158,363	7,571,047
	2,158,363	7,571,047
Other operations		
Other debtors	1,684,739	1,704,569
	1,684,739	1,704,569
Provision for other debtors	(56,442)	(349,877)
	1,628,297	1,354,692
	43,063,347	53,132,959

Uncollected premiums are recorded under the item "Insurance underwriters". Of this amount 27,116,662 Meticaís (2008: MZN 31,587,103) are insurance contracts with premiums more than 30 days overdue. The risk of non-collection of this amount is covered by the Provision for uncollected premiums.

6. Tangible fixed assets and stock

The balance on this account is analyzed as follows:

	2009	2008
Administrative equipment	6,988,051	6,747,865
Machinery, devices and tools	4,459,168	4,394,475
IT equipment	43,571,258	39,618,288
Interior fittings	16,050	16,050
Transport material	22,299,891	18,481,402
Current fixed assets	2,506,478	2,506,478
Other tangible fixed assets	5,477,750	5,415,101
	85,318,646	77,179,659
Accrued amortization	-55,150,205	(47,199,574)
	30,168,441	29,980,085
Artistic heritage	20,000	20,000
Salvage	1,065,536	865,702
	31,253,977	30,865,787

The gross value of tangible fixed assets and stock is analyzed as follows:

MZN

	2009			
	Opening Balance	Acquisitions	Write-offs/ Sales/ Transfer	Closing Balance
Administrative equipment	6,747,865	240,186	-	6,988,051
Machinery, devices and tools	4,394,475	64,693	-	4,459,168
IT equipment	39,618,288	3,952,970	-	43,571,258
Interior fittings	16,050	-	-	16,050
Transport material	18,481,402	4,078,489	260,000	22,299,891
Current fixed assets	2,506,478	-	-	2,506,478
Other tangible fixed assets	5,415,101	62,649	-	5,477,750
	77,179,659	8,398,987	260,000	85,318,646
Artistic heritage	20,000	-	-	20,000
Salvage	865,702	199,834	-	1,065,536
	78,065,361	8,598,821	260,000	86,404,182

Amortization movements are demonstrated as follows:

MZN

	2009			
	Opening Balance	Amortization	Write-offs/ Regulariz	Closing Balance
Administrative equipment	3,747,878	709,546	-	4,457,424
Machinery, devices and tools	3,703,694	131,604	-	3,835,298
IT equipment	23,630,221	3,519,989	-	27,150,210
Interior fittings	16,050	-	-	16,050
Transport material	11,756,306	3,510,751	260,000	15,007,057
Other tangible fixed assets	4,345,425	338,741	-	4,684,166
	47,199,574	8,210,631	260,000	55,150,205

7. Bank deposits and cash

The balance on this account is analyzed as follows:

MZN

	2009	2008
Cash	-	-
Demand deposits	36,407,660	45,452,494
	36,407,660	45,452,494

The item Demand Deposits refers to deposits held in BIM - Banco Internacional de Moçambique, S.A.

8. Accruals and deferrals

The balance on this account is analyzed as follows:

	2009	2008
Interest receivable	9,961,274	42,085,750
Other accruals and deferrals	1,167,111	2,028,154
	11,128,385	44,113,904

MZN

The item Interest receivable refers to the accrued interest on fixed income securities calculated using the nominal value and the interest rate applicable to the period and also the accrued interest on other investments in line with note 1.j).

The MZN 32,124,476 reduction compared to the same period the previous year is due to a change in the reimbursement period for the Treasury Bills in the portfolio (purchase operations with a resale agreement).

9. Capital

The capital of Seguradora Internacional de Moçambique, S.A. is MZN 147,500,000 represented by 1,475,000 shares, each with a nominal value of MZN 100.00, and is fully subscribed and paid up.

The Shareholders' structure of the Company, as at 31st December 2009, is presented as follows:

	Number of shares	Percentage share of capital
BIM – Banco Internacional de Moçambique, S.A.	1,326,232	89.91%
PT Participações, SGPS, S.A.	86,068	5.84%
FDC – Fundação para o Desenvolvimento da Comunidade	30,716	2.08%
TDM – Telecomunicações de Moçambique, S.A.	30,716	2.08%
Other Shareholders	1,268	0.09%
	1,475,000	100.00%

The Shareholder structure of Seguradora Internacional de Moçambique, S.A. remained unchanged in 2009.

10. Retained earnings and other provisions

	2009	2008
Legal Reserve	94,357,469	76,479,869
Free Reserve	295,030,903	241,398,102
Regulatory revaluation reserve	53,977,457	42,280,343
	443,365,829	360,158,314

MZN

The regulatory revaluation reserve of MZN 53,977,457 refers to unearned gains on investments and can be used in the following order of priority:

- to offset unearned losses up to the reserve's credit balance as described in accounting policy 1.j);
- to cover accrued losses up to the end of the financial year when it was established;

- to record unearned gains on investments under the non-technical account "Recovery of unearned gains and losses on investments" or to incorporate them into the share capital.

Under Mozambican law the legal reserve is based on the following minimum percentages of profits in each financial year:

- 20% until the reserve is half the minimum share capital required under article 17 of Law 3/2003 of 21st January.
- 10% from the moment the above amount is reached, until the reserve is equal to the minimum amount of the share capital

11. Fund for Future Appropriations

MZN

	2009	2008
Life with profit sharing	3,601,857	996,469

The Fund for future appropriations corresponds to the unearned gains following the re-evaluation of the investment portfolio on the date of the balance sheet, representing technical provisions for life insurance with participation in results and can be used to compensate for on unearned losses up to the limit of the credit balance as stated in accounting policy 1.j).

Any other use of the Fund for future appropriations can only take place under the following conditions, unless authorized by IGS.

- only the amounts required to calculate participation in income may be withdrawn and when each of the sub accounts of the Fund for future appropriations was not prior to this withdrawal, and after which it is less than 5% of the respective investments that represent them;
- the amounts will be recorded to income in the technical account, when the balance in each of the sub-accounts of the "Fund for future appropriations" is more than 25% of the value of the investments they represent.

Any use of the "Fund for future appropriations" is recorded under the item "Use of the fund for future appropriations".

12. Technical provisions for direct insurance

The balance of this account is as follows:

MZN

	2009	2008
Mathematical provision	1,581,341,940	1,411,849,801
Provision for unearned premiums	325,548,639	216,091,800
Provision for claims	286,180,805	159,132,873
Provision for profit sharing	71,042,897	42,769,047
Provision for claim rate changes	2,907,423	2,235,143
Provisions for ongoing risks	-	-
	2,267,021,704	1,832,078,664

The mathematical provision by type of product is as analyzed follows:

	MZN	
	2009	2008
Life Risk	114,183,198	70,376,141
Life Income	900,548,317	882,023,853
Life Capitalization	566,610,425	459,449,807
	1,581,341,940	1,411,849,801

Liabilities relating to pensions are determined using the PF 60/64 mortality table and a discount rate of 4%. The minimum guaranteed income for capitalisation products is 4%.

As outlined in the accounting policy, the provision for unearned premiums is recorded minus the deferred acquisition cost amounting to MZN 15,851,854 (2008: MZN 15,851,854).

The provision for claims corresponds to estimated claims as of 31st December 2009 and still not settled and includes estimated provisions of MZN 17,805,152 (2008: MZN 16,251,272) for claims incurred prior to 31st December 2008 and not yet reported. (IBNR). In addition, the provision for claims includes MZN 19,438,477 (2008: MZN 25,516,063) for the mathematical provision for Workman's Compensation.

The actuarial assumptions used to calculate the current value of Workman's Compensation pensions are as follows:

	2009
Mortality table:	
Men	RF
Women/widow	Portuguese 1930/31
Orphans	Swiss 1901/1910
Discount rate	3.25%
Management fees	2%

13. Provision for other risks and charges

This includes MZN 1,350,000 for liabilities arising from ongoing law suits.

14. Creditors

The balance on this account is analyzed as follows:

	2009	2008
Direct insurance and reinsurance undertaking operations		
Insurance underwriters	8,307,567	13,534,774
Insurance brokers	11,963,388	15,604,806
Co-insurance	-	-
	20,270,955	29,139,580
Reinsurance assigned operations		
Group companies	3,155,999	-
Other reinsurance	6,669,398	13,463,239
	9,825,397	13,463,239
State and other public entities	41,064,849	76,952,823
Sundry creditors		
Group companies	9,164,190	7,972,149
Other creditors	31,548,616	25,138,690
	40,712,806	33,110,839
	111,874,007	152,666,481

The item "Sundry Creditors – Group companies" is analyzed as follows:

	2009	2008
Ocidental – Companhia Portuguesa de Seguros, S.A.	9,164,190	7,813,953
BIM – Banco Internacional de Moçambique, S.A.	-	158,196
	9,164,190	7,972,149

15. Accruals and deferrals

The balance of this account is analyzed as follows:

	2009	2008
Holiday pay and allowances	9,937,952	9,744,106
Other accrual costs	8,508,228	7,056,458
	18,446,180	16,800,564

16. Premiums, compensation and commissions for direct insurance and assigned reinsurance

MZN

	2009		
	Gross premiums issued	Gross cost of claims	Direct insurance and assigned reinsurance commissions
Life	214,243,839	84,840,728	16,171,925
Non-Life			
Workman's Compensation	57,441,811	12,599,539	2,965,375
Personal accident and health	178,968,496	22,063,829	13,241,264
Fire and natural disasters	65,506,357	2,244,260	4,388,280
Motor	319,572,180	156,646,581	17,413,939
Marine	12,768,771	23,323,257	1,875,171
Air	2,820,583	37,799	352,569
Transport	16,370,542	5,311,629	1,009,803
General Third party liability	14,301,424	406,601	475,152
Sundry	52,813,594	77,842,277	1,960,454
Total Non-Life	720,563,758	300,475,772	43,682,007
Total	934,807,597	385,316,500	59,853,932

MZN

	2008		
	Gross premiums issued	Gross cost of claims	Direct insurance and assigned reinsurance commissions
Life	265,879,972	217,295,261	12,039,095
Non-Life			
Workman's Compensation	51,912,536	7,171,672	2,629,902
Personal accident and health	125,668,225	15,507,692	9,280,333
Fire and natural disasters	50,534,461	1,048,771	3,910,375
Motor	277,742,317	139,984,838	14,996,181
Marine	9,670,116	49,202	924,950
Air	-	17,210	-
Transport	19,772,070	245,868	1,159,299
General Third party liability	10,832,874	288,377	503,221
Sundry	32,109,318	12,737,360	1,423,865
Total Non-Life	578,241,917	177,050,990	34,828,126
Total	844,121,889	394,346,251	46,867,221

17. Compensation of assigned reinsurance

Compensation of assigned reinsurance is analyzed as follows:

MZN

	2009		
	Life Business	Non-Life Business	Final balance
Change in provision for claims	300,751	87,151,174	87,481,925
Amount paid	1,527,396	16,884,975	18,412,372
	1,858,147	104,036,149	105,894,297

MZN

	2008		
	Life Business	Non-Life Business	Final balance
Change in provision for claims	(300,337)	(10,267,746)	(10,588,083)
Amount paid	6,748,610	12,793,741	19,542,351
	6,428,273	2,525,995	8,954,268

The substantial increase in the item "Change in provision for claims" (Non-life Business) is essentially due to a claim of MZN 56,589,626 that still has to be settled and is thus also recorded in the provision for direct insurance claims (see note 4).

18. Technical provisions for direct insurance and assigned reinsurance

The changes in technical provisions for direct insurance and assumed reinsurance are as follows:

MZN

	2009	2008
Change in mathematical provision	133,082,670	47,805,325
Change in provision for unearned premiums	109,456,839	54,981,875
Change in provision for claim rate deviations	672,280	717,141
	243,211,789	103,504,341

19. Financial earnings from investments allocated to technical reserves

Financial earnings from investments allocated to technical reserves are analysed as follows:

MZN

	2009		
	Life Business	Non-Life Business	Closing balance
Interest on fixed income securities (Bonds and Treasury Bills)	82,688,473	93,673,063	76,361,536
Real estate income	78,294,165	14,677,262	92,971,427
Gains from investments (foreign exchange gains from term deposits)	28,372,572	-	28,372,572
Interest from term deposits	15,318,047	6,357,344	21,675,391
Dividends	360,640	651,010	1,011,650
Potential gains not compensated by the fund for future appropriations	(63,365)	-	(63,365)
	204,970,532	115,358,679	320,329,211

MZN

	2008		
	Life Business	Non-Life Business	Closing balance
Interest on fixed income securities (Bonds and Treasury Bills)	84,298,737	86,073,625	170,372,362
Real estate income	84,702,450	8,009,040	92,711,490
Gains from investments (foreign exchange gains from term deposits)	65,408	-	65,408
Interest from term deposits	5,098,826	1,617,591	6,716,417
Dividends	301,760	720,532	1,022,292
Potential gains not compensated by the fund for future appropriations	(8,337,181)	-	(8,337,181)
	166,130,000	96,420,788	262,550,788

20. Administrative costs

Administrative costs are analyzed as follows:

MZN

	2009	2008
Personnel	84,444,267	70,043,396
External supplies and services	57,229,571	51,354,474
Other administrative costs	2,915,451	2,105,088
	144,589,289	123,502,958

Personnel expenses are analyzed as follows:

MZN

	2009	2008
Compensation		
Company management	4,959,002	4,866,059
Employees	67,385,329	58,759,101
	72,344,331	63,625,160
Compensation charges	2,346,160	2,123,281
Premiums and pension contributions	5,978,469	2,200,275
Other costs	3,775,307	2,094,681
	84,444,267	70,043,397

21. Provisions

The balance on this account is analyzed as follows:

MZN

	2009	2008
Other provisions	293,171	(369,449)
	293,171	(369,449)

22. Other income/(costs)

The balance on this account is analyzed as follows:

MZN

	2009	2008
Exchange rate fluctuation	(1,957,670)	401,405
Other income/(costs)	(210,741)	18,708,616
	(2,168,411)	19,110,021

Other income

In 2008 there were substantial movements in this item due mainly to the reconciliation and regularization of the account "Commissions payable" in previous years, old brokers' accounts and an old balance in the "Transitional account" relating to a complex process of automatically accounting for SXXI/I2S payments that was discontinued in 2005.

The following table shows the most important movements involving the amounts in question:

Brokers	2,875,888
Transitional account	7,031,082
Commissions payable	7,253,215

23. Reconciliation of the effective tax cost

MZN

	2009	2008
Tax at the current rate – 32%	95,510,863	82,217,908
Impact of non-deductible expenses	68,417	70,132
Impact of non-deductible costs	603,342	697,641
Public debt interest – fiscal benefits (not applicable in 2009)	-	(4,830,720)
Tax cost	96,182,622	78,154,961

24. Retirement pensions

In accordance with the accounting policy described in note 1.o), liability for the payment of retirement pensions as of 31st December 2008, based on the actuarial value calculated for the forecast benefits, is analyzed as follows:

	2009	2008
Liabilities for projected benefits	24,450,702	15,463,009
Coverage:		
Life insurance	21,067,527	16,918,573
Excess coverage	(3,383,175)	1,455,564

MZN

Actuarial assessments of liabilities arising from the Company's complementary retirement benefits take place every year. The reference date of the last assessment was 31st December 2009 and it shows a shortfall of MZN 3,383,175, recognized as a cost in 2009 in compensation for the balance sheet item 4744 – pension contributions.

This shortfall is due to a fall in the profitability of the Autonomous fund fed by applications in Treasury Bills and other debt securities (public and private) that were not compensated by the reduction in the salary growth rate.

The average number of Employees in the Company was 124; in the previous year it was 119.

The assumptions underlying the present value of the Company's accrued liabilities with retirement pension complements are as follows:

Actuarial assessment method	2009	2008
	Forecast credit unit	Forecast credit unit
Normal retirement age:		
Men	60	60
Women	55	55
Salary increase rate	11.90%	12.75%
Fund increase rate/discount rate	12.40%	14.25%
Mortality table	PF 60/64	PF 60/64

Report and Opinion of Independent Auditors

To: Shareholders of Seguradora Internacional de Moçambique, S.A.

We have conducted an audit of the attached financial statements of Seguradora Internacional de Moçambique, S.A. comprising the Balance Sheet as of 31st December 2009, the Income statement by account, the Statement on changes in equity and the Cash flows statement for the year ended on that date and the corresponding Annex containing a summary of the main accounting policies and other explanatory notes.

Board of Directors' responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the widely accepted accounting principles and practices for the insurance sector in Mozambique. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and ascertaining accounting estimates that are reasonable under the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements, based on our audit. We have conducted our audit in accordance with International Auditing Standards. These standards oblige us to comply with ethical requirements and plan and carry out the audit in order to obtain reasonable assurance that the financial statements are free from relevant material misstatement.

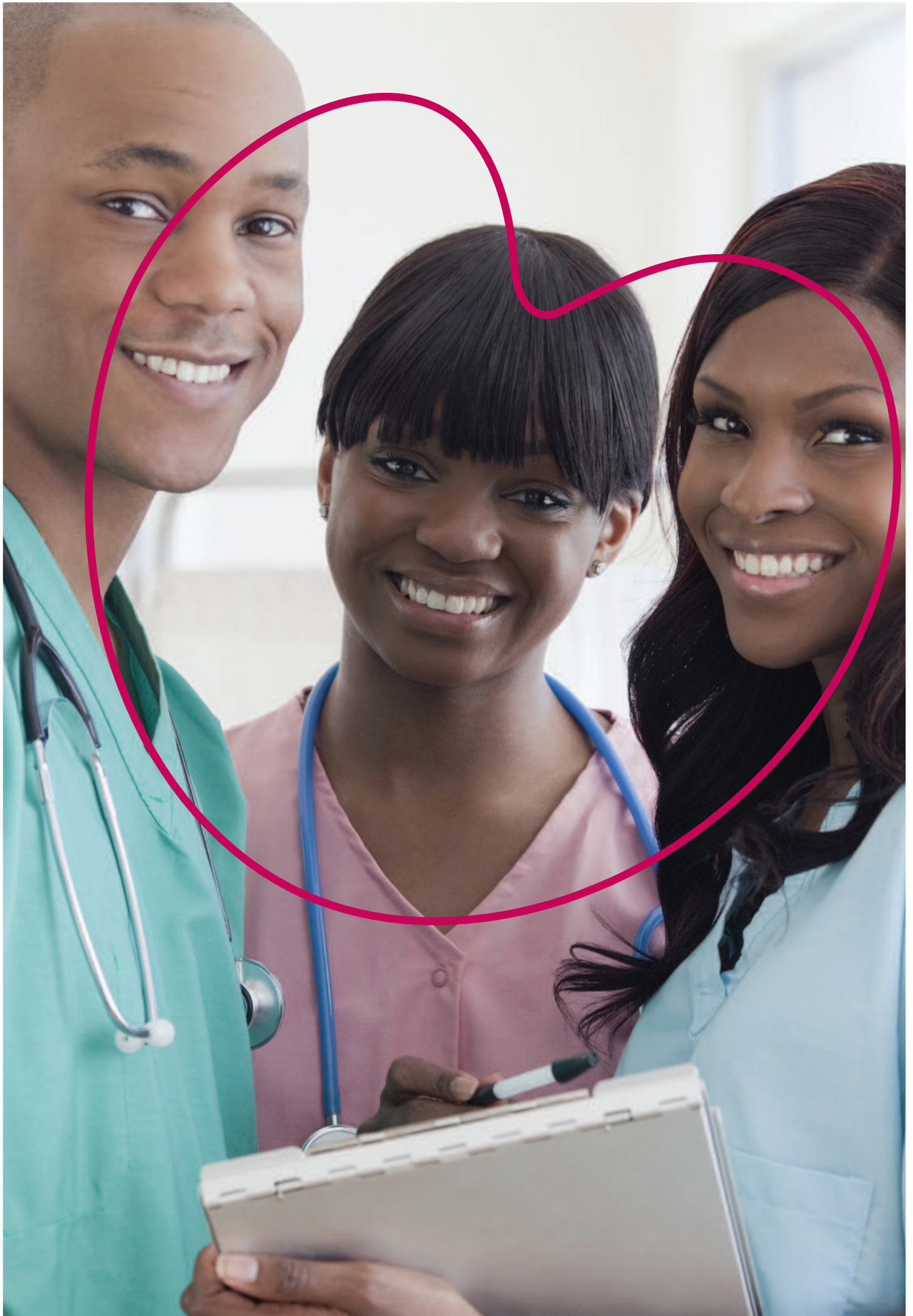
An audit involves carrying out procedures to obtain audit evidence on the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement in the financial statements, whether due to fraud or error. In making these risk assessments the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the Management's accounting estimates as well as evaluating whether the overall presentation of the financial statements is adequate.

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

Opinion

In our opinion these financial statements present fairly, in all materially relevant aspects, the financial position of Seguradora Internacional de Moçambique, S.A. as of 31st December 2009, the result of its operations and cash flows in the year then ended, in accordance with the widely accepted accounting principles and practices for the insurance sector in Mozambique.

Maputo, 15th February 2009



Report and Opinion of Audit Committee

In accordance with the legal and statutory dispositions the Audit Committee presents to the Shareholders the report on its supervision of Seguradora Internacional de Moçambique, S.A. together with its opinion on the Balance Sheet, Income Statement and respective Notes and the Board of Directors' report on the year ended 31st December 2009.

In fulfilling its task, the Audit Committee met regularly throughout the year as required by law and monitored the Seguradora's activity, essentially by studying the monthly Financial Statements and respective management information, by participating in meetings of the Board of Directors, through contacts with members of the Board and Management, and through information obtained from the Seguradora's management information system, seeking to assess the evolution of its activity.

The Audit Committee paid particular attention to the Technical Accounts and the records of transactions that explain some of the changes in the accounts compared to the previous year. It considers that the following are of particular interest:

- The growth in the "Technical margin before administrative costs", of about 23.3%, rising from 367.6 million Meticaïs in 2008 to about 453.2 million Meticaïs in 2009. The combined change is due mainly to the following indicators:
 - the rise in the total volume of premiums on direct insurance and undertaking reinsurance, net of reinsurance claims, that in 2009 reached 793.5 million Meticaïs compared to 736.7 million Meticaïs in 2008 i.e. a rise of 7.7% due to the volume of policies under management;
 - the costs of claims from direct and assumed insurance claims, net of income from assigned reinsurance claims, that fell from 385.4 million Meticaïs in 2008 (equivalent to 52.3% of the total net premium income from assigned reinsurance during the year) to 279.4 million Meticaïs in 2009 (with only a smaller share in total revenue from net assigned reinsurance in 2009 i.e. 45.2%);
 - in the income statement for 2009, technical provisions for direct insurance and reinsurance and the technical provisions of assigned reinsurance show a net cost of 234.5 million Meticaïs compared to a net cost of 107.9 million Meticaïs for these items in 2008;
 - the "Profit Sharing" item in some policies (in particular "Life income", "Life capitalization", "Life Group risk", "Health", "Personal accident" and "Workman's Compensation") together show a slight rise in costs for the Seguradora, from 111.7 million Meticaïs in 2008 to 120.9 million Meticaïs in 2008;
 - the cost account "Commissions" for direct insurance and assigned reinsurance, net of profits from assigned reinsurance "Commissions", shows a fall in net costs from 7.1 million Meticaïs in 2008 to 0.9 million Meticaïs in 2008;

- the release of provisions for uncollected premiums led to a total income of 5.3 million Meticaïs in the 2009 Income Statement, compared to total income of 3.0 million Meticaïs in 2008. In particular, efforts to improve collections resulted in premiums collectable remaining the same as the previous year (about 49 million Meticaïs, which was the target) despite a substantial growth in processed invoicing;
- costs under the item “Network remuneration and fees” rose from 22.6 million Meticaïs in 2008 to 30.3 million Meticaïs in 2009.
- the financial yield from investments assigned to technical reserves for direct insurance and reinsurance rose from 262.6 million Meticaïs in 2008 to 320.3 million Meticaïs in 2008 i.e. a positive change of 22.0% due to the rise in the investment portfolio assigned to these reserves.
- We would also like to emphasise that personnel expenses rose from 70.0 million Meticaïs in 2008 to 84.4 million Meticaïs, its share in the Seguradora's administrative costs rising from 56.7% in 2008 to 58.4% in 2009.
- The combined effect of improvements in the Technical Margin and efforts to contain the growth of operating costs resulted in a positive net income of 202.3 million Meticaïs in 2009 compared to a positive income of 178.8 million Meticaïs in 2008, i.e. a rise of 13.2%.

The Audit Committee also studied the Management and Accounts Report for 2008, and the Financial Statements audited by the External Auditor and its opinion that show the following:

- that the Balance Sheet of Seguradora Internacional de Moçambique, S.A., on 31st December 2009 is a correct reflection of its financial situation;
- that the Income Statement reflects the results of activity by Seguradora Internacional de Moçambique, S.A. in the financial year; i.e. a profit of 202,289.0 thousand Meticaïs.

Based on its examination and the information obtained, the Audit Committee:

- is of the opinion that the Balance Sheet and Income Statement meet the statutory requirements and agrees with the value criteria adopted, reflecting, in our opinion, the Company's financial situation as of 31st December 2009 and the result of its activity during the 2009 financial year;
- is of the opinion that the Annual General Meeting:
 - should approve the Management Report of the Board of Directors and the Financial Statements of Seguradora Internacional de Moçambique, S.A. for the financial year ended 31st December 2008;

- should approve the proposed Distribution of Results amounting to 202,288,824.93 Meticaís, as follows:

– Legal Reserve	2.8%	5,642,530.78 Meticaís
– Free Reserves	72.2%	146,074,088.15 Meticaís
– Dividends	25.0%	50,572,206.00 Meticaís

- should congratulate the Management and Employees of Seguradora Internacional de Moçambique, S.A. for their performance in the 2008 financial year.

Maputo, 18th February 2010

The Audit Committee

António de Almeida – Chairman

Subhaschandra M. Bhatt – Member

Daniel Filipe Gabriel Tembe – Member

Maria Iolanda Wane – Substitute Member

Annual Report 2009
Seguradora Internacional de Moçambique, S.A.

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Share Capital:
MZN 147,500,000

Public deed registered
in the Maputo Comercial
Registry, with the unique registry number 10735



