2011 Annual Report
SEGURADORA INTERNACIONAL DE MOÇAMBIQUE

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The Seguradora Internacional de Moçambique, S. A. Annual Report is prepared in Portuguese. This is a translated version and should there be any doubt the Portuguese version must be consulted.

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Mário Fernandes da Graça Machungo
Chairman of the Board of Directors

MESSAGE OF THE CHAIRMAN

The global economy recorded a growth rate of around 4%, in spite of the economic and financial crisis which has engulfed the more developed western countries, greatly influenced by the robust growth of China (9.5%) and other emerging countries, in particular India and Brazil.

Europe presents two different realities where some countries of the single currency, namely Portugal, Spain, Ireland and Italy, face recessive austerity measures arising from the sovereign debt crisis, as well as high unemployment levels; the other countries of the European Union, led by Germany and France show more encouraging prospects, albeit with threats of downgrades in sovereign rating as a consequence of the risk of the Euro Zone.

The Sub-Saharan countries recorded notable growth rates, with Mozambique having been one of the countries with an above average growth rate, which stood at 7.5%. These dynamics arise not only from the latent effects of the economic policy measures to stimulate demand, sometimes counteracted by decisions dampening growth, but also from the restrictive monetary policies and the reorientation of exports to Asia, whose growth shows a positive correlation with the demand for commodities. Moreover, this situation has been beneficial to the transport and communication sectors, especially in the corridors that Mozambique offers to its neighbouring countries. In line with this evolution, the country has received considerable volumes of Direct Foreign Investment in the sector of energy resources, namely, coal and gas, where a structural change of the economy over the next decade is envisaged.

Regarding the insurance business in Mozambique, we are pleased to record the review of the legal instruments which regulate the activity and have led to the constitution of a new supervisory body, the Insurance Supervision Institute of Mozambique, as well as the law which lays down the Legal System for Insurance and the respective regulations, redefining fundamental rules for the establishment and operation of the different agents of the market, which will enable strengthening transparency in the exercise of an activity of vital importance for the national economy.

On the other hand, the adoption in 2011 of the new IFRS-based Accounts Plan for entities qualified to exercise the Insurance Activity has imposed a substantial alteration to the accounting criteria, procedures and information systems, using rules based on the International Financial Reporting Standards. The intention was to boost a qualitative leap in national financial reporting, as well as to enable the comparability and internationalisation of Mozambican Insurers.

The positive factors referred to above, both in terms of the economy and the national insurance market, combined with the appropriate and timely strategies and management measures that have been implemented by the Company have enabled the achievement of excellent results in terms of Processed Revenue, Net Income and other indicators such as those for solvency, profitability and efficiency. Indeed, *Seguradora Internacional de Moçambique* recorded in 2011, as compared with 2010, an increase of processed revenue of the order of 10.5%, with net income having reached the value of 396 million Meticais, which corresponded to growth of 60%.

The solvency levels of the Company continue to show stable behaviour, with coverage rate of approximately 329.9% in 2011, which confirms the prudence and careful management of the business, in an activity based on the randomness of risk.

We are certain that the next few years in Mozambique will be characterised by continuous economic growth and major challenges in terms of companies competitiveness, particularly in the financial sector, which includes insurance activity. The focus on modernisation and innovation will certainly be fundamental in this approaching new stage. People will play a central role in this process, which is why the focus on the training of our Employees will continue to be privileged. By the end of 2011 we had successfully completed the parameterisation and migration of all the Life and Non-Life insurance products to the new computer system. There is no doubt that this will be an important tool in the strategy we wish to pursue.

To the Shareholders, I would like to express my gratitude for the trust and confidence shown in the Company and its management, providing it with conditions of stability and growth, essential elements in the configuration of the success that has been achieved.

To the Government Entities and Supervisory and Inspection Bodies, a word of acknowledgement for their usual cooperation and the confidence entrusted.

To our Customers, a profound recognition for their preference and trust, reaffirming the purpose of *Seguradora Internacional de Moçambique* to continuously improve its service levels in order to offer the best service and maintain its leadership in the Mozambican insurance market.

To the Employees, who comprise the principal asset of the Company, a special word of appreciation is due for their demonstration of exemplary professionalism and dedication, in such a highly competitive market environment. This attitude is the best guarantee that *Seguradora Internacional de Moçambique* is not only able to meet its responsibilities but will also rise to the enormous challenges that the future will bring.

Mário Fernandes da Graça Machungo
Chairman of the Board of Directors


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SUMMARY OF INDICATORS

Million MZN

Business Indicators	'11	'10	VAR. % '11/10
Income Statement			
Direct Insurance Premiums	1,346	1,218	10.5%
Non-Life	964	842	14.6%
Life	382	376	1.3%
Technical margin	694	551	26.0%
Net income	396	248	59.5%
Balance sheet			
Equity	1,241	971	27.8%
Total assets	4,849	3,764	28.8%
Investments	4,366	3,436	27.0%
Ratios			
Efficiency			
1 – Non-Life claims ratio, net of reinsurance	31.4%	36.8%	-5.4p.p.
2 – Non-Life costs ratio, net of reinsurance	29.3%	31.5%	-2.2p.p.
3 – Non-Life combined ratio, net of reinsurance	60.7%	68.3%	-7.6p.p.
4 – Life net operating costs/Life investments	0.4%	0.5%	-0.1p.p..
Profitability			
1 – Technical earnings/Premium revenue	51.6%	45.2%	+6.4p.p.
Non-Life	60.4%	56.0%	+4.4p.p.
Life	29.3%	21.0%	+8.3p.p.
2 – Return on Average Equity (ROE)	31.9%	25.6%	+6.3p.p.
Solvency			
1 – Solvency ratio	329.9%	352.9%	-23.0p.p.
2 – Equity/Total Assets	25.6%	25.8%	-0.2p.p.
3 – Coverage of the technical provisions	125.4%	128.5%	-3.1p.p.
Other Indicators			
Market Share	n.d.	31%	-
Number of Employees	147	138	5.3%

SHAREHOLDER STRUCTURE

MZN

Shareholders	Number of shares	% do capital	Paid-up share 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, E. P.	30,716	2.0824%	3,071,600
Other	1,268	0.0840%	126,800
Total	1,475,000	100.0000%	147,500,000

GOVERNING BODIES

BOARD OF THE GENERAL MEETING

CHAIRMAN: Mamudo Ibraimo
DEPUTY CHAIRMAN: Narciso Matos
SECRETARY: José da Cunha de Mello

BOARD OF DIRECTORS

CHAIRMAN: Mário Fernandes da Graça Machungo
DIRECTOR: Rui Manuel Teles R. Pinho de Oliveira
DIRECTOR: João Manuel Rodrigues T. da Cunha Martins
DIRECTOR: Rui Jorge Lourenço Fernandes
DIRECTOR: Inocêncio António Matavel

BOARD OF DIRECTORS

CHAIRMAN: António de Almeida
MEMBER: Daniel Filipe Gabriel Tembe
MEMBER: Eulália Mário Madime
ALTERNATE MEMBER: Maria Iolanda Wane

REPORT OF THE BOARD OF DIRECTORS

With the completion of the financial year of 2011, the Board of Directors of *Seguradora Internacional de Moçambique, S.A.* has the pleasure to present the Shareholders with the Annual Report for the year ended on 31 December 2011, which were audited by PricewaterhouseCoopers, Lda.

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ECONOMIC AND FINANCIAL ENVIRONMENT

WORLD ECONOMY

The global economy recorded a growth rate of the order of 4.0% in 2011 (5.1% in 2010), on a path which reflects the recovery from the crisis of 2009 (-0.7%), in a context characteristic of a new international economic order: one third of global Gross Domestic Product (GDP) came from the emerging economies, which accounted for two thirds of global growth. In this context, the following topics should be highlighted for 2011:

- Slower growth in the more developed countries of the West and which have felt the effects of the economic and financial crisis more acutely. In this group in particular is the United States of America (USA) with estimated growth of 1.6% in 2011 (3.1% in 2010), although with unemployment standing at 9.1%, combined with the political stalemate in terms of fiscal consolidation, a weak real estate market, decreased consumption and deterioration of the conditions of financial markets. The growth of unemployment is unfavourable to the process of recovery of family balances, which is confirmed by the delay in the transition of demand drivers, in the replacement of the public sector (fiscal stimulus) by private consumption.

- In contrast, the emerging countries recorded robust growth, especially China with growth estimated at 9.5%. For the group of emerging countries and in view of the slow growth in Europe and the USA, the key challenge is to boost re-equilibrium through a transition of growth based on exports to growth driven by domestic demand. The countries of Latin America have pursued a successful agenda in this context in comparison with the economies of Asia. However, it should be noted that the increased demand in the economies of Latin America arise from expansionary fiscal and monetary policies, which will require, over the next coming years, the containment of the deficit and withdrawal of these expansionary policies in view of the consequent and looming spectre of inflation. Countries such as China, on the other hand, continue to dedicate efforts towards the restructuring of the domestic economy: (i) through increased family income and demand; (ii) through fiscal stimulus and monetary expansion and (iii) through the restructuring of markets aimed at improving the capacity of absorption of capital flows. These actions endow the economy with greater capability to resist the shocks derived from the more developed economies.

- Dampening effects and with negative impact on the confidence of investors: (i) the revolution in North Africa and its propagation to the Middle East; (ii) the tsunami in Japan and its consequences on the automobile sector in what had been, up to this point, the second largest economy of the world and (iii) the sovereign debt crisis in the Euro Zone, combined with the recessive measures associated to fiscal austerity packages.

The outlook for 2012 indicates that the global economy will show lower growth of 3.25% (4.0% in 2011) influenced negatively by a recession of the Euro Zone (-0.5%) and by the anaemic rate of growth of the more developed economies (1.2%), in spite of the robust growth of the emerging and developing economies (5.4%), in particular of China with a figure of 8.2%. The risks in the global growth scenario arise from the weaknesses of the financial system of the Euro Zone and impacts of the fiscal consolidation measures on the economy. Various challenges will be faced during 2012, especially the following: (i) the containment of the sovereign debt crisis in the peripheral countries of Europe; (ii) the balance between fiscal consolidation in the medium term and support to growth in the USA and (iii) the reduction of the volatility of the financial markets.

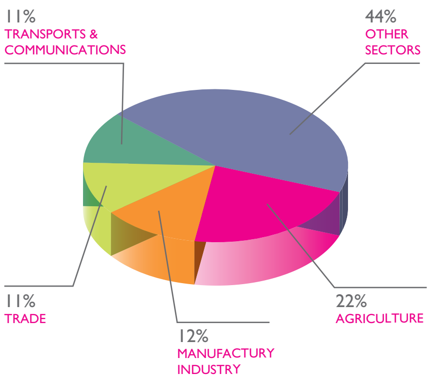
MOZAMBIQUE

PRODUCTION AND PRICES

It is estimated that during 2011 GDP recorded a real growth rate of the order of 7.5%. This growth reflects the intensity of the activities of a series of extremely large scale projects in the mining sector, accompanied by investments in the transport, communications and tourism sectors in addition to public investment. Indeed, the signs of recovery of the global economy since the last quarter of 2010, as well as the reorientation of traditional exports to the emerging countries of Asia and Brazil, have led to greater buoyancy in the export sector, creating more solid foundations in the confidence of Direct Foreign Investment in the mining, agro-processing and tourism sectors. At the same time, the programme to combat poverty has been reflected in public investments in basic infrastructures related to rural electrification, roads and water supply.

Regarding the more recent growth, and according to the preliminary estimates of the National Statistics Institute (INE), the growth of GDP during the 3rd quarter of 2011 was 6.7% (y/y) [1], representing an acceleration of the economy by 1.0% in relation to the 2nd quarter (5.7%). In accumulated terms, the growth of the 1st semester stood at 7.4% (y/y). The main sectorial drivers of this growth were transport and communications, which recorded a rate of 8.5% for the semester, followed by agriculture and trade with 7.8%, and of a certain importance, fisheries and restaurant services which recorded 6.1%. The agricultural sector continues to show great weight in the overall figures, representing 22% of GDP for the 3rd quarter, followed by the manufacturing industry sector (12%), trade and services (11%) and transport and communications (11%).

CONTRIBUTION OF THE SECTORS IN GDP
(3rd quarter 2011)



Source: INE.

The general evolution of prices showed a downward trend during 2011, reflecting the base effects year-on-year. The results obtained in this context arise from anti-inflationary measures, reflected in three cycles of monetary restraint: the monetary authorities increased the reference rate of 11.0% to 15.50% and later to 16.5% [2]. These measures aimed at tightening money supply, supplemented by the decision to intervene in the foreign exchange market, clearly took effect, with inflation having fallen to 17.4% in December 2010 to 6.1% in December 2011, and over the same period, the Metical appreciated in relation to the US Dollar and South African Rand. With the achievement of this successful outcome, the Central Bank reduced the reference rate [3] over two cycles from 16.5% to the current 15.0%.

MACROECONOMIC INDICATORS

	'05	'06	'07	'08	'09	'10	'11 E
Real GDP (annual change)	6.2%	8%	7.50%	6.80%	6.30%	7.20%	7.50%
Inflation (average change)	6.4%	13%	8.2%	10.3%	3.4%	12.7%	8.4%
Money supply (annual change)	22.0%	20.9%	25.0%	26.0%	32.6%	22.8%	8.1%[(a)]
Current Transactions Balance (as % GDP)	-12.0%	-8.9%	-9.2%	-12.2%	-10.5%	-13.4%	-12.4%
Budgetary Balance (as % GDP)	-5.8%	-2.0%	-5.3%	-2.3%	-5.4%	-6.0%	-7.0%
MZN/USD exchange rate at the end of the period	23.06	25.97	23.82	25.50	29.2	32.8	28.0
MZN/USD exchange rate % change	22.0%	12.6%	-8.3%	7.1%	14.5%	12.3%	-14.6%
MZN/ZAR exchange rate at the end of the period	3.62	3.82	3.50	2.72	3.96	5.03	3.40
MZN/ZAR exchange rate % change	7.1%	11%	-8.4%	-22.3%	45.6%	27.0%	-32.4%

Notes:
E - estimates, except Exchange Rate (Mbim) and inflation (INE).
(a)- Government/IMF. Up to September 2011, the annual change was 3.9%, to stand at 13.8% after the adjustment of the currency conversion effect.

PUBLIC ACCOUNTS

Total revenue increased by 40% [4], due to factors reflected in the continued efforts of the Tax Authority of Mozambique, namely: (i) collection of values of previous years; (ii) dissemination and tax education actions which led to the expansion of the tax base; (iii) taxation of non-residents on income transfers abroad; (iv) inspection of rental contracts and (v) stronger efforts in the collection of Value Added Tax (VAT) and taxation of foreign trade transactions.

(1) Year-on-year change
(2) The compulsory reserve rate increased over the same period from 8.00% to 8.75%.
(3) Permanent Credit Facility (FPC).
(4) Weight of 31.3% of Fiscal Revenue, with corporate income tax (IRPC 35%), tax on goods and services (50%), tax on foreign trade (10%) and other taxes (4.3%).

Total expenditure increased year-on-year by 36%, led by staff costs (24.7%), which reflects the introduction of a location grant and increase in the number of civil servants, costs related to debt, in the context of the payment of compensation to fuel stations and increased interest on external debt (47.1%), as well as the 35% increase in investment expenditure.

It should be highlighted that the primary balance stood at 8,571 million Meticais, approximately 2.3% of GDP, representing a nominal increase of 35.1%, year-on-year during the 2nd semester of 2011. The overall deficit before donations increased by 30% (5.7% of GDP) due to the positive variation of investment expenditure of 35%. Regarding budget financing, internal revenue covered 64.3% of total expenditure, with the rest having been financed by unilateral transfers (32.8%) and net external loans (6.3%).

EXTERNAL BALANCE

For the 2nd semester of 2011, the current transactions balance recorded a deficit of USD 638 million, which, compared with the same period of the previous year, shows a deterioration of the position of the external accounts by approximately 26%. This situation is based on the decline of the trade balance which, in spite of the increased exports (21%), suffered from the dampening effects arising from the import of energy and food products, as well as equipment goods associated to the Director Foreign Investment in the capital intensive industries related to mining. At the same time and in the same direction, particular note should be made of the negative effect of the increased payments of services in net terms to non-residents [5].

Unilateral transfers increased by approximately 57%, reflected in the relief of the trade and service balance deficit by a total of USD 659 million, of which 84% was earmarked for the central government, aimed, partially, at flows to special programmes and sectors [6]. The financing of the current account deficit was supported by the entry of Direct Foreign Investment (USD 642 million), triple the value recorded for the same period of 2010, arising from the higher levels of confidence and expectations in relation to the investment climate in Africa, as well as the disbursement of external loans which stood at USD 315 million for the same period [7] (a decline of 50% year-on-year).

CURRENT TRANSACTIONS BALANCE

Million USD

	2010 S1	2011 S1
Export of goods	1,074.6	1,299.8
Import of goods	-1,732.0	-2,105.0
Exported services	316.6	423.9
Imported services	-544.4	-882.4
Remuneration of factors received	86.8	111.8
Remuneration of factors paid	-126.9	-145.1
Transfers from abroad	469.6	720.2
Transfers to abroad	-50.3	-61.3
Current transactions balance	-506.0	-638.1

Source: *Banco de Moçambique*.

(5) The service deficit increased from USD 228 million to USD 484 million.
(6) Health, energy, water, transport and communications.
(7) Projects (Programmes) which most benefited from the Central Government: water supply in Maputo, Beira port, rural electrification in various provinces.

OVERVIEW OF THE INSURANCE SECTOR IN MOZAMBIQUE

For the Insurance Activity in Mozambique, 2011 was a year of profound change in terms of its regulation.

Decree-Law number 1/2010 of 31 December approved the New Legal System for Insurance which introduced, as of 2011, significant amendments to the legislation in force on the matter and also created a new supervisory entity for the activity – the Insurance Supervision Institute of Mozambique.

Decree 30/2011 of 11 August also approved the Regulation of Access to the Exercise of Insurance Activity and Respective Mediation.

Regarding accounting information, Ministerial Diploma 222/2010 of 17 December also approved the New Plan of Accounts based on the IFRS, for the Insurance Activity and Pension Fund Holding Companies, which entered into force on 1 January 2011. The insurance market in Mozambique continues to show signs of robust growth and strong competitive dynamics. With the entry on the market of yet another national insurer, the number of insurers operating in the country has now risen to eight: *Seguradora Internacional de Moçambique*; Emose – Empresa Moçambicana de Seguros; Global Alliance CGSM Seguros; Hollard Moçambique Companhia de Seguros – Vida and Hollard Moçambique Companhia de Seguros – Não-Vida; MCS Moçambique Companhia de Seguros, Companhia de Seguros da África Austral and Real Companhia de Seguros.

Of the eight insurers operating in the country, *Seguradora Internacional de Moçambique*, Emose and Global Alliance cumulatively operate in the Life and Non-Life business, with Hollard-Vida only working in Life and the other four only working in Non-Life.

Apart from the insurers established in the country, a Reinsurer also operates the Non-Life business, being the only one established in the market, named MozRE – Moçambique.

The number of brokers operating in the country has also shown surprising growth which confirms the competitiveness and buoyancy of the insurance market.

According to the information disclosed by the Insurance Supervision Institute of Mozambique and the data published by the national insurers relative to 2010, the only details available at this particular time, we find that *Seguradora Internacional de Moçambique* maintained its leadership in the sector.

Hence, *Seguradora Internacional de Moçambique* continued as market leader in 2010, with an overall share of 31%, followed by Emose with 25% and Global Alliance with 21%. *Seguradora Internacional de Moçambique* was also leader in the Non-Life business with a market share of 25.4% and in Life with 59.2%.

During 2010, the insurer sector recorded, in its activity in Mozambique, a value of 3,945 million Meticais of direct insurance premiums, corresponding to a growth rate of 42.2% in relation to the previous year.

In terms of processed revenue, the Non-Life business showed a growth rate of 35% and Life a strong growth of 97%.

DIRECT INSURANCE PREMIUMS – MOZAMBIQUE

Million MZN

Business	'10	'09	VAR. %
Life	636	323	97.0%
Non-Life	3,309	2,451	34.9%
Total	**3,945**	**2,774**	**42.2%**

Source: Insurance Supervision Institute of Mozambique (ISSM), November 2010.

In 2010, the Non-Life business represented 83.9% of the volume of total direct insurance premiums and Life the remaining 16.1%.

Particular note should be made of the fact that, in the composition of the Non-Life business portfolio, the Motor branch, in spite of continuing to account for high proportion in relation to the rest, reduced its participation, and now represents 35.2% of the premiums compared with 36.7% in the previous year. The business whose weight increased was Life which currently represents 16.1% of the overall portfolio of the market compared with 11.6% in the previous year.

Indicators	'10	'09
% Insurance Premiums in GDP	1.26%	1.03%
Premiums *per capita* (MZN)	171.1	121.2

The penetration rate of Insurance in GDP grew moderately in relation to 2009 from 1.03% to 1.26% in 2010. The premium *per capita* also grew from 121 Meticais to 171 Meticais, for a population of 23 million inhabitants.

Net Reinsurance claims in the Non-Life business stood at 41.7% compared with 57.9% for 2009. The highest claims rates were recorded in the Motor branch with 54.5% and in General Civil Liability with 52.8%.

Seguradora Internacional de Moçambique recorded one of the lowest claims rates of the national insurance market with 37.7%.

The net income of the insurance sector in 2010 showed significant growth, recording a total value of 527.7 million Meticais, with all the insurers operating in the market continuing to record positive results, except the insurer Real which had a negative performance. *Seguradora Internacional de Moçambique* contributed with 47.8% of total net income, followed by Emose with 19.0%, and Global Alliance and Hollard both with 14.0%.

The return on equity of the insurance sector stood at 16.3% in overall terms. *Seguradora Internacional de Moçambique*, Hollard and Austral achieved rates of return on equity above 25% while the rest achieved lower rates of return, 22.7% in the case of Global Alliance, 6.4% for Emose and 1.1% for MCS.

At the end of the financial year of 2010, the Mozambican insurance market reported total investments of 7,148.2 million Meticais, corresponding to a growth rate of 20.0% relative to the previous year. Investments represented 75.9% of the total assets held by the insurers.

Buildings recorded a decrease in their relative weight in total investments, having fallen from 44.5% in 2009 to approximately 36.6% in 2010.

The most important liabilities in the balance sheet of the insurers are the technical provisions. As at 31 December 2010, the insurers had constituted 4,070.4 million Meticais of net technical provisions, compared with the 7,148.2 million Meticais of investments in assets representing technical provisions, which corresponds to coverage of 175.6%. We also find that all insurers have assets which cover their technical provisions.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MAIN EVENTS OF 2011

In a highly competitive environment, *Seguradora Internacional de Moçambique* maintained its prudent and responsible management, having recorded, in 2011, a positive evolution in processed revenue, reaching the value of 1,346 million Meticais, which represents growth of 11% relative to 2010.

In this increase, the Non-Life business contributed with year-on-year growth of 15%, as a result of the entry of new business in the portfolio, in the Motor, Miscellaneous; Fire and Workman's Compensation products, to quote the most significant.

The commercial strategy followed during 2011 aimed to strengthen and stimulate the commercial actions at the IMPAR branches network, and was successful since not only did the network's profitability increase, but open two new branches, in Tete and Matola, important centres of economic and social development.

We also highlight the relations with the main brokers in the market, a network which has grown both in terms of number of companies and turnover.

On the other hand, IMPAR ensures very close monitoring of the process of selling insurance through cross-selling, maximising the competitive and comparative advantages of the Group's synergies, where great emphasis is given to the training of the Employees at all Millennium bim branches.

It was based on this strategy and in a favourable context of economic development of the country that the net income of *Seguradora Internacional de Moçambique* recorded growth of 59.5% relative to the previous year, reaching a value of 396 million Meticais.

The net collection in the period grew at a rate of 9.0%, during circumstances of notable difficulties. However, it is important to note that in spite of all the collection difficulties faced, the average period of collection stood at 22 days.

In terms of the information systems, we are very satisfied to report the completion of the parameterisation and migration of all Life and Non-Life products and their respective portfolios to the GIS Platform, which includes their accounting interconnection, the collection and payment process and the management of fixed assets.

During 2011, there was major focus on the readjustment of work processes, which implied the updating and introduction of new internal regulations and rules, aimed at establishing and regulating suitable internal control systems and redefining the functioning of various areas of the Company.

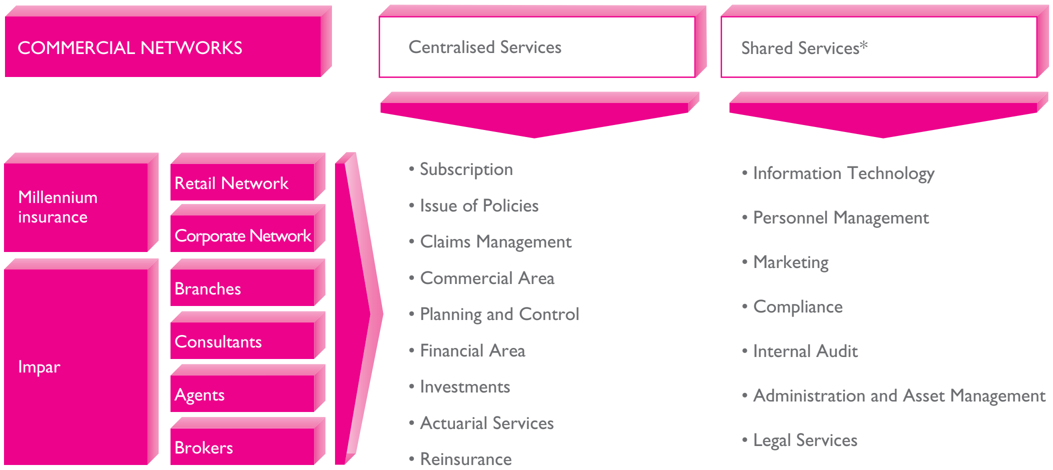
At the same time, special attention was given to the Employee training component, where we promote internal training cycles on basic level insurance at the IMPAR Network Branches.

With the support of our international partners, we ensure the participation of Employees in a long-distance learning technical insurance course in English and, both in the country and abroad, we encourage the participation of our Employees in technical engineering and reinsurance course.

Also during the year under analysis, as a result of the introduction of new instruments regulating insurance activity, *Seguradora Internacional de Moçambique*, together with another national insurer, promoted a seminar about the new legal system for insurance which was attended both by insurers and various local brokers.

With the support of External Consultants, IMPAR also ministered training to its Employees, concerning the application of the new Plan of Accounts Based on the IFRS, whose implementation was enormously successful.

ORGANISATIONAL STRUCTURE



(*) With Millennium bim

FINANCIAL REVIEW

In 2011, the overall value of the direct insurance premiums reached the figure of 1,346 million Meticais, which compares favourably with the 1,218 million Meticais of the previous year, representing growth of 10.5%. The Non-Life business contributed with 964 million Meticais and Life with 382 million Meticais to this evolution.

DIRECT INSURANCE PREMIUMS

Thousand MZN

Business	'11	'10	VAR. % '11/'10
Life	381,543	376,468	1.3%
Non-Life	964,199	841,637	14.6%
Total	1,345,742	1,218,105	10.5%

LIFE BUSINESS

DIRECT INSURANCE PREMIUMS

In the Life business we recorded a growth rate of 1.3%. This slight growth is explained by the fact that in December 2010, there was lower insufficiency in the actuarial valuation which was not counteracted by the level of salary growth in 2011.

The Life Risk products shows a growth rate of 1.6%, as a result of the impact of insurance related to bank credit which presented a slowdown in 2011 and is explained by the constraints experienced at the level of the entire banking sector in Mozambique.

Thousand MZN

Products	'11	'10	VAR. % '11/'10
Life Risk	154,164	151,734	1.6%
Life Capitalisation	80,593	82,889	-2.8%
Life Annuities	146,786	141,845	3.5%
Total	381,543	376,468	1.3%

TECHNICAL ANALYSIS

The technical margin of the Life business, before the imputation of administrative costs, stood at 112 million Meticais in 2011, showing growth of 41.2% relative to the 79 million Meticais recorded for the same period of the previous year, and representing 29.3% of the processed premiums.

TECHNICAL MARGIN

Thousand MZN

Products	'11	'10	VAR. % '11/'10
Life Risk	90,686	63,580	42.6%
Life Capitalisation	8,074	2,297	251.5%
Life Annuities	13,060	13,300	-1.8%
Total	111,820	79,177	41.2%

The Life Risk products accounted for 40.4% of the total volume of premiums of the Life business and represented 81.1% of its technical margin.

The technical yield of the Life Risk products presented a positive variation relative to 2010, having increased from 41.9% to 58.8% in December 2011, explained by the increased income of the technical reserves and maintenance of the technical costs.

NON-LIFE BUSINESS

DIRECT INSURANCE PREMIUMS

In the Non-Life business, the volume of direct insurance premiums recorded growth of 14.6% in 2011 relative to 2010, having reached the value of 964 million Meticais. The Motor, Miscellaneous, Fire and Workman's Compensation products contributed to this increase.

The Fire products recorded high growth of the order of 82%, explained by the issue of large scale insurance.

On the other hand, the Miscellaneous products showed a growth rate of 63.4%, explained by the insurance associated to the rehabilitation of roads, construction of the new bridge over the Zambezi and ship insurance.

We also highlight the growth of the Workman's Compensation portfolio with a growth rate of 23.1% compared with the same period of 2010 due to the contracting of new insurance and the timely updating of the vacation rolls.

The focus on stimulation of the IMPAR branches, which culminated with the opening of two new branches, enabled growth of the portfolio in this network of 14.9% relative to the previous year, also contributing to the increase the processed revenue.

NON-LIFE DIRECT INSURANCE PREMIUMS

Thousand MZN

Products	'11	'10	VAR. % '11/'10
Workman's Compensation	79,628	64,693	23.1%
Personal Accidents and Sickness	185,709	210,375	-11.7%
Fire and Natural Phenomena	143,437	78,790	82.0%
Motor	383,411	363,067	5.6%
Marine	11,831	14 761	-19.9%
Aviation	2,057	3,152	-34.7%
Transport	22,142	18,700	18.4%
General Civil Liability	21,515	18,054	19.2%
Miscellaneous	114,469	70,045	63.4%
Total	**964,199**	**841,637**	**14.6%**

TECHNICAL ANALYSIS

The costs related to Non-Life direct insurance claims reached 223 million Meticais, a reduction of approximately 15 million Meticais (6.2%) in relation to 2010.

The Non-Life claims rate, before the imputation of administrative costs, stood at 23.1%, a decrease of 5.1 percentage points relative to 2010, which is explained by the reduction of the provision for claims in the property branches.

The technical margin, before the imputation of administrative costs, reached 582 million Meticais, representing growth of 23.5% compared with 2010. This positive evolution was influenced by the growth of revenue, higher yield of investments, reduction of the provisions for unearned premiums (PPNAS) of direct insurance and reduction of indemnities net of reinsurance.

The Non-Life combined ratio, after imputation of administrative costs, stood at 60.7%, an improvement of 7.6 percentage points relative to 2010. This positive evolution arises from the reduction of the ratio of claims net of reinsurance by 5.4 percentage points and the decline of the general costs ratio by 2.2 percentage points.

NON-LIFE CLAIMS RATES

Products	'11	'10	VAR. % '11/'10
Workman's Compensation	17.5%	23.6%	-6.1p.p.
Personal Accidents and Sickness	13.0%	13.4%	-0.4p.p.
Fire and Natural Phenomena	38.2%	0.8%	37.4p.p.
Motor	42.8%	45.4%	-2.5p.p.
Marine	-22.0%	18.5%	-40.6p.p.
Aviation	-2.6%	1.1%	-3.7p.p.
Transport	0.6%	-3.6%	4.2p.p.
General Civil Liability	-4.8%	7.3%	-12.1p.p.
Miscellaneous	-26.7%	36.3%	-63.0p.p.
Total	**23.1%**	**28.3%**	**-5.1p.p.**

ADMINISTRATIVE COSTS

Administrative costs grew by 5.9%, standing at 187 million Meticais, which corresponds to 13.9% of the gross premiums issued.

Thousand MZN

Administrative Costs	'11	'10	VAR. % '11/'10
Staff Costs	115,769	110,649	4.6%
External Supplies and Services	66,458	68,965	-3.6%
Other Administrative Costs	4,395	2,562	71.5%
Total	**186,622**	**182,176**	**2.4 %**

Administrative costs increased by approximately 2.4 %, corresponding to 4.4 million Meticais, representing controlled growth considering the evolution of market prices and the adjustments made in terms of the total payroll.

NET INCOME

Net Income grew by 59.5%, corresponding to 396 million Meticais. This growth was influenced by the positive evolution of the business, particularly in terms of the returns on investments, the growth of revenue, the strict control of administrative costs and a controlled claims rate.

NEW BRIDGE OVER THE ZAMBEZI RIVER

RESIDENTIAL BUILDING WITH 14 FLOORS IN MAPUTO

NEW HOTEL IN TETE

PRIVATE HOSPITAL IN MAPUTO


M

REINSURANCE

A sequence of devastating earthquakes and a large number of disturbing events related to climate change made 2011 the year with the highest costs ever recorded, in terms of losses due to natural disasters.

Global economic losses were approximately two thirds higher than those of 2005, the previous record year when the losses stood around USD 220 billion.

Just the earthquakes of magnitude 6.3, in Christchurch, in New Zealand in February 2011 and in Tohoku, in Japan in March of the same year, accounted for almost two thirds of these losses.

The insured losses, of close to USD 105 billion, also exceeded the record of 2005 which stood at USD 101 billion.

According to the results disclosed by international reinsurers, a sequence of severe natural disasters such as those over the last few years is a very rare occurrence. However, the international insurance and reinsurance markets are prepared for extreme situations such as this.

Covering extreme losses is also a task of the insurance industry, in addition to helping society to deal with events of this nature.

Other major events were the floods in Thailand and violent tornados in the USA.

LARGEST NATURAL DISASTERS RECORDED IN 2011 AT A WORLDWIDE LEVEL

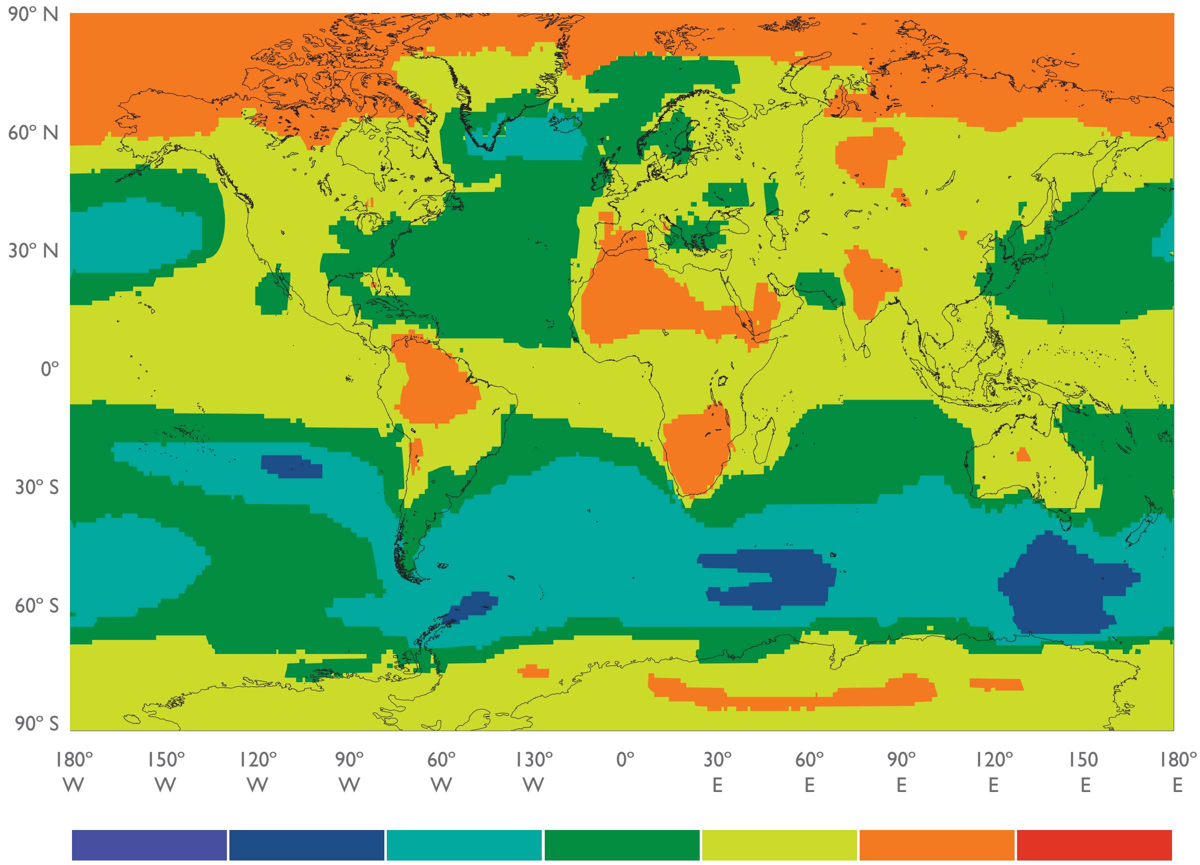
Date	Country/Region	Event	Human Losses	Economic Losses (US$m)	Insurance Losses (US$m)
11 March	Japan	Earthquake, tsunami	15,840	210,000	35,000 40,000
1 August to 15 November	Thailand	Floods and landslides	813	40,000	10,000
22 February	New Zealand	Earthquake	181	16,000	13,000
22-28 April	USA	Storms and severe tornados	350	15,000	7,300
22 August to 2 September	USA, Caribbean	Hurricane Irene	55	15,000	7,000

Mozambique is particularly exposed to the risk of natural disasters arising from climatic events. This means that many of the feats resulting from the economic development of Mozambique over the last 20 years may be at risk and, may be destroyed during this century, if the threats to the environment and the effects of climate change are not treated effectively.

The supranational organisations classify Mozambique as one of the most vulnerable countries in relation to natural disasters and to the effects of climate change.

PREDICTED CHANGE IN AVERAGE SURFACE AIR TEMPERATURE

1960-1990 to 2070-2100



Source: Centro Hadley

During 2011, the reinsurance policy of *Seguradora Internacional de Moçambique* did not undergo great change, and continued to maintain the criteria of prudence in risk management, seeking to ensure the placement of reinsurance with partners of international reputation and high ratings both in terms of the treaties and optional negotiation for large-scale and highly complex risks.

For 2012, the Company negotiated the renovation of the reinsurance programme, introducing changes which enable increasing subscription capacity in all risk categories and higher risk retention. The solidity of our equity, solvency levels and liquidity thus enables offering greater capacity and flexibility in negotiations with our Customers, in this way enhancing our competitiveness in the national market.

Company	Rating S&P
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
African Re	A-
Swiss Re	A+

INVESTMENT MANAGEMENT

As at 31 December 2011, the investment portfolio of *Seguradora Internacional de Moçambique* reached 4,366 million Meticais, having grown by 27.0% in relation to the previous year.

The average rate of return achieved stood at 13.9% compared with 11.5% of the previous year. This improvement was fundamentally due to the improvement of interest rates which was observed until the third quarter of 2011.

The growth of the investments is explained by the revaluation of properties, the positive evolution of collections which grew by 9% year-on-year and the careful management of financial flows.

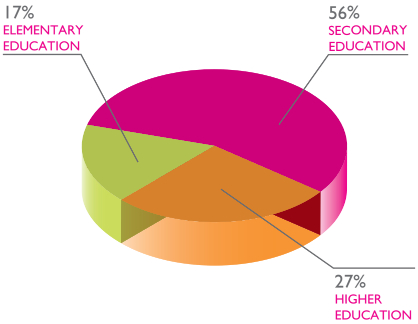
The major alteration observed in the value of properties is related to their revaluation made at the end of the year, where the positive impact recorded was of the order of 607.7 million Meticais, which implied the significant growth of our investments.

Thousand MZN

Investment Portfolio	'11	%	'10	%
Available for sale				
Short term public debt	1,593,994	62.5%	1,304,068	55.9%
Long term public debt	187,716	7.4%	422,184	18.1%
Bonds	550,968	21.6%	389,051	16.7%
Shares	217,979	8.5%	217,323	9.3%
Subtotal	**2,550,657**	**100.0%**	**2,332,626**	**100.0%**
Other				
Land and Buildings	1,377,142		769,486	
Term deposits	437,869		334,366	
Subtotal	**1,815,011**		**1,103,852**	
Total	**4,365,668**		**3,436,478**	

THE EMPLOYEES

ACADEMIC QUALIFICATIONS OF THE EMPLOYEES



Staff Management at the level of the Millennium bim Group, which includes *Seguradora Internacional de Moçambique*, has merited very special attention by the Group, due to the importance it embodies for the Group.

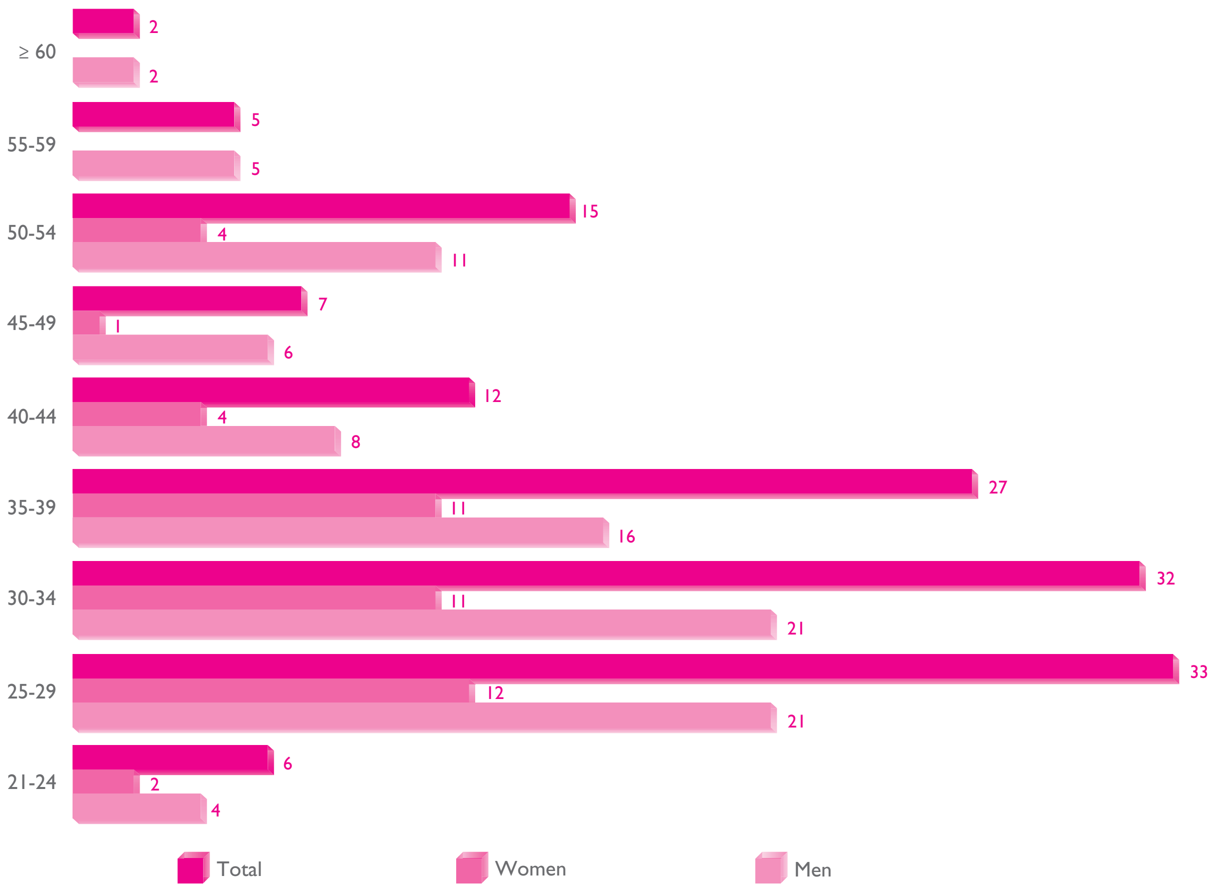
In this perspective, various actions were carried out during 2011, namely in the area of training, performance assessment and improvement of service quality, which focuses on knowledge, competence, responsibility, merit, valorisation and recognition.

Staff management is the responsibility of the direct hierarchy. All Senior Staff are directly responsible, namely, for the training, attribution of duties, counselling and assessment of performance and for the decisions underlying the career progression and remuneration of the Employees who report to them.

All Employees are provided with suitable training for the effective performance of their duties, while at the same time, promoting an awareness and attitude that the actual Employees should adopt, as well as the responsibility for their own training, namely through endorsing an attitude of continuous learning.

Seguradora Internacional de Moçambique completed the financial year of 2011 with 147 Employees, with an average age of 37 years old, with 67.2% being men and 32.8% being women.

DISTRIBUTION OF EMPLOYEES BY AGE AND GENDER



OUTLOOK FOR 2012

For 2012, we forecast growth of revenue on 9% and increase on net income on 20%.

IMPAR will continue to focus on and stimulate the growth of the activities of our branch network, assessing new needs in the main development centres of the country, ensuring high service levels.

IMPAR will strengthen our commercial relations with brokers, ensuring prompt answers to their requests, seeking to meet the needs and requirements of our Customers, but always attentive to risk and profitability levels.

IMPAR will dedicate particular attention to the automation of the technical and accounting processes and treatment of management information, using the facilities enabled by the new GIS system, as well as the development of new parallel applications, aimed at increasingly stronger competitiveness in the Mozambican insurance market.

The management and internal control processes will merit continuous and intensified attention, which will imply the preparation and change of internal rules and procedures so as to enable ensuring better quality information, foreseeing any possible situations of fraud, error and omission in data processing.

The adaptation of the technical, commercial and financial documentation, in view of the New Legal System for Insurance and respective regulations, will also be a IMPAR priority during 2012.

We will proceed with the restructuring and reorganisation of the technical and information management areas, which will justify their strengthening with Employees with suitable training and professional experience, a key factor for success in the implementation of these measures.

PROPOSAL ON THE APPLICATION OF PROFIT

The net income after tax of *Seguradora Internacional de Moçambique* for the financial year ended on 31 December 2011 was 396,053,660.21 Meticais.

Pursuant to the terms of line a) of article 36 of Decree-Law 1/2010 which regulates the insurance activity, the Board of Directors of Seguradora Internacional proposes that the net income for 2011 should be applied as follows:

Meticais

	%	
Free reserves	38.8%	153,665,816.21
Dividends	58.2%	230,498,724.00
Retained earnings	3.0%	11,889,120.00

The Legal Reserve of *Seguradora Internacional de Moçambique* has already reached the minimum value of the share capital required by insurers pursuant to the terms of number 1 of article 36 of subparagraph a) of Decree-Law 1/2010 of 31 December.

In 2011, a Potential Capital Gain was recorded, arising from the revaluation of the properties allocated to the Life Risk products without profit-sharing, which pursuant to the IFRS generated a positive net income to the value of 11,889,120.00 Meticais, which is maintained in retained earnings.

ACKNOWLEDGEMENTS

The Board of Directors would like to express its gratitude to all the entities which have supported our company in the development of its activity over the financial year under analysis, namely:

- To the Ministry of Finance and the Insurance Supervision Institute of Mozambique, for their special monitoring of the Sector and attention given to the various issues presented;
- To our Customers, for the preference with which they have distinguished IMPAR and for their ongoing stimulus to the improvement of the quality of service;
- To the Reinsurers, Brokers and Agents, for their continuous support and for the trust with which they honour the Company;
- To the Shareholders, for their support, confidence and interest that has always been shown in their regular follow-up of the development of the business.
- To the Board of the General Meeting and Board of Auditors, for their interest, availability and dedication that has always been present in their supervision and control of the activity of the Company.

Finally, we would like to thank all our Employees who, with professionalism, dedication and competence, continue to be unsurpassable in their efforts to deserve the trust of our Customers, to enable us to continue to be leaders and, for their decisive contribution to the results that have been achieved.

Maputo, 20 February 2012

The Board of Directors

Mário Fernandes da Graça Machungo, Chairman
Rui Manuel Teles Raposo Pinho de Oliveira, Director
João Manuel Rodrigues T. da Cunha Martins, Director
Rui Jorge Lourenço Fernandes, Director
Inocêncio Matavel, Director

FINANCIAL STATEMENTS

for the year ended 31 de December 2011

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42 Cash flow Statement

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

PROFIT AND LOSS ACCOUNT

for the year ended on 31 December 2011

MZN

		2011				2010
Notes	Profit and loss account	Technical account Life Business	Technical account Non-Life Business	Non-technical account	Total	
3 i); 6	**Earned premiums, net of reinsurance**	**358,280,080**	**696,432,723**	**0**	**1,054,712,803**	**982,005,484**
	Gross premiums issued	381,543,308	964,199,018	0	1,345,742,326	1,218,105,104
	Assigned reinsurance premiums	-23,263,227	-225,535,088	0	-248,798,315	-152,052,899
	Provision for unearned premiums (variation)	0	-64,671,654	0	-64,671,654	-95,484,006
	Provision for unearned premiums, part of the reinsurers (variation)	0	22,440,447	0	22,440,447	11,437,285
	Fees of insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	0	0	0	0	0
7	**Cost of claims, net of reinsurance**	**-226,213,312**	**-228,843,464**	**0**	**-455,056,775**	**-390,294,589**
	Values paid	-222,795,329	-202,171,078	0	-424,966,407	-355,794,250
	Gross values	-228,090,159	-245,453,488	0	-473,543,647	-359,462,103
	Part of the reinsurers	5,294,830	43,282,410	0	48,577,240	3,667,854
	Provision for claims (variation)	-3,417,983	-26,672,386	0	-30,090,368	-34,500,340
	Gross value	-3,490,549	5,306,507	0	1,815,957	-37,691,739
	Part of the reinsurers	72,566	-31,978,892	0	-31,906,326	3,191,400
8	**Other technical provisions, net of reinsurance**	**0**	**-294,079**	**0**	**-294,079**	**-491,323**
9	**Life business mathematical provisions, net of reinsurance**	**-120,703,762**	**0**	**0**	**-120,703,762**	**-189,771,458**
	Gross value	-120,983,371	0	0	-120,983,371	-189,700,712
	Part of the reinsurers	279,609	0	0	279,609	-70,746
10	**Profit-sharing, net of reinsurance**	**-733,981,970**	**-27,881,455**	**0**	**-761,863,425**	**-111,638,875**
3 i); 11	**Net operating costs**	**-63,932,624**	**-164,444,567**	**0**	**-228,377,191**	**-226,564,820**
	Acquisition cost	-29,501,553	-74,784,108	0	-104,285,661	-101,321,963
	Deferred acquisition costs (variation)	0	4,881,088	0	4,881,088	837,548
	Administrative costs	-44,740,613	-117,726,677	0	-162,467,291	-157,981,409
	Fees and sharing of reinsurance profit	10,309,543	23,185,130	0	33,494,673	31,901,004
3 e);12	**Income**	**240,918,464**	**180,934,884**	**35,982,866**	**457,836,215**	**305,580,988**
	Interest of financial assets not stated at fair value through profit or loss	147,907,142	179,997,207	35,982,866	363,887,215	211,968,826
	Interest of financial liabilities not stated at fair value through profit or loss	0	0	0	0	0
	Other	93,011,322	937,677		93,949,000	93,612,162

continue

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

PROFIT AND LOSS ACCOUNT

for the year ended on 31 December 2011

continuation

MZN

		2011				2010
Notes	Profit and loss account	Technical account Life Business	Technical account Non-Life Business	Non-technical account	Total	
13	Financial costs	0	-3,321,101	0	-3,321,101	-1,808,800
	Interest of assets not stated at fair value through profit or loss	0	0	0	0	0
	Interest of financial liabilities not stated at fair value through profit or loss	0	0	0	0	0
	Other	0	-3,321,101	0	-3,321,101	-1,808,800
	Net gains of financial assets and liabilities not stated at fair value through profit or loss	0	0	0	0	0
	Assets available for sale	0	0	0	0	0
	Loans and accounts receivable	0	0	0	0	0
	Investments held to maturity	0	0	0	0	0
	Financial liabilities stated at amortised cost	0	0	0	0	0
	Other	0	0	0	0	0
	Net gains of financial assets and liabilities stated at fair value through profit or loss	0	0	0	0	0
14	Net gains of financial assets and liabilities held for trading	3,538,658	0	0	3,538,658	953,010
	Net gains of financial assets and liabilities in the initial recognition at fair value through profit or loss	0	0	0	0	0
15	Foreign exchange differences	-6,202,738	-1,379,215	-2,077,161	-9,659,114	-1,555,988
16	Net gains of non-financial assets not classified as non-current assets held for sale and discontinued operating units	607,283,080	0	0	607,283,080	0
	Impairment losses (net of reversal)	0	0	0	0	0
	Assets available for sale	0	0	0	0	0
	Loans and accounts receivable stated at amortised cost	0	0	0	0	0
	Investments held to maturity	0	0	0	0	0
	Other technical income/costs, net of reinsurance	3,001	19,805	0	22,805	0
17	Other provisions (variation)	500,855	-3,318,593	0	-2,817,738	-4,062,227
18	Other income/costs	0	0	2,734,637	2,734,637	4,165,141
	Negative goodwill recognised immediately through gains and losses	0	0	0	0	0
	Gains and losses of associates and joint ventures valued through the equity method	0	0	0	0	0
	Gains and losses of non-current assets (or groups for disposal) classified as held for sale	0	0	0	0	0
	Pre-tax profit	59,489,733	447,904,939	36,640,342	544,035,014	366,516,543
3 m); 29	Income tax for the year – current tax	-15,569,831	-117,227,022	-9,589,620	-142,386,474	-118,220,007
3 m); 29	Income tax for the year – deferred tax	-5,594,880	0	0	-5,594,880	0
34	Net income for the year	38,325,022	330,677,916	27,050,722	396,053,660	248,296,535

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

INTEGRAL INCOME STATEMENT

for the year ended on 31 December 2011

MZN

Notes	Comprehensive Income Statement	2011				2010			
		Technical Life	Technical Non-Life	Non--technical	Total	Technical Life	Technical Non-Life	Non--technical	Total
34	Net income for the year	38,325,022	330,677,916	27,050,722	396,053,660	23,161,753	223,764,971	1,369,811	248,296,535
	Other comprehensive income for the year	-94,312	169,607	-	75,295	-10,548	288,209	-	277,662
22, 34	Financial assets available for sale	-138,694	249,422	-	110,728	-15,512	423,837	-	408,325
22, 34	Taxes	44,382	-79,815	-	-35,433	4,964	-135,628	-	-130,663
	Total comprehensive income, net of tax	38.230.710	330.847.523	27.050.722	396.128.955	23.151.205	224.053.180	1.369.811	248.574.197

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

BALANCE SHEET

for the year ended on 31 December 2011

MZN

Notes	Balance sheet	2011 Gross value	2011 Impairment, depreciation/ amortisation or adjustments	2011 Net value	2010
	Assets				
3 a); 20	Cash and equivalent and demand deposits	87,342,492		87,342,492	50,506,874
3 b); 21	Investments in subsidiaries, associates and joint ventures	211,350,850		211,350,850	211,350,850
	Financial assets held for trading	-		-	-
	Financial assets classified initially at fair value through profit or loss	-		-	-
3 c); 22	Assets available for sale	2,339,306,356		2,339,306,356	2,121,275,651
	Loans and accounts receivable	385,659,660		385,659,660	308,674,498
3 c); 23	Deposits with ceding undertakings	-		-	-
	Other deposits	385,659,645		385,659,645	308,674,498
	Loans granted	-		-	-
	Accounts receivable	-		-	-
	Other	15		15	-
	Investments held to maturity	-		-	-
	Buildings	1,377,141,725		1,377,141,725	769,485,905
	Buildings for own use	-		-	-
3 f); 24	Income-generating buildings	1,377,141,725		1,377,141,725	769,485,905
3 g); 25	Other tangible assets	59,308,018	28,701,794	30,606,224	21,947,284
25	Inventories	1,598,369		1,598,369	1,761,851
	Goodwill	-		-	-
3 h); 26	Other intangible assets	42,316,830	23,654,706	18,662,124	21,559,766
3 i); 27	Assigned reinsurance technical provisions	110,523,092		110,523,092	150,216,893
	Provision for unearned premiums	47,639,268		47,639,268	34,152,656
	Mathematical provision of the Life business	151,266		151,266	143,510
	Provision for claims	62,732,558		62,732,558	115,920,727
	Provision for profit-sharing	-		-	-
	Other technical provisions	-		-	-
	Assets due to retirement benefits and other long term benefits	-		-	-
28	Other receivables due to insurance and other operations	109,622,634	20,573,261	89,049,374	69,043,235
	Accounts receivable due to direct insurance operations	96,830,830	20,573,261	76,257,569	63,437,431
	Accounts receivable due to other reinsurance operations	10,687,645		10,687,645	3,587,534
	Accounts receivable due to other operations	2,104,160		2,104,160	2,018,270
3 m); 29	Tax assets	2,603,638		2,603,638	2,506,836
	Current tax assets	96,803		96,803	-
	Deferred tax assets	2,506,836		2,506,836	2,506,836
30	Accruals and deferrals	195,190,218		195,190,218	36,055,432
	Other asset items	-		-	-
	Non-current assets held for sale and discontinued operational units	-		-	-
	Total Assets	**4,921,963,881**	**72,929,761**	**4,849,034,120**	**3,764,385,073**

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

BALANCE SHEET

for the year ended on 31 December 2011

MZN

Notes	Balance Sheet	2011	2010
	Liabilities		
3 i); 27	Technical provisions	3,424,334,767	2,655,232,709
	Provision for unearned premiums	465,001,029	416,840,300
	Mathematical provision of the Life business	1,942,592,101	1,852,570,137
	Provision for claims	323,910,030	335,082,973
	Life branch	23,055,559	20,065,372
	Workman's compensation and occupational diseases	51,337,894	43,208,770
	Other branches	249,516,577	271,808,831
	Provision for profit-sharing	689,138,781	47,340,554
	Provisions for claims rate deviations	3,692,825	3,398,746
	Provisions for risks underway	-	-
	Other technical provisions	-	-
	Financial liabilities of the component of deposit of insurance contracts and operations considered for accounting purposes as investment contracts	-	-
	Other financial liabilities	-	4,417,476
	Subordinated debt	-	-
	Deposits received from reinsurers	-	-
31	Other	-	4,417,476
3 l); 32	Liabilities due to retirement benefits and other long term benefits	7,115,258	9,268,073
33	Other payables due to insurance and other operations	76,228,644	71,951,667
	Accounts payable due to direct insurance operations	34,686,994	22,350,797
	Accounts payable due to other reinsurance operations	17,869,803	9,864,951
	Accounts payable due to other operations	23,671,847	39,735,919
3 m); 29	Tax liabilities	60,019,445	16,974,458
	Current tax liabilities	41,778,060	4,363,387
	Deferred tax liabilities	18,241,385	12,611,071
30	Accruals and deferrals	40,361,336	35,590,856
3 n)	Other provisions	406,442	406,442
	Other liabilities	-	-
	Liabilities of a group for disposal classified as held for sale	-	-
	Total Liabilities	**3,608,465,892**	**2,793,841,681**

continues

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

BALANCE SHEET

for the year ended on 31 December 2011

continuation

MZN

Notes	Balance	2011	2010
	Equity		
3 o); 34	Share Capital	147,500,000	147,500,000
	(treasury shares)	-	-
	Other equity instruments	-	-
	Revaluation reserves	2,054,271	1,943,542
34	Due to readjustments in the fair value of financial assets	2,054,271	1,943,542
	Due to revaluation of buildings for own use	-	-
	Due to revaluation of intangible assets	-	-
	Due to revaluation of other tangible assets	-	-
	Due to foreign exchange differences	-	-
34	Deferred tax reserve	-657,367	-621,933
34	Other reserves	695,617,665	593,730,477
34	Retained earnings	-	-20,305,230
34	Net income for the year	396,053,660	248,296,535
	Total Equity	**1,240,568,229**	**970,543,391**
	Total Liabilities and Equity	**4,849,034,120**	**3,764,385,073**

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 December 2011

MZN

			Revaluation reserves			Other reserves	
Notes	Statement of changes in equity	Share capital	Due to readjustments in the fair value of financial assets	Deferred tax reserve	Legal reserve	Issue premiums	Other
	Balance Sheet as at 31 December 2009	147,500,000	53,977,456	-	94,357,469	8,258,661	295,030,903
	Correction of errors (IAS 8)	-	-	-	-	-	-
	Changes on accounting policies (IAS 8)	-	-	-	-	-	-
39	Changes on the plan of accounts	-	-52,442,239	-491,270	-	-	44,366,824
	Changes on opening balance	147,500,000	1,535,217	-491,270	94,357,469	8,258,661	339,397,727
34	Increased reserves via appropriation of profit (1)	-	-	-	-	-	151,716,619
	Net income for the period (2)	-	-	-	-	-	-
	Other comprehensive income for the period (3)	-	408,325	-130,663	-	-	-
22, 34	Net gains from adjustments in the fair value of financial assets available for sale	-	408,325	-130,663	-	-	-
	Other gains/losses recognised directly in equity	-	-	-	-	-	-
	Total comprehensive income for the period (4) = (2) + (3)	-	408,325	-130,663	-	-	-
	Operations with shareholders (5)	-	-	-	-	-	-
	Distribution of reserves	-	-	-	-	-	-
34	Distribution of profit/loss	-	-	-	-	-	-
	Transfers between equity headings not included under other lines (6)	-	-	-	-	-	-
	Total changes in equity (1) + (4) + (5) + (6)	-	408,325	-130,663	-	-	151,716,619
	Balance Sheet as at 31 December 2010	147,500,000	1,943,542	-621,933	94,357,469	8,258,661	491,114,346
	Correction of errors (IAS 8)	-	-	-	-	-	-
	Alterations to accounting policies (IAS 8)	-	-	-	-	-	-
	Altered opening balance	147,500,000	1,943,542	-621,933	94,357,469	8,258,661	491,114,346
34	Increased reserves via appropriation of profit (1)	-	-	-	-	-	101,887,188
	Net income for the period (2)	-	-	-	-	-	-
	Other comprehensive income for the period (3)	-	110,729	-35,434	-	-	-
22, 34	Net gains from adjustments in the fair value of financial assets available for sale	-	110,729	-35,434	-	-	-
	Other gains/losses recognised directly in equity	-	-	-	-	-	-
	Total comprehensive income for the period (4) = (2) + (3)	-	110,729	-35,434	-	-	-
	Operations with shareholders (5)	-	-	-	-	-	-
	Distribution of reserves	-	-	-	-	-	-
34	Distribution of profit/loss	-	-	-	-	-	-
	Transfers between equity headings not included under other lines (6)	-	-	-	-	-	-
	Total changes in equity (1) + (4) + (5) + (6)	-	110,729	-35,434	-	-	101,887,188
	Balance Sheet as at 31 December 2011	147,500,000	2,054,271	-657,367	94,357,469	8,258,661	593,001,534

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Notes	Statement of changes in equity	Retained earnings	Net income for the year	Future fund allocations	Total
	Balance Sheet as at 31 December 2009	-	202,288,825	3,601,857	805,015,172
	Correction of errors (IAS 8)	-	-	-	-
	Changes on accounting policies (IAS 8)	-	-	-	-
39	Changes on the plan of accounts	-20,305,230	-	-3,601,857	-32,473,772
	Changes on opening balance	-20,305,230	202,288,825	-	772,541,400
34	Increased reserves via appropriation of profit (1)	-	-151,716,619	-	-
	Net income for the period (2)	-	248,296,535	-	248,296,535
	Other comprehensive income for the period (3)	-	-	-	277,662
22, 34	Net gains from adjustments in the fair value of financial assets available for sale	-	-	-	277,662
	Other gains/losses recognised directly in equity	-	-	-	-
	Total comprehensive income for the period (4) = (2) + (3)	-	248,296,535	-	248,574,197
	Operations with shareholders (5)	-	-50,572,206	-	-50,572,206
	Distribution of reserves	-	-	-	-
34	Distribution of profit/loss	-	-50,572,206	-	-50,572,206
	Transfers between equity headings not included under other lines (6)	-	-	-	-
	Total changes in equity (1) + (4) + (5) + (6)	-	46,007,710	-	198,001,991
	Balance Sheet as at 31 December 2010	-20,305,230	248,296,535	-	970,543,391
	Correction of errors (IAS 8)	-	-	-	-
	Alterations to accounting policies (IAS 8)	-	-	-	-
	Altered opening balance	-20,305,230	248,296,535	-	970,543,390
34	Increased reserves via appropriation of profit (1)	20,305,230	-122,192,420	-	-
	Net income for the period (2)	-	396,053,660	-	396,053,660
	Other comprehensive income for the period (3)	-	-	-	75,295
22, 34	Net gains from adjustments in the fair value of financial assets available for sale	-	-	-	75,295
	Other gains/losses recognised directly in equity	-	-	-	-
	Total comprehensive income for the period (4) = (2) + (3)	-	396,053,660	-	396,128,955
	Operations with shareholders (5)	-	-126,104,115	-	-126,104,115
	Distribution of reserves	-	-	-	-
34	Distribution of profit/loss	-	-126,104,115	-	-126,104,115
	Transfers between equity headings not included under other lines (6)	-	-	-	-
	Total changes in equity (1) + (4) + (5) + (6)	20,305,230	147,757,125	-	270,024,838
	Balance Sheet as at 31 December 2010	-	396,053,660	-	1,240,568,229

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

CASH FLOW STATEMENT

for the year ended on 31 December 2011

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Cash Flow Statement	2011	2010
Cash flow from operating activities		
Net income for the year	396,053,660	248,296,535
Amortisation/depreciation	12,761,816	9,837,842
Variation of the provision for claims		
Direct insurance and reinsurance accepted	-11,172,943	48,902,167
Assigned reinsurance	53,188,168	-5,377,935
Variation of other technical provisions		
Direct insurance and reinsurance accepted	780,275,001	337,535,147
Assigned reinsurance	-13,494,367	-8,763,045
Variation of the provision for receipts for collection	2,817,738	4,062,227
Variation of the provision for other risks and costs	-	-1,000,000
(Increase)/decrease of receivables:		
due to direct insurance and reinsurance accepted	-23,090,669	-20,770,178
due to reinsurance operations	-7,100,111	-1,429,171
due to other operations	7,367,810	-7,787,231
Increase/(decrease) of payables:		
due to direct insurance and reinsurance accepted	12,336,197	2,079,842
due to assigned reinsurance operations	8,004,851	39,554
State and other public entities	43,044,979	-36,701,455
miscellaneous payables	-17,499,184	-5,599,473
Variations in other asset accounts	-159,134,783	-24,927,047
Variations in other liability accounts	1,449,981	21,939,260
Interest and similar income	-234,832,311	-306,559,664
Effect on foreign exchange rate differences	-3,665,455	5,508,473
Unrealised gains of investment properties	-607,283,080	-
Total	**240,027,299**	**259,285,850**
Cash flow from investment activities		
Acquisition of investments (including constitution of term deposits)	-1,385,842,260	-1,159,668,151
Repayments/disposals of investments (including repayment of term deposits)	1,090,826,392	653,878,102
Acquisition of tangible and intangible assets	-20,569,464	-17,410,973
Interest and similar income	234,832,311	306,559,664
Total	**-80,753,021**	**-216,641,358**
Cash flow from financing activities		
Dividends distributed	-126,104,115	-50,572,206
Share capital increase	-	-
Total	**-126,104,115**	**-50,572,206**
Net change in cash and equivalent	**33,170,163**	**-7,927,714**
Effect on foreign exchange rate differences	3,665,455	-5,508,473
Cash and equivalent at the beginning of the period	50,506,874	63,943,060
Cash and equivalent at the end of the period	**87,342,492**	**50,506,874**

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended on 31 December 2011

NOTE 1 – GENERAL INFORMATION

Seguradora Internacional de Moçambique, S.A. is an insurance company which was incorporated in Mozambique on 23 September 1992, and started its activity in that same year. The corporate object of *Seguradora Internacional de Moçambique, S.A.* is the exercise of insurance activity in the Life and Non-Life business.

The Group's restructuring process in Mozambique, during 2001, included a merger by incorporation of *Seguradora Internacional de Moçambique, S.A.R.L.* (incorporated company) in Impar – Companhia de Seguros de Moçambique, S.A.R.L. (incorporating company), drawn up in a deed on 27 November 2001, with the incorporated company having been made extinct. The merger was carried out by incorporation, through the transfer of the total assets of the incorporated company to Impar – Companhia de Seguros de Moçambique, S.A.R.L.

On that same date, the Company changes its corporate name of Impar – Companhia de Seguros de Moçambique, S.A.R.L. to *Seguradora Internacional de Moçambique, S.A.R.L.*

Seguradora Internacional de Moçambique, S.A.R.L. (hereinafter referred to as SIM or Company) is registered in Mozambique, with its head office being at Av. 25 de Setembro nr. 1800, 9th floor.

ACTIVITY IN 2011

For the Insurance Activity in Mozambique, 2011 was a year of profound change in terms of its regulation, during which the following were promulgated:

- Decree-Law number 1/2010 of 31 December, which approved the New Legal System for Insurance which introduced, as of 2011, amendments to the legislation in force on the matter and created the Insurance Supervision Institute of Mozambique, abbreviated to ISSM;

- Decree 30/2011 of 11 August, on the Regulation of Access to the Exercise of Insurance Activity and Respective Mediation;

- Ministerial Diploma 222/2010 of 17 December, which approved the New Plan of Accounts based on the IFRS, for the Insurance Activity and Pension Fund Holding Companies, and entered into force on 1 January 2011.

The insurance market in Mozambique witnessed the entry of yet another national insurer, and now operates with eight insurers:

- *Seguradora Internacional de Moçambique*;

- Emose – Empresa Moçambicana de Seguros;

- Global Alliance CGSM Seguros;

- Hollard Moçambique Companhia de Seguros – Vida;

- Hollard Moçambique Companhia de Seguros – Não-Vida;

- MCS Moçambique Companhia de Seguros;

- Companhia de Seguros da África Austral;
- Real Companhia de Seguros.

Of these insurers, *Seguradora Internacional de Moçambique*, Emose and Global Alliance cumulatively operate the Life and Non-Life business.

A reinsurer also operates in the market in the Non-Life business, MozRE – Moçambique.

During 2010, the insurer sector recorded, in its activity in Mozambique, a value of 3,945 million Meticais of direct insurance premiums, corresponding to a growth rate of 42.2% in relation to the previous year. In terms of processed revenue, Non-Life business grew by 35% and Life grew by 97%.

The Non-Life business represented 83.9% of the volume of total direct insurance premiums and Life the remaining 16.1%.

The penetration rate of insurance in the national economy is 1.26% of GDP and premiums per capita stand at 171.1 Meticais, having evolved from the previous 1.03% and 121,1 Meticais respectively for a population of 23 million inhabitants.

The distribution of the market share of the processed revenue is distributed as follows:
Seguradora Internacional de Moçambique accounts for an overall share of 31%, followed by Emose with 25% and Global Alliance with 21%.

Net reinsurance claims in the Non-Life business stood at 41.7% compared with 57.9% for 2009. The highest claims rates were recorded in the Motor products with 54.5% and in General Civil Liability with 52.8%.

Seguradora Internacional de Moçambique recorded one of the lowest claims rates of the national insurance market with 37.7%.

In 2011, the net income of the insurance sector showed significant growth, having recorded a total value of 527.7 million Meticais. *Seguradora Internacional de Moçambique* contributed with 47.8% of total net income, followed by Emose with 19.0%, and Global Alliance and Hollard both with 14.0%.

At the end of the financial year of 2010, the Mozambican insurance market reported total investments of 7,148.2 million Meticais, corresponding to a growth rate of 20% relative to 2001. Investments represented 75.9% of the assets held by the insurers. And during the same period, the liabilities constituted reached 4,070.4 million Meticais of technical provisions net of reinsurance. The coverage of the technical provisions by investments stood at 175.6%.

The return on equity of the insurance sector stood at 16.3% in overall terms and the net income of the sector recorded growth of 62%, to stand at an overall value of 527.7 million Meticais.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS AND MAIN ACCOUNTING POLICIES ADOPTED

BASIS OF PRESENTATION

Under the provisions of the "Plan of accounts for entities qualified to exercise insurance activity", approved by Ministerial Diploma number 222/2010, of 17 December, of the Ministry of Finance, enforced on 1 January 2011, *Seguradora Internacional de Moçambique, S.A.* adopted the International Financial Reporting Standards (IFRS) in force for the preparation of these financial statements, with the exception of IFRS 4 – Insurance Contracts, where only the principles of classification of the type of contracts concluded by insurance companies are adopted.

The IFRS include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and their respective former bodies.

As described below, under the accounting standards and interpretations that have been issued recently, the Company also adopted, for the preparation of these financial statements, the accounting rules issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which are of compulsory application as of 1 January 2011. This adoption had impact in terms of presentation of the financial statements and disclosures, but neither led to changes of accounting policies, nor affected the financial position of the Company, relative to 2010.

The financial statements are expressed in Meticais and are prepared in accordance with the historical cost principle, with the exception of the assets and liabilities recorded at fair value, namely financial assets and income-generating properties. All other assets and liabilities are stated at amortised cost or historical cost.

The preparation of the financial statements requires the Executive Board of Directors to make judgements and estimates and use assumptions that affect the application of the accounting policies and the values of income, costs, assets and liabilities. Changes to these assumptions or their difference in relation to reality may have impacts on the actual estimates and judgements. The areas involving a higher degree of judgment or complexity or where significant assumptions and estimates are used in the preparation of the financial statements are analysed in Note 4.

The financial statements were approved by the Board of Directors on 20 February 2012.

RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

The following issues, amendments and improvements to the Standards and Interpretations occurred, enforced as of 1 January 2011:

- IAS 32 (amendment), "Financial Instruments: Presentation – classification of issued rights". This amendment refers to the accounting of issued rights denominated in a currency that is different from that of the functional currency of the issuer. If the rights are issued *pro-rata* to the shareholders for a fixed amount in any currency, it is considered that this involves a transaction with shareholders to be classified under Equity. otherwise, the rights should be stated as derivative instrument liabilities. This amendment has no impact on the financial statements of the Company.

- IFRS 1 (amendment), "First-time adoption of the IFRS". This amendment enables entities which have adopted the IFRS for the first time to benefit from the same transitional regime of IFRS 7 – "Financial instruments – Disclosures", which permits exemption from the disclosure of comparable data for the classification of fair value at the three levels required by IFRS 7, provided that the comparative period ends prior to 31 December 2009. This amendment has no impact on the financial statements of the Company.

- IAS 24 (amendment), "Related parties". The amendment of the standard eliminates the general requirements of disclosure of related parties for public entities, although it is compulsory to disclose the relations of the Entity with the State and any significant transactions that might have taken place with the State or entities related to the State. Furthermore, the definition of related party was amended to eliminate inconsistencies in the identification and disclosure of the related parties. This amendment has no impact on the financial statements of the Company.

- IFRIC 14 (amendment), "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". This amendment clarifies that when a positive balance arises from voluntary payments in advance for future minimum contributions, the positive surplus may be recognised as an asset. This amendment has no impact on the financial statements of the Company.

- IFRIC 19 (amendment), "Extinguishing financial liabilities with equity instruments". This interpretation clarifies the accounting treatment to adopt when an entity renegotiates the terms of a debt which results in the payment of the liability through the issue of equity instruments (shares) to the creditor. Any gain or loss is recognised through profit or loss for the year, based on the fair value of the issued equity instruments and comparing their value with the book value of the debt. The mere reclassification of the value of the debt to equity is not permitted. This amendment has no impact on the financial statements of the Company.

ANNUAL IMPROVEMENT OF THE STANDARDS IN 2010, APPLICABLE MAINLY FOR FINANCIAL YEARS STARTING ON OR AFTER 1 JANUARY 2011:

The annual improvement process of 2010 affects the following standards: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. These improvements were adopted by the Company, when applicable.

IFRS 1, "First-time adoption of the IFRS" (effective for financial years starting on or after 1 January 2011). This improvement clarifies that:

a) An entity which adopts the IFRS for the first time, and which alters its accounting policies or the use of the exemptions established by IFRS 1 after the publication of the interim financial statements should explain these alterations and include the respective impacts in the reconciliation of the opening balances, in the first financial statements reported pursuant to the IFRS;

b) The exemption from the use of "deemed cost" arising from a valuation made under events such as a privatisation, occurred as at the date or before date of transition to the IFRS is expanded to the revaluation which takes place during the first period of the financial statements, reported pursuant to the IFRS;

c) Entities subject to regulation may use the book values of the tangible and non-tangible assets as stated under the previous accounting standards, as "deemed cost", item by item. On the transition date, Entities which use this exemption are bound to test each asset for impairment as established in IAS 36 – "Impairment of assets".

IFRS 3, "Business concentrations" (effective for financial years starting on or after 1 July 2010). This improvement clarifies that:

a) Contingent payments arising from a business concentration which have occurred on a date prior to the adoption of IFRS 3 Revised (2008), should be stated in accordance with the requirements of the previous version of IFRS 3 (2004);

b) The option of measuring the non-controlling interests at fair value or in proportion to the percentage holding of the net asset of the acquired entity applies only to instruments which represent effective "ownership" in the entity and entitle a proportion in net assets, in the event of liquidation. All other components of non-controlling interests are measured at fair value unless another basis of measurement is required by the IFRS;

c) The requirements of IFRS 3 are applicable to all payment transactions based on shares which are part of a business concentration, including payment plans based on shares that are not altered or altered voluntarily.

IFRS 7, "Financial instruments: disclosures" (effective for financial years starting on or after 1 July 2010). This improvement refers to the need to combine the quantitative and qualitative disclosures, as well as the nature and extent of the risks arising from financial instruments recorded in the financial statements pursuant to the IFRS.

IFRS 1, "Presentation of the financial statements" (effective for financial years starting on or after 1 January 2011). The IASB clarifies that an entity may present the reconciliation of the changes of each equity component in the statement of changes in equity or in the notes to the financial statements.

IAS 27, "Separate and consolidated financial statements" (effective for financial years starting on or after 1 July 2010). This improvement clarifies that the amendments made to IAS 21, IAS 28 and IAS 31 arising from the revised IAS 27, should be applied prospectively.

IFRS 34, "Interim reporting" (effective for financial years starting on or after 1 January 2011). Greater emphasis on the disclosure requirements of IAS 34 relative to events and transactions, including changes to measurement at fair value, and to the need to update relevant information relative to the last annual report.

IFRIC 13, "Customer loyalty programmes" (effective for financial years starting on or after 1 January 2011). This improvement clarifies that when the fair value of "premium credit" is measured based on the fair value of "premiums" which may be exchanged, the fair value of the "premium credit" should take into account the impact of the estimate of the credit which will expire as well as the fair value of any discounts or incentives that would have to be offered to the Customers who were not attributed "premium credit" in an initial sale.

NEW STANDARDS AND AMENDMENTS OF EXISTING STANDARDS WHICH, IN SPITE OF ALREADY BEING PUBLISHED, ARE ONLY OF COMPULSORY APPLICATION FOR ANNUAL PERIODS BEGINNING AS OF 1 JULY 2011 OR ON A LATER DATE:

- IFRS 1 (amendment), "First-time adoption of the IFRS" (effective for financial years starting on or after 1 July 2011). This amendment seeks to include a specific exemption for entities which formerly operated in hyperinflationary economies, and adopt the IFRS for the first time. The exemption permits an Entity to choose to measure certain assets and liabilities at fair value and use the fair value as "deemed cost" in the statement of the opening financial position for the IFRS. Another amendment introduced refers to the replacement of the references and specific dates by "IFRS transition date" in the exceptions to the retrospective application of the IFRS. This amendment has no impact on the financial statements of the Company.

- IFRS 7 (amendment), "Financial Instruments: Disclosures – Transfer of financial assets" (applicable in financial years starting on or after 1 July 2011). This amendment to IFRS 7 refers to the disclosure requirements relative to financial assets transferred to third parties but not derecognised of the balance sheet since the entity maintains associated liabilities or continued involvement. This amendment has no impact on the financial statements of the Company.

- IAS 12 (amendment), "Income tax" (applicable in the financial years starting on or after 1 January 2012). This amendment requires that an Entity measure deferred taxes related to assets depending on whether the Entity expects to recover the net value of the asset through use or sale, except for investment properties measured according to the fair value model. This amendment incorporates in IAS 12 the principles included in SIC 21. This amendment has no impact on the financial statements of the Company.

- IAS 1 (amendment), "Presentation of the financial statements" (applicable in the financial years starting on or after 1 January 2012). This amendment requires Entities to present the items stated as Other comprehensive income in a separate form, according to whether they may be recycled or not in the future through profit or loss for the year and the respective tax impact, if the items are presented before tax.

- IFRS 9 (new), "'Financial instruments – classification and measurement" (applicable in financial years starting on or after 1 January 2013). IFRS 9 refers to the first part of the new standard on financial instruments and establishes two categories of measurement: amortised cost and fair value. All equity instruments are measured at fair value. A financial instrument is measured at amortised cost only when the Entity holds it in order to receive the contractual cash flow and the cash flow represents the nominal and interest. Otherwise, the financial instruments are stated at fair value through profit or loss.

- IFRS 10 (new), "Consolidated financial statements" (applicable in financial years starting on or after 1 January 2013). IFRS 10 replaces all the principles associated to control and consolidation included in IAS 27 and SIC 12, changing the definition of control and criteria applied to determine control. The base principle that the consolidated company presents major shareholder and subsidiaries as a single entity remains unchanged.

- IFRS 11 (new), "Joint agreements" (applicable in financial years starting on or after 1 January 2013). IFRS 11 focuses on the rights and obligations of joint agreements instead of the legal form. Joint agreements may be Joint operations (rights on assets and liabilities) or Joint ventures (rights on the net assets through application of the equity method). Proportional consolidation is no longer permitted.

- IFRS 12 (new), "Disclosure of interests in other entities" (applicable in financial years starting on or after 1 January 2013). This standard establishes the disclosure requirements for all types of interests in other entities, including joint ventures, associates and entities with a specific purpose, in order to assess the nature, risk and financial impacts associated to the interest of the Entity. An Entity may undertake some or all of the disclosures without needing to apply IFRS 12 in its entirety or IFRS 10 and 11 and IAS 27 and 28.

- IFRS 13 (new), "Fair value: measurement and disclosure" (effective for financial years starting on or after 1 January 2013). The objective of IFRS 13 is to increase consistency, by establishing a precise definition of fair value and constituting the only source of the requirements on the measurement and disclosure of fair value applicable transversally across all the IFRS.

- IAS 27 (revised 2011), "Separate financial statements" (applicable in financial years starting on or after 1 January 2013). IAS 27 was revised after the issue of IFRS 10 and contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

- IAS 28 (revised 2011), "Investments in associates and joint ventures" (applicable in financial years starting on or after 1 January 2013). IAS 28 was revised after the issue of IFRS 11 and establishes the accounting treatment of investments in associates as well as the requirements for the application of the equity method.

- IAS 19 (revised 2011), "Employee benefits" (applicable in financial years starting on or after 1 January 2013). This revision introduces significant differences in the recognition and measurement of costs related to defined benefits and employment termination benefits, as well as in the disclosures to be made for all benefits granted to employees. Actuarial deviations are now recognised immediately and only under "Other comprehensive income" (the corridor method is not permitted). The financial cost of plans related to the constituted fund is calculated on the basis net of the non-funded liability. Employment termination benefits only qualify as such when there is no obligation of the employee to provide future service.

Main accounting policies adopted
The main accounting policies used in the preparation of the financial statements are described below and were applied consistently for the periods presented in the financial statements.

A) CASH AND CASH EQUIVALENTS

For the effect of the cash flow statement, the heading cash and cash equivalents covers the values recorded in the balance sheet with less than three months' maturity counted as of the reporting date, promptly convertible into cash and with low risk of alteration of value, which includes cash and disposable assets in credit institutions.

B) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Companies over which SIM (*Seguradora Internacional de Moçambique*) exercises control are classified as subsidiaries. Control is normally assumed when the Company has the power to exercise the majority of the voting rights. Control may also exists when the Company has the power, directly or indirectly, to manage the financial and operating policies of a certain company in order to obtain benefits from its activities, even if the percentage holding of its share capital is less than 50%.

Companies over which SIM exercises significant influence are classified as associates. Significant influence is assumed when the Company has the power to participate in decisions relative to financial and operating policies, but does not control these policies.

Holdings in subsidiaries and associates are recorded at acquisition cost, and when they are not listed, are subject to impairment tests.

The consolidation of accounts is prepared at the level of the shareholder BIM – Banco Internacional de Moçambique, S.A.

C) FINANCIAL ASSETS

(i) Classification

The Company classifies its financial assets at the time of their acquisition considering the intention underlying them, in accordance with the following categories:

- Financial assets held for trading

Those acquired for the main purpose of generating capital gains in the short term.

- Financial assets at fair value through profit or loss

This category includes embedded derivatives, stated initially at fair value and with subsequent variations recognised through profit or loss.

- Financial assets available for sale

Assets available for sale are non-derivative financial assets that (i) the Company intends to keep for an indeterminate period of time, (ii) are stated as available for sale at the time of their initial recognition or (iii) which do not fall under any of the categories referred to above.

- Investments held to maturity

These are financial assets over which there is the intention and capacity to keep them until maturity, presenting fixed and determinable maturity and cash flow. In the case of its early sale, the category is considered contaminated and all assets of the category must be reclassified for the category, available for sale.

- Loans granted and accounts receivable

Includes financial assets, except derivatives, with fixed or determinable payments which are not listed on an active market and whose purpose is not trading.This also covers values receivable related to direct insurance operations, reinsurance and other transactions related to insurance contracts.

(ii) Recognition, initial measurement and derecognition

Acquisitions and disposals: Financial assets are recognised initially at fair value plus the transaction costs, except in cases of financial assets held for trading or at fair value through profit or loss, in which case these transaction costs are recorded directly through profit or loss.

Financial assets are derecognised when (i) the SIM's contractual rights to receive its cash flow expire, (ii) SIM has substantially transferred all the risks and benefits associated to their holding or (iii) even if SIM keeps part of, but not substantially all the risks and benefits associated to their holding, the Company has transferred the control over the assets.

(iii) Subsequent measurement

After their initial recognition, the financial assets held for trading and the financial assets at fair value with recognition through profit or loss are measured at fair value, with their variations recognised through profit or loss.

Investments available for sale are also recorded at fair value, although the respective variations are recognised under reserves, in the proportion held by the shareholder, until the investments are derecognised, that is, the time when the accumulated value of the potential gains and losses recorded under reserves is transferred to profit or loss. In the case of products with profit-sharing, the variations of fair value are recognised initially under reserves (equity) and, subsequently, transferred to the account of profit-sharing to be attributed (shadow accounting).

Also relative to financial assets available for sale, the adjustment to the balance sheet value includes the separation between (i) the amortisations according to the effective rate, (ii) the currency conversion variations (in the case of monetary assets denominated in foreign currency) – both against profit or loss and (iii) the variations in fair value (except exchange rate risk) – as described above.

Investments held to maturity are measured in the balance sheet at amortised cost, according to the effective rate method, with the amortisations (interest, incremental values, premiums and discounts) to be recorded in the profit and loss account.

The fair value of listed financial assets is their present purchase price (bid price). In the event of the absence of a stock market price, the Company estimates the fair value using (i) valuation methodologies, such as, the use of prices of recent, similar transactions carried out under market conditions, discounted cash flow techniques and valuation models of parameterised options in order to reflect the particularities and circumstances of the instrument and (ii) valuation assumptions based on market information.

Financial instruments for which it is not possible to reliably measure the fair value are recorded at acquisition cost.

(iv) Transfers between categories of financial assets
In October 2008, the IASB issued the revision of standard IAS 39 – Reclassification of financial instruments (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This amendment now allows an entity to transfer financial assets held for trading to the portfolios of financial assets available for sale, loans granted and accounts receivable or to financial assets held to maturity, provided that these financial assets comply with the characteristics of each category.

Transfers of financial assets available for sale to the categories of loans granted and accounts receivable and financial assets held to maturity are also permitted.

(v) Impairment
Impairment of securities
The Company regularly assesses, for each portfolio of securities, whether there is objective evidence that a financial asset or group of financial assets shows signs of impairment. For financial assets showing signs of impairment, the respective recoverable value is determined, with the impairment losses being recorded against the profit and loss account.

A financial asset, or group of financial assets, is impaired whenever there is objective evidence of impairment arising from one or more events that occur after their initial recognition, such as: (i) for listed equity instruments, a devaluation that is continued or of significant value in its stock market price and (ii) for debt securities, when this event (or events) have an impact on the estimated value of the future cash flows of the financial asset, or group of financial assets, which may be reasonably estimated.

The Company considers that a financial asset, or group of financial assets, is impaired whenever, after its initial recognition, there is objective evidence that:

(i) for listed variable yield securities
1) Its fair value is below the acquisition cost for 12 months consecutively (long-lasting devaluation);

2) There is a significant devaluation of 25% or more relative to its acquisition cost on the closing date of the accounts;

3) Impairment should be recognised for all the securities which were the object of impairment previously, whenever there is a decline in relation to their cost value, since the last impairment date;

4) Furthermore, a qualitative analytical list is prepared based on other impairment indicators, for the purpose of identifying decreases of value that have not been detected through the application of the impairment limits referred to in 1) and 2).

(ii) for fixed yield and non-listed securities
Existence of an event (or events) which has impact on the estimated value of the future cash flows of the financial asset, or group of financial assets, which may be reasonably estimated.

When there is evidence of impairment in financial assets available for sale, the accumulated potential loss in reserves, corresponding to the difference between the acquisition cost and the present fair value, minus any impairment loss in the asset previously recognised through profit or loss, is transferred to profit or loss. If, in a subsequent period, the value of the impairment loss decreases, the previously recognised impairment loss is reversed against profit or loss for the year until the full value of the acquisition cost if the increase is objectively related to an event which has occurred after the recognition of the impairment loss, except with respect to shares or other equity instruments, for which it is not possible to recognise any reversal of impairment. Subsequent appreciation of shares and other equity instruments are recognised under reserves.

Regarding investments held to maturity, the impairment losses correspond to the difference between the book value of the asset and present value of estimated future cash flows (considering the recovery period) discounted at the original effective interest rate of the financial asset. These assets are presented in the assets, net of impairment. In the case of an asset with a variable interest rate, the interest rate to be used to determine the respective impairment loss is the present effective interest rate, determined based on the rules of each contract. In relation to investments held to maturity, if in a subsequent period the value of the impairment loss decreases, and this decrease may be objectively related to an event which occurred after the recognition of the impairment, this value is reversed against profit or loss for the year.

Adjustments of receipts of premiums for collection and credit related to bad debt

The objective of the adjustments of receipts of premiums for collection is to reduce the value of the premiums for collection to their estimated realisation value. The calculation of these adjustments is based on the values of premiums for collection for over 30 days, to which a margin is applied, calculated for each product, in the case of the Life business and for each product in the case of the Non-Life business. This adjustment is presented in the balance sheet as a deduction to receivables due to direct insurance operations.

This adjustment aims to recognise the impact of potential non-collection of issued premium receipts through the Company's profit or loss.

Adjustments of credit related to bad debt aim to reduce the value of the balances receivable arising from direct insurance, reinsurance and other operations, with the exception of receipts for collection, to their probable realisation value, and are calculated according to the age of these balances and based on economic analysis.

D) OTHER FINANCIAL ASSETS – EMBEDDED DERIVATIVES

Financial instruments with embedded derivatives are recognised initially at fair value. Subsequently, the fair value of the derivative financial instruments is revalued on a regular basis, with the gains or losses arising from this revaluation recorded directly through profit or loss for the period, in cases where the derivative is not closely related to the base asset, and under the revaluation reserve in all other cases.

The fair value is based on listed market prices when available, otherwise (absence of an active market) it is determined based on the use of prices of recent, similar transactions carried out under market conditions or based on valuation methodologies provided by specialised entities, based on discounted future cash flow techniques which take into account market conditions, the effect of time, the yield curve and volatility factors.

Derivatives which are embedded in other financial instruments are treated separately when their economic characteristics and their risks are not related to the main instrument and the main instrument is not stated at its fair value through profit or loss. These embedded derivatives are recorded at fair value with their variations recognised through profit or loss.

E) RECOGNITION OF INTEREST AND DIVIDENDS

Profit relative to interest of financial instruments is recognised under the heading of interest and similar income using the effective rate method.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, for a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, estimates are made of the future cash flows considering all contractual terms of the financial instrument, but not considering, however, any possible future credit losses. The calculation includes any fees that are an integral part of the effective interest rate, transaction costs and all premiums and discounts directly related to the transaction.

In the case of financial assets or groups of similar financial assets for which impairment losses have been recognised, the interest recognised through profit or loss is determined based on the interest rate used to measure the impairment loss.

Regarding derivative financial instruments, the interest component inherent to the fair value variation is not separated and is classified under the heading of net income of assets and liabilities at fair value through profit or loss.

Income from equity instruments (dividends) is recognised when the right to its recognition is established.

F) INVESTMENT PROPERTIES

The Company defines income-generating properties as properties whose recoverability is achieved through rents rather than through their continued use, using the measurement criteria of IAS 40.

Investment properties are recognised initially at acquisition cost, including any directly related transaction costs, and subsequently at their fair value. Fair value variations determined on each reporting date are recognised through profit or loss. Investment properties are not subject to depreciation.

Related subsequent expenditure is capitalised when it is probable that the Insure will obtain future economic benefits in excess of the initially estimated performance level.

The fair value of income-generating land is based on a valuation made by an independent valuator. Independent valuators have recognised and relevant professional qualification to issue the valuation reports.

The current situation of the properties considers their age, state of conservation and any maintenance/remodelling works that may have been undertaken (even if carried out by the tenants). The fair value of investment properties is considered the most probable value that they may have in a free market transaction, between two prudent entities, assuming a reasonable period of market exposure. For determination of the fair value, the market comparison criterion is used, where the property is compared to others that are similar and have been involved in a sufficiently recent transaction to consider that the values achieved are valid in market terms.

Also see Note 24.

TANGIBLE FIXED ASSETS

These assets are stated at their respective historical acquisition cost subject to depreciation and impairment tests. Their depreciation was calculated through the application of the straight-line method, based on the following annual rates, which reflect, in a reasonable manner, the estimated useful life of the assets:

	Annual depreciation rates
Office equipment	10% to 16.7%
Machines, appliances and tools	12.5% to 16.7%
IT equipment	16.70%
Interior facilities	12.50%
Transport material	25%
Other equipment	10% to 33.33%

For the initial recognition of the values of other tangible assets, SIM capitalises the acquisition value adding any costs required for the correct operation of a given asset, pursuant to the provisions in IAS 16. For the subsequent measurement, the Company chooses to establish a useful life that is capable of reflecting the estimated time over which economic benefits will be obtained, depreciating the asset over that period. The useful life of each asset is reviewed on each reporting date.

Subsequent costs related to tangible assets are capitalised under assets only if it probable that these costs will result in future economic benefits for the Company. All expenses related to maintenance and repairs are recognised as costs, according to the accruals principle.

When there is indication that an asset might be impaired, its recoverable amount is estimated and an impairment loss should be recognised whenever the net value of the asset exceeds its recoverable amount. Impairment losses are recognised through profit or loss for assets stated at cost.

The recoverable amount is determined as the highest between its net sales price and its value in use, calculated based on the present value of the estimated future cash flows which are expected to be obtained from the continued use of the asset and its disposal at the end of its useful life.

H) INTANGIBLE ASSETS

The costs incurred with the acquisition of computer applications are capitalised as intangible assets, as well as any additional expenses that may be required for their implementation.

Costs directly related to the development of computer applications, which are expected to generate future economic benefits beyond one financial year, are recognised and recorded as intangible assets.

Intangible assets are stated at their respective historical acquisition cost subject to depreciation and impairment tests. Their depreciation was calculated through the application of the straight-line method, based on the following annual rates, which reflect, in a reasonable manner, the estimated useful life of the intangible assets:

	Internally generated intangible assets	Finite useful life	Annual rate
Software	N	Y	16.70%

Costs related to the maintenance of computer programmes are recognised as costs when they are incurred.

When there is indication that an asset might be impaired, its recoverable amount is estimated and an impairment loss should be recognised whenever the net value of the asset exceeds its recoverable amount. Impairment losses are recognised through profit or loss for assets stated at cost.

The recoverable amount is determined as the highest between its net sales price and its value in use, calculated based on the present value of the estimated future cash flows which are expected to be obtained from the continued use of the asset and its disposal at the end of its useful life.

I) INSURANCE CONTRACTS

The Company issues contracts that include insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Company accepts significant insurance risk from another party, agreeing to compensate the insured party in the case of a specific uncertain future event which might adversely affect the insured party, is classified as an insurance contract.

A contract issued by the Company whose risk is essentially financial and where the assumed insured risk is not significant, but where there is a discretionary profit-sharing attributed to the insured parties, is considered an investment contract and is recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Company which transfers only financial risk, without discretionary profit-sharing, is classified as a financial instrument.

Insurance contracts and investment contracts with profit-sharing are recognised and measured as follows:

(i) Premiums
Gross premiums issued are recorded as income for the financial year to which they refer, independently of the time of their payment or receipt.

Reinsurance premiums assigned are recorded as costs for the financial year to which they refer, in the same way as gross premiums issued.

(ii) Acquisition cost
Acquisition costs essentially correspond to the remuneration contractually attributed to mediators for the achievement of insurance and investment contracts.

Contracted fees are recorded as costs at the time of the issue of the respective premiums or renewal of the respective policies.

(iii) Provision for unearned premiums
The provision for unearned premiums is based on the evaluation of the premiums issued before the end of the year, but whose validity continues after this date. This provision is determined through the application of the *pro-rata temporis* method to each contract in force. This method is applied on the gross premiums issued minus the respective acquisition costs.

(iv) Mathematical provision of the Life Business
The objective of the mathematical provisions for the Life business is to record the present value of the future liabilities of the Company, relative to the policies issued, and they are calculated based on recognised actuarial methods.

The mathematical provisions constituted for all the contracts marketed by the Company correspond to the estimated actuarial value of the commitment made to the beneficiaries, including already distributed profit-sharing and after deduction of the actuarial value of future premiums.

The mathematical provisions were calculated individually for each contract in force and following a prospective actuarial method.

(v) Provision for claims
The provision for claims corresponds to the expected value of costs related to claims that have not yet been settled or have already been settled but are not yet paid by the end of the year.

This provision was determined as follows:

- based on the analysis of the outstanding claims at the end of the year and consequent estimated liability existing on that date; and

- through the provision, based on statistical data, of values of costs related to claims for the year, in order to meet liabilities related to claims declared after the closing of the year (IBNR).

The mathematical reserve of the workman's compensation branch is calculated for pensions that have already been homologated by the Labour Court and for estimates arising from proceedings whose injured parties are in a situation of "clinical cure".

(vi) Provision for profit-sharing

- Provision for profit-sharing to be attributed (shadow accounting):

Pursuant to IFRS 4, the unrealised gains and losses on the assets covering liabilities arising from insurance and investment contracts with discretionary profit-sharing are attributed to policyholders, to the extent of their expected share, where it is expected that they will receive unrealised gains and losses when they became realised, through the recognition of a liability.

The estimated amounts to be attributed to insurance policyholders under the form of profit-sharing, for each modality or group of modalities, is calculated based on a suitable plan applied consistently, taking into account the profit-sharing plan, the maturity of the commitments, the allocated assets as well as other specific variables of the modality or modalities in question.

- Provision for attributed profit-sharing:

Corresponds to the amounts attributed to insurance policyholders or to the beneficiaries of the contracts, as profit-sharing, and when it has not yet been distributed, namely through inclusion in the mathematical provision of the contracts.

(vii) Provisions for claims rate deviations

The provision for claims rate deviations should be constituted for credit and fidelity insurance and for the modalities of floods and storms of the natural phenomena products, where its calculation should be in conformity with the criteria established by the Insurance Supervision Institute of Mozambique (ISSM).

(viii) Provision for risks underway

The provision for risks underway corresponds to the estimated amount required to meet probable indemnities and costs payable after the end of the year and which exceed the value of the unearned premiums, premiums payable relative to contracts in force and premiums which will be renewed in January of the following year, in conformity with the criteria established by the ISSM.

(ix) Assigned reinsurance technical provisions

The assigned reinsurance technical provisions are determined through the application of the criteria described above for direct insurance, taking into account the percentage assignment, as well as other clauses in the treaties in force.

J) FINANCIAL LIABILITIES

An instrument is classified as a financial instrument when there is a contractual obligation at settlement to deliver cash or another financial asset, independently of its legal form.

L) BENEFITS GRANTED TO EMPLOYEES

- Supplementary retirement pension (retirement benefits)

SIM attributes to its Employees a supplementary retirement pension for which it maintains an insurance, managed in-house, which covers the respective liabilities.

However, for Employees recruited before 1 November 2002, the time of service of the employee is considered as of this date, excluding Employees transferred from the former SIM – *Seguradora Internacional de Moçambique, S.A.*, who benefit from the supplementary retirement pension from the date of their recruitment. This situation is due to the fact that the Employees began to enjoy this benefit as of 1 November 2002, after the review of the Company's Collective Contract.

Regarding these defined retirement benefits, the Company has created an internal fund to cover the respective liabilities (mathematical provisions). The fund's assets are composed of State bonds and demand deposits.

The actuarial valuation of the liability related to defined retirement benefits is made through the projected unit credit method, based on the actuarial and financial assumptions disclosed in Note 32 – Benefits granted to Employees.

- Seniority bonus (other long term benefits)

The seniority bonus is attributed to the Company's Employees according to the years of service provided to the Company, whereby they are paid 1, 2 and 3 salaries upon reaching 15, 20 and 30 years of service, respectively. The present value of the seniority bonuses is accrued at the end of each year.

- Performance bonus (short term benefits)

The performance bonus attributed to the Employees, accrued for each period, is calculated according to a performance assessment, which is based on organisational, quantitative and qualitative criteria.

M) INCOME TAX

Seguradora Internacional de Moçambique, S.A. is subject to the tax system stipulated in the Income Tax Code, whereby the profit imputable to each year is subject to Corporate Income Tax (IRPC – rate currently in force: 32%).

Income tax includes current and deferred tax. Income tax is recognised through profit or loss, except when related to items that are not recognised directly under equity, in which case it is also stated against equity. Deferred taxes recognised in equity arising from the revaluation of investments available for sale are subsequently recognised through profit or loss at the time when the gains or losses which led to them are recognised.

Current taxes are those which are expected to be paid based on the tax base calculated in accordance with the tax rules in force and using the tax rate that has been approved or is substantially approved in each jurisdiction.

Deferred taxes are calculated considering the existing difference between the book value of the assets and liabilities and their tax base, using tax rates that have been approved or are substantially approved on the reporting date in each jurisdiction and which are expected to be applied when these differences are reversed.

Deferred tax liabilities are recognised for all taxable tax adjustments. Deferred tax assets are recognised for all deductible tax adjustments, only to the extent it is expected that there will be taxable profit in the future taxable profits, capable of absorbing the said adjustments.

Under the adoption of the "Plan of accounts for entities qualified to exercise insurance activity", approved by Ministerial Diploma number 220/2010, of 17 December, of the Ministry of Finance, SIM proceeded with the determination of the equity in conformity with the IFRS relative to 1 January 2010 (transition date), having recognised deferred taxes on the adjustments arising thereof, although no tax rules relative to the transition had been defined.

N) PROVISIONS

Provisions are recognised when (i) the Company has a present obligation, legal or constructive; (ii) it is probable that its payment will be demanded and (iii) a reliable estimate can be made of the value of this obligation.

O) SHARE CAPITAL

Shares are classified as share capital when there is no liability to transfer cash or other assets. Incremental costs directly attributable to the issue of an equity instruments are presented in equity as deductions to the income, net of tax.

P) LEASES

The Company classifies lease operations as financial leases or operating leases according to their substance and not to their legal form, complying with the criteria defined in IAS 17 – Leases. Operations where the risks and benefits inherent to the ownership of an asset are transferred to the lessee are classified as financial leases. All other lease operations are classified as operating leases.

Operating leases

Payments made under operating lease contracts are recorded as costs for the periods to which they refer.

Financial leases

Financial lease contracts are recorded on their starting date, in the assets and liabilities, at the acquisition cost of the leased asset, which is equivalent to the present value of future lease instalments. Lease instalments are composed of (i) the financial cost which is debited through profit or loss and (ii) the financial amortisation of the outstanding capital which is deducted from the liabilities. The financial costs are recognised as costs over the lease period, so as to produce a constant periodic interest rate on the outstanding liability balance for each period

Q) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale when their balance sheet value was recovered mainly through a sales transaction (including those acquired exclusively for the purpose of their sale) and the sale is highly probable.

Immediately before the initial classification of the asset as held for sale, the non-current assets are measured pursuant to the applicable IFRS. Subsequently, these assets for disposal are measured at the lowest value between their initial recognition value and their fair value minus the costs of their sale.

R) SEGMENTAL REPORTING

A business segment is a group of assets and operations which are subject to specific risks and benefits which are different from those of other business segments

A geographic segment is a group of assets and operations which are located in a specific economic environment, which is subject to risks and benefits which are different from those of other segments operating in other economic environments.

S) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted into Meticais at the exchange rate in force on the date when they occur, and are revalued at the end of each month according to the exchange rate indicated by *Banco de Moçambique.*

Currency conversion differences arising from differences between the rates in force on the contract date and those in force on the reporting date are stated in the profit and loss account for the year.

Non-monetary assets and liabilities stated at historical cost, expressed in foreign currency, are converted at exchange rate on the transaction date. Non-monetary assets and liabilities expressed in foreign currency and recorded at fair value are converted at the exchange rates in force on the date when the fair value was determined. The resulting currency conversion differences are recognised through profit or loss, except with respect to the differences related to shares classified as financial assets available for sale, which are recorded under reserves.

NOTE 3 – CHANGE OF THE NATURE, IMPACT AND JUSTIFICATION OF CHANGES IN ACCOUNTING POLICIES

The Company carried out the conversion to the new plan of accounts on 1 January 2010 (transition date), in order to have comparative values, based on the IFRS, in 2011, date of the first compulsory presentation of the accounts in conformity with the new plan of accounts.

See the table with the changes in equity of the Company, as at the transition date, arising from the conversion to the new plan of accounts based on the IFRS, in Note 39.

NOTE 4 – MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS OF RELEVANCE USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The IAS/IFRS establish a series of accounting procedures and require that the Board of Director make judgements and determine the necessary estimates in order to decide upon the most suitable accounting procedure. The main accounting estimates and judgements used in the application of the accounting principles by the Company are disclosed below, in order to allow for a better understanding of how their application affects the reported results of the Company. A more detailed description of the main accounting policies used by the Company is presented in Note 2.

It should be taken into account that, in some situations, there may be alternatives to the accounting policy procedures adopted by SIM, which would lead to different results. However, the Company believes that the applied judgements and estimates are appropriate and that, therefore, the financial statements present the true and appropriate financial position of the Company and its operations in all materially relevant aspects.

The considerations presented below are indicated only to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

A) FAIR VALUE OF INVESTMENT PROPERTIES

The fair value of the investment properties is based on valuations made by independent valuators, which is considered the most probable value that they would have in a free market transaction, between two prudent entities, assuming a reasonable period of market exposure.

For determination of the fair value, the market comparison criterion is used, where the property is compared to others that are similar and have been involved in a sufficiently recent transaction to consider that the values achieved are valid in market terms.

Different methodologies could determine different results.

Also see Note 24.

B) TECHNICAL PROVISIONS RELATIVE TO INSURANCE CONTRACTS

Future liabilities arising from insurance contracts with discretionary profit-sharing are recorded under the heading of technical provisions. Technical provisions relative to traditional products of the Life business were determined based on various assumptions, namely mortality, longevity and interest rate, applicable to each coverage. The assumptions used were based on the past experience of the Company and market. These assumptions may be reviewed if it is decided that the future experience confirms their unsuitability. The technical provisions arising insurance and investment contracts with discretionary profit-sharing (capitalisation products) include the (1) mathematical provision, (2) provision for participation in profit and (3) provision for claims.

For the determination of the technical provisions arising from insurance contracts with profit-sharing, the Company periodically assesses its liabilities using actuarial methodologies and taking into account the respective reinsurance coverage. The provisions are reviewed periodically by the actuarian in charge.

Regarding the technical provisions of the Non-Life business, the costs related to claims that have occurred and been notified, as well as the cost of those that have not yet been notified but have occurred, constitute estimates whose evolution is monitored and analysed, by the actuarian in charge. This analysis enables monitoring the evolution of payments, outstanding reserves, total costs and provides the grounds for changes in the average cost of opening claims proceedings.

The Company calculates the technical provisions based on the technical notes and plans of participation of the products. Any possible alteration of criteria is duly assessed for quantification of its financial impacts.

Also see Note 27.

C) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is based on listed market prices when available, and in the absence of a market price, it is determined based on the use of prices of recent, similar transactions carried out under market conditions or based on valuation methodologies, using discounted future cash flow techniques which take into account market conditions, the effect of time, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in estimating the fair value.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results from those reported.

D) SUPPLEMENTARY RETIREMENT PENSIONS AND OTHER BENEFITS GRANTED TO EMPLOYEES

The determination of retirement pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investments, and other factors that could impact the costs and liabilities of the pension plan. Changes in these assumptions could affect the determined values.

Also see Note 32.

E) INCOME TAXES

The determination of income tax requires certain interpretations and estimates. Different interpretations and estimates would result in a different level of income tax, current and deferred, recognised for the year.

According to the tax legislation in force, the Tax Authorities are entitled to review the calculation of the tax base made by SIM for a period of five years. Hence, it is possible that there may be corrections to the tax base, as a result of differences in the interpretation of the tax legislation.

Also see Note 29.

NOTE 5 – SEGMENTAL REPORTING AND ALLOCATION OF INVESTMENTS AND OTHER ASSETS

The Company considers the business segment as its main segment. The business segment is further divided into Life and Non-Life business, and for each, the information is detailed by type of product (in the case of Life) and by group of products (in the case of Non-Life). In the Life business, the data is divided between Annuities, Capitalisation and Life Risk. In Non-Life, the information is detailed by: Workman's Compensation, Personal and Sickness, Fire and Natural Phenomena, Motor, Miscellaneous and Others (includes the products: Marine, Aviation, Transport and Civil Liability).

Concerning geographic location, all the contracts are signed in Mozambique, hence there is only one location.

- Reporting by Business

Reporting by business – technical earnings, as at 31 December 2011:

	Life	Non-Life	Total
Earned premiums, direct insurance	381,543,308	899,527,364	1,281,070,671
Cost of claims, direct insurance	-231,580,708	-240,146,982	-471,727,690
Other technical costs	-854,965,341	-28,175,534	-883,140,874
Technical margin, direct insurance	-705,002,741	631,204,849	-73,797,893
Assigned reinsurance earnings	-7,306,679	-168,605,993	-175,912,672
Net technical margin	-712,309,420	462,598,856	-249,710,565
Operating costs	-74,242,167	-187,629,697	-261,871,863
Operating earnings	-786,551,587	274,969,159	-511,582,428
Investment earnings	244,457,123	177,613,783	422,070,906
Other	601,584,197	-4,678,004	596,906,194
Technical earnings	**59,489,733**	**447,904,938**	**507,394,671**

Reporting by Life business – technical earnings, as at 31 December 2011:

	Life			
	Annuities	Capitalisation	Life Risk	Total
Earned premiums, direct insurance	146,786,169	80,593,194	154,163,945	381,543,308
Cost of claims, direct insurance	-140,377,280	-68,821,982	-22,381,446	-231,580,708
Other technical costs	-585,846,148	-209,536,889	-59,582,303	-854,965,340
Technical margin, direct insurance	-579,437,259	-197,765,677	72,200,196	-705,002,740
Assigned reinsurance earnings	-	-	-7,306,679	-7,306,679
Net technical margin	-579,437,259	-197,765,677	64,893,517	-712,309,419
Operating costs	-1,977,345	-11,396,318	-60,868,504	-74,242,167
Operating earnings	-581,414,604	-209,161,995	4,025,013	-786,551,586
Investment earnings	147,657,471	67,691,036	29,108,616	244,457,123
Other	440,757,133	143,406,878	17,420,186	601,584,197
Technical earnings	**7,000,000**	**1,935,919**	**50,553,815**	**59,489,733**

Reporting by Non-Life business – technical earnings, as at 31 December 2011:

	Non-Life						
	Workman's compensation	Personal accidents and sickness	Fire and natural phenomena	Motor	Miscellaneous	Other products	Total
Earned premiums, direct insurance	78,545,213	151,913,473	143,292,329	380,547,089	89,677,282	55,551,979	899,527,364
Cost of claims, direct insurance	-14,718,466	-25,262,273	-55,318,721	-167,748,725	23,730,519	-829,316	-240,146,982
Other technical costs	-1,187,455	-26,694,000	-294,079	-	-	-	-28,175,534
Technical margin, direct insurance	62,639,292	99,957,200	87,679,529	212,798,363	113,407,801	54,722,663	631,204,849
Assigned reinsurance earnings	901,774	-3,602,331	-44,785,476	-4,013,993	-86,264,905	-30,841,061	-168,605,993
Net technical margin	63,541,065	96,354,869	42,894,053	208,784,370	27,142,896	23,881,602	462,598,856
Operating costs	-14,911,165	-37,062,371	-26,733,369	-77,925,784	-18,899,817	-12,097,191	-187,629,697
Operating result	48,629,900	59,292,498	16,160,685	130,858,586	8,243,079	11,784,411	274,969,159
Investment earnings	13,720,322	64,674,038	10,121,904	67,708,300	12,275,970	9,113,248	177,613,783
Other	472,359	-262,466	331,214	-5,277,933	-403,850	462,673	-4,678,004
Technical result	**62,822,581**	**123,704,071**	**26,613,803**	**193,288,953**	**20,115,199**	**21,360,332**	**447,904,938**

Reporting by business – technical earnings, as at 31 December 2010:

	Life	Non-Life	Total
Earned premiums, direct insurance	376,443,846	746,177,253	1,122,621,099
Cost of claims, direct insurance	-160,729,888	-236,423,954	-397,153,842
Other technical costs	-289,986,048	-11,844,862	-301,830,910
Technical margin, direct insurance	-74,272,091	497,908,437	423,636,347
Assigned reinsurance earnings	-6,207,110	-95,718,992	-101,926,102
Net technical margin	-80,479,201	402,189,445	321,710,244
Operating costs	-78,054,595	-180,411,229	-258,465,824
Operating earnings	-158,533,796	221,778,216	63,244,420
Investment earnings	189,805,094	113,810,104	303,615,197
Other	2,918,328	-5,283,414	-2,365,086
Technical earnings	34,189,626	330,304,905	364,494,531

Reporting by Life business products – technical earnings, as at 31 December 2010:

	Life			
	Annuities	Capitalisation	Life Risk	Total
Earned premiums, direct insurance	141,844,544	82,889,056	151,710,246	376,443,846
Cost of claims, direct insurance	-100,033,228	-40,017,043	-20,679,617	-160,729,888
Other technical costs	-146,934,185	-83,123,435	-59,928,428	-289,986,048
Technical margin, direct insurance	-105,122,869	-40,251,422	71,102,201	-74,272,090
Assigned reinsurance earnings	-	-	-6,207,110	-6,207,110
Net technical margin	-105,122,869	-40,251,422	64,895,091	-80,479,200
Operating costs	-6,621,794	-10,454,675	-60,978,126	-78,054,595
Operating result	-111,744,663	-50,706,097	3,916,965	-158,533,795
Investment earnings	117,923,810	52,092,514	19,788,769	189,805,094
Other	820,853	613,822	1,483,653	2,918,328
Technical earnings	7,000,000	2,000,239	25,189,387	34,189,627

Reporting by Non-Life business products – technical earnings, as at 31 December 2010:

	Non-Life						
	Workman's compensation	Personal accidents and sickness	Fire and natural phenomena	Motor	Miscellaneous	Other products	Total
Earned premiums, direct insurance	63,549,500	136,320,843	76,397,079	348,526,809	69,794,920	51,588,102	746,177,253
Cost of claims, direct insurance	-15,985,325	-28,490,037	-1,162,360	-167,515,677	-22,829,931	-440,625	-236,423,954
Other technical costs	-1,076,041	-10,277,497	-491,323	-	-	-	-11,844,862
Technical margin, direct insurance	46,488,134	97,553,309	74,743,395	181,011,133	46,964,990	51,147,477	497,908,437
Assigned reinsurance earnings	-2,471,987	-5,161,434	-32,785,205	-13,651,517	-14,357,915	-27,290,935	-95,718,992
Net technical margin	44,016,146	92,391,875	41,958,191	167,359,616	32,607,074	23,856,543	402,189,445
Operating costs	-13,123,878	-47,621,648	-16,009,833	-79,103,949	-12,779,819	-11,772,102	-180,411,229
Operating earnings	30,892,269	44,770,227	25,948,357	88,255,667	19,827,256	12,084,440	221,778,216
Investment earnings	6,842,099	39,251,527	4,270,551	43,330,690	13,402,330	6,712,907	113,810,104
Other	-3,478,318	-122,951	-432,460	-633,987	-549,156	-66,543	-5,283,414
Technical earnings	34.256.050	83.898.803	29.786.448	130.952.369	32.680.430	18.730.805	330.304.905

Reporting by business – Balance Sheet, as at 31 December 2011:

	Life	Non-Life	Total
Cash and equivalent and demand deposits	66,978,391	20,364,100	87,342,492
Investments in subsidiaries, associates and joint ventures	162,073,919	49,276,931	211,350,850
Assets available for sale	1,793,891,765	545,414,591	2,339,306,356
Loans and accounts receivable	295,742,234	89,917,426	385,659,660
Buildings	1,056,058,003	321,083,722	1,377,141,725
Other tangible and intangible assets and inventories	39,007,026	11,859,690	50,866,716
Assigned reinsurance technical provisions	1,481,614	109,041,478	110,523,092
Other receivables and tax assets	70,283,904	21,369,108	91,653,012
Accruals and deferrals	149,681,175	45,509,043	195,190,218
Total assets	**3,635,198,032**	**1,213,836,089**	**4,849,034,120**
Technical provisions	2,625,943,337	798,391,430	3,424,334,767
Other financial liabilities	-	-	-
Retirement benefits and other long term benefit liabilities	5,456,319	1,658,938	7,115,258
Other payables and tax liabilities	104,481,537	31,766,551	136,248,089
Accruals and deferrals	30,950,999	9,410,337	40,361,336
Other provisions	311,679	94,763	406,442
Total liabilities	**2,767,143,872**	**841,322,020**	**3,608,465,892**

Reporting by Life business products – Balance Sheet, as at 31 December 2011:

	Life			
	Annuities	Capitalisation	Life Risk	Total
Cash and equivalent and demand deposits	37,987,486	22,861,096	6,129,809	66,978,391
Investments in subsidiaries, associates and joint ventures	91,921,897	55,319,146	14,832,876	162,073,919
Assets available for sale	1,017,424,242	612,291,978	164,175,545	1,793,891,765
Loans and accounts receivable	167,733,262	100,942,878	27,066,094	295,742,234
Buildings	598,954,204	360,454,213	96,649,587	1,056,058,003
Other tangible and intangible assets and inventories	22,123,238	13,313,896	3,569,892	39,007,026
Assigned reinsurance technical provisions	-	-	1,481,614	1,481,614
Other receivables and tax assets	39,862,242	23,989,335	6,432,327	70,283,904
Accruals and deferrals	84,893,224	51,089,249	13,698,702	149,681,175
Total assets	**2,060,899,795**	**1,240,261,790**	**334,036,446**	**3,635,198,032**
Technical provisions	1,489,330,884	896,288,210	240,324,242	2,625,943,337
Other financial liabilities	-	-	-	-
Retirement benefits and other long term benefit liabilities	3,094,608	1,862,353	499,358	5,456,319
Other payables and tax liabilities	59,257,783	35,661,687	9,562,067	104,481,537
Accruals and deferrals	17,554,179	10,564,209	2,832,611	30,950,999
Other provisions	176,772	106,382	28,525	311,679
Total liabilities	**1,569,414,226**	**944,482,843**	**253,246,803**	**2,767,143,872**

Reporting by Non-Life business products – Balance Sheet, as at 31 December 2011:

	Non-Life						
	Workman's compensation	Personal accidents and sickness	Fire and natural phenomena	Motor	Miscellaneous	Other products	Total
Cash and equivalent and demand deposits	1,548,480	7,420,055	1,161,112	7,778,803	1,409,422	1,046,228	20,364,100
Investments in subsidiaries, associates and joint ventures	3,747,003	17,955,006	2,809,653	18,823,101	3,410,511	2,531,656	49,276,931
Assets available for sale	41,473,161	198,732,393	31,098,237	208,340,774	37,748,752	28,021,273	545,414,591
Loans and accounts receivable	6,837,294	32,763,159	5,126,877	34,347,204	6,223,285	4,619,606	89,917,426
Buildings	24,415,109	116,993,086	18,307,427	122,649,508	22,222,562	16,496,028	321,083,722
Other tangible and intangible assets and inventories	901,807	4,321,308	676,211	4,530,237	820,822	609,305	11,859,690
Assigned reinsurance technical provisions	7,125,943	1,750,675	27,691,565	9,333,538	29,034,326	34,105,431	109,041,478
Other receivables and tax assets	1,624,901	7,786,249	1,218,416	8,162,701	1,478,980	1,097,861	21,369,108
Accruals and deferrals	3,460,494	16,582,103	2,594,817	17,383,820	3,149,732	2,338,077	45,509,043
Total assets	**91,134,193**	**404,304,035**	**90,684,315**	**431,349,685**	**105,498,392**	**90,865,467**	**1,213,836,089**
Technical provisions	60,709,444	290,909,415	45,522,373	304,974,401	55,257,561	41,018,236	798,391,430
Other financial liabilities	-	-	-	-	-	-	-
Retirement benefits and other long term benefit liabilities	126,145	604,466	94,589	633,691	114,817	85,230	1,658,938
Other payables and tax liabilities	2,415,519	11,574,760	1,811,253	12,134,380	2,198,598	1,632,041	31,766,551
Accruals and deferrals	715,559	3,428,839	536,555	3,594,618	651,300	483,466	9,410,337
Other provisions	7,206	34,529	5,403	36,198	6,559	4,869	94,763
Total liabilities	**63,973,873**	**306,552,008**	**47,970,172**	**321,373,288**	**58,228,835**	**43,223,842**	**841,322,020**

Reporting by business – Balance Sheet, as at 31 December 2010:

	Life	Non-Life	Total
Cash and equivalent and demand deposits	38,731,081	11,775,792	50,506,874
Investments in subsidiaries, associates and joint ventures	162,073,919	49,276,931	211,350,850
Assets available for sale	1,626,695,414	494,580,237	2,121,275,651
Loans and accounts receivable	236,706,337	71,968,160	308,674,498
Buildings	590,078,518	179,407,387	769,485,905
Other tangible and intangible assets and inventories	34,714,353	10,554,547	45,268,900
Assigned reinsurance technical provisions	3,298,409	146,918,483	150,216,893
Other receivables and tax assets	54,868,009	16,682,062	71,550,071
Accruals and deferrals	27,649,026	8,406,406	36,055,432
Total assets	**2,774,815,068**	**989,570,005**	**3,764,385,073**
Technical provisions	1,907,721,479	747,511,230	2,655,232,709
Other financial liabilities	3,387,531	1,029,945	4,417,476
Retirement benefits and other long term benefit liabilities	7,107,201	2,160,872	9,268,073
Other payables and tax liabilities	68,192,797	20,733,328	88,926,125
Accruals and deferrals	27,292,767	8,298,089	35,590,856
Other provisions	311,679	94,763	406,442
Total liabilities	**2,014,013,455**	**779,828,226**	**2,793,841,681**

Reporting by Life business products – Balance Sheet, as at 31 December 2010:

	Life			
	Annuities	Capitalisation	Life Risk	Total
Cash and equivalent and demand deposits	21,966,733	13,219,711	3,544,638	38,731,081
Investments in subsidiaries, associates and joint ventures	91,921,897	55,319,146	14,832,876	162,073,919
Assets available for sale	922,597,104	555,224,441	148,873,868	1,626,695,414
Loans and accounts receivable	134,250,444	80,792,718	21,663,175	236,706,337
Buildings	334,669,126	201,405,876	54,003,516	590,078,518
Other tangible and intangible assets and inventories	19,688,604	11,848,719	3,177,030	34,714,353
Assigned reinsurance technical provisions	-	-	3,298,409	3,298,409
Other receivables and tax assets	31,118,958	18,727,575	5,021,476	54,868,009
Accruals and deferrals	15,681,431	9,437,179	2,530,417	27,649,026
Total assets	**1,571,894,297**	**945,975,365**	**256,945,406**	**2,774,815,068**
Technical provisions	979,170,856	729,497,030	199,053,593	1,907,721,479
Other financial liabilities	1,921,273	1,156,234	310,024	3,387,531
Retirement benefits and other long term benefit liabilities	4,030,922	2,425,833	650,445	7,107,201
Other payables and tax liabilities	38,676,249	23,275,597	6,240,950	68,192,797
Accruals and deferrals	15,479,375	9,315,580	2,497,812	27,292,767
Other provisions	176,772	106,382	28,525	311,679
Total liabilities	**1,039,455,448**	**765,776,657**	**208,781,350**	**2,014,013,455**

Reporting by Non-Life business products – Balance Sheet, as at 31 December 2010:

	Non-Life						
	Workman's compensation	Personal accidents and sickness	Fire and natural phenomena	Motor	Miscellaneous	Other products	Total
Cash and equivalent and demand deposits	895,428	4,290,738	671,428	4,498,189	815,016	604,994	11,775,792
Investments in subsidiaries, associates and joint ventures	3,747,003	17,955,006	2,809,653	18,823,101	3,410,511	2,531,656	49,276,931
Assets available for sale	37,607,732	180,209,909	28,199,784	188,922,759	34,230,450	25,409,602	494,580,237
Loans and accounts receivable	5,472,437	26,222,996	4,103,453	27,490,834	4,980,997	3,697,443	71,968,160
Buildings	13,642,084	65,370,564	10,229,381	68,531,122	12,416,985	9,217,251	179,407,387
Other tangible and intangible assets and inventories	802,565	3,845,754	601,795	4,031,690	730,492	542,251	10,554,547
Assigned reinsurance technical provisions	4,543,842	2,077,766	16,512,340	6,044,668	78,527,892	39,211,975	146,918,483
Other receivables and tax assets	1,268,499	6,078,433	951,171	6,372,315	1,154,584	857,059	16,682,062
Accruals and deferrals	639,221	3,063,037	479,313	3,211,130	581,817	431,888	8,406,406
Total assets	**68,618,810**	**309,114,204**	**64,558,318**	**327,925,808**	**136,848,743**	**82,504,121**	**989,570,005**
Technical provisions	51,078,635	253,947,292	28,371,242	280,411,881	89,078,228	44,623,953	747,511,230
Other financial liabilities	78,317	375,280	58,725	393,424	71,284	52,915	1,029,945
Retirement benefits and other long term benefit liabilities	164,312	787,356	123,208	825,423	149,556	111,017	2,160,872
Other payables and tax liabilities	1,576,556	7,554,591	1,182,165	7,919,842	1,434,977	1,065,197	20,733,328
Accruals and deferrals	630,984	3,023,570	473,137	3,169,754	574,320	426,323	8,298,089
Other provisions	7,206	34,529	5,403	36,198	6,559	4,869	94,763
Total liabilities	**53,536,010**	**265,722,617**	**30,213,880**	**292,756,523**	**91,314,923**	**46,284,274**	**779,828,226**

■ Allocation of the investments and other assets

Allocation of the investments and other assets, as at 31 December 2011:

Nature of the investments and other assets	Life insurance without profit-sharing	Life insurance with profit-sharings	Non-Life insurance	Not allocated	Total
Cash and equivalent and demand deposits	144,119	3,826,448	-	83,371,925	87,342,492
Investments in subsidiaries, associates and joint ventures	-	-	650,850	210,700,000	211,350,850
Assets available for sale	30,409,778	807,398,184	570,072,051	931,426,343	2,339,306,356
Loans and accounts receivable	13,160,474	349,418,612	1,035,581	22,044,993	385,659,660
Buildings	48,784,283	1,295,252,500	-	33,104,942	1,377,141,725
Other tangible and intangible assets and inventories	-	-	-	50,866,716	50,866,716
Assigned reinsurance technical provisions	-	-	-	110,523,092	110,523,092
Other receivables and tax assets	-	-	-	91,653,012	91,653,012
Accruals and deferrals	2,761,003	73,306,322	117,591,469	1,531,423	195,190,218
Total	95,259,657	2,529,202,066	689,349,951	1,535,222,446	4,849,034,12

Allocation of the investments and other assets, as at 31 December 2010:

Nature of the investments and other assets	Life insurance without profit-sharing	Life insurance with profit-sharings	Non-Life insurance	Not allocated	Total
Cash and equivalent and demand deposits	73,586	1,993,723	2,000,000	46,439,565	50,506,874
Investments in subsidiaries, associates and joint ventures	-	-	-	211,350,850	211,350,850
Assets available for sale	34,648,132	938,748,567	576,175,045	571,703,907	2,121,275,651
Loans and accounts receivable	5,177,055	140,265,950	-	163,231,492	308,674,498
Buildings	27,377,453	741,758,453	-	350,000	769,485,905
Other tangible and intangible assets and inventories	-	-	-	45,268,900	45,268,900
Assigned reinsurance technical provisions	-	-	-	150,216,893	150,216,893
Other receivables and tax assets	-	-	-	71,550,071	71,550,071
Accruals and deferrals	449,966	12,191,263	22,416,098	998,106	36,055,432
Total	67,726,191	1,834,957,955	600,591,143	1,261,109,783	3,764,385,073

NOTE 6 – EARNED PREMIUMS NET OF REINSURANCE

The earned premiums net of reinsurance, for 2010 and 2011, are analysed as follows:

	'11	'10
Gross premiums issued of direct insurance and reinsurance accepted	1,345,742,326	1,218,105,104
Assigned reinsurance premiums	-248,798,315	-152,052,899
Net reinsurance premiums	1,096,944,010	1,066,052,205
Variation of unearned premiums of direct insurance and reinsurance accepted	-64,671,654	-95,484,006
Variation of unearned premiums of reinsurance assigned	22,440,447	11,437,285
Net variation of unearned premiums	-42,231,207	-84,046,720
Earned premiums, net of reinsurance	1,054,712,803	982,005,484

The breakdown of the headings is analysed as follows:

	'11			'10		
	Direct insurance and reinsurance accepted	Reinsurance assigned	Net	Direct insurance and reinsurance accepted	Reinsurance assigned	Net
Gross premiums issued	**1,345,742,326**	**-248,798,315**	**1,096,944,010**	**1,218,105,104**	**-152,052,899**	**1,066,052,205**
Life	381,543,308	-23,263,227	358,280,080	376,443,846	-20,694,682	355,749,164
Annuities	146,786,169	-	146,786,169	141,844,544	-	141,844,544
Capitalisation	80,593,194	-	80,593,194	82,889,056	-	82,889,056
Life Risk	154,163,945	-23,263,227	130,900,718	151,710,246	-20,694,682	131,015,564
Non-Life	964,199,018	-225,535,088	738,663,930	841,661,259	-131,358,217	710,303,041
Workman's compensation	79,627,550	-1,788,046	77,839,505	64,692,690	-1,961,780	62,730,910
Personal accidents and sickness	179,310,676	-5,298,432	174,012,244	210,374,769	-7,546,264	202,828,505
Fire and other damage	143,437,470	-103,776,463	39,661,008	78,790,246	-48,003,546	30,786,700
Motor	389,809,065	-9,148,723	380,660,342	363,066,859	-17,413,930	345,652,929
Miscellaneous	114,468,934	-66,392,187	48,076,747	70,044,817	-20,806,633	49,238,183
Other products	57,545,321	-39,131,237	18,414,085	54,691,878	-35,626,064	19,065,814
Variation of the provision for unearned premiums	**-64,671,654**	**22,440,447**	**-42,231,207**	**-95,484,006**	**11,437,285**	**-84,046,720**
Life	-	-	-	-	-	-
Non-Life	-64,671,654	22,440,447	-42,231,207	-95,484,006	11,437,285	-84,046,720
Workman's compensation	-1,082,338	-	-1,082,338	-1,143,190	-	-1,143,190
Personal accidents and sickness	-27,397,203	-12,295	-27,409,498	-74,053,926	307,265	-73,746,661
Fire and other damage	-145,141	-964,858	-1,109,999	-2,393,167	4,820,597	2,427,430
Motor	-9,261,977	-	-9,261,977	-14,540,050	-	-14,540,050
Miscellaneous	-24,791,652	23,292,365	-1,499,287	-249,897	1,945,298	1,695,402
Other products	-1,993,343	125,234	-1,868,109	-3,103,776	4,364,124	1,260,349
Earned premiums	**1,281,070,671**	**-226,357,869**	**1,054,712,803**	**1,122,621,099**	**-140,615,614**	**982,005,485**
Life	381,543,308	-23,263,227	358,280,080	376,443,846	-20,694,682	355,749,164
Non-Life	899,527,364	-203,094,641	696,432,723	746,177,253	-119,920,932	626,256,321
Workman's compensation	78,545,213	-1,788,046	76,757,167	63,549,500	-1,961,780	61,587,720
Personal accidents and sickness	151,913,473	-5,310,727	146,602,746	136,320,843	-7,238,999	129,081,844
Fire and other damage	143,292,329	-104,741,320	38,551,009	76,397,079	-43,182,948	33,214,130
Motor	380,547,089	-9,148,723	371,398,365	348,526,809	-17,413,930	331,112,879
Miscellaneous	89,677,282	-43,099,822	46,577,460	69,794,920	-18,861,335	50,933,585
Other products	55,551,978	-39,006,003	16,545,976	51,588,102	-31,261,940	20,326,163

NOTE 7 – COST OF CLAIMS, NET OF REINSURANCE

For the financial years of 2011 and 2010, this heading is broken down as follows:

	'11	'10
Claims paid		
Gross values	-467,214,015	-353,656,239
Portion of the reinsurers	48,577,240	3,667,854
Variation of the provision for claims		
Gross values	1,815,957	-37,691,739
Portion of the reinsurers	-31,906,326	3,191,400
Total before imputed costs	-448,727,143	-384,488,726
Costs of claims (imputed) – see Note 19	-6,329,632	-5,805,864
Cost of claims, net of reinsurance	**-455,056,775**	**-390,294,589**

For the financial years of 2011 and 2010, the Costs of Claims and Variations of the Technical Provisions of the Life and Non-Life business were broken down as follows:

	'11					
	Claims paid		Variation of the provision for claims		Cost of claims (imputed)	Total
	Gross values	Portion of the reinsurers	Gross values	Portion of the reinsurers		
Life	-227,361,292	5,294,830	-3,490,549	72,566	-728,867	-226,213,312
Annuities	-137,744,854	-	-2,070,893	-	-561,533	-140,377,280
Capitalisation	-68,691,646	-	-53,614	-	-76,723	-68,821,982
Life Risk	-20,924,792	5,294,830	-1,366,042	72,566	-90,611	-17,014,049
Non-Life	-239,852,723	43,282,410	5,306,507	-31,978,892	-5,600,765	-228,843,464
Workman's compensation	-5,466,407	-	-8,484,830	2,689,819	-767,228	-12,028,646
Personal accidents and sickness	-26,437,067	-	1,980,384	-	-805,590	-25,262,273
Fire and other damage	-37,423,693	34,913,957	-17,319,607	14,184,741	-575,421	-6,220,024
Motor	-142,431,105	-	-21,865,093	5,134,730	-3,452,527	-162,613,995
Miscellaneous	-25,795,605	7,632,545	49,526,124	-55,051,376	-	-23,688,312
Other products	-2,298,845	735,908	1,469,530	1,063,194	-	969,786
Total	**-467,214,015**	**48,577,240**	**1,815,957**	**-31,906,326**	**-6,329,632**	**-455,056,775**

	'10					
	Claims paid		Variation of the provision for claims		Cost of claims (imputed)	Total
	Gross values	Portion of the reinsurers	Gross values	Portion of the reinsurers		
Life	-155,444,081	1,536,044	-4,617,254	2,148,397	-668,554	-157,045,447
Annuities	-100,805,366	-	1,271,159	-	-499,021	-100,033,228
Capitalisation	-39,794,105	-	-152,564	-	-70,374	-40,017,043
Life Risk	-14,844,610	1,536,044	-5,735,848	2,148,397	-99,159	-16,995,175
Non-Life	-198,212,159	2,131,810	-33,074,486	1,043,002	-5,137,310	-233,249,142
Workman's compensation	-5,767,613	-	-9,513,971	-510,208	-703,741	-16,495,532
Personal accidents and sickness	-29,456,353	-	1,705,244	-	-738,928	-28,490,037
Fire and other damage	-2,274,703	1,765,729	1,640,148	-2,786,057	-527,806	-2,182,689
Motor	-138,651,091	-1,959,588	-25,697,751	5,710,702	-3,166,835	-163,764,562
Miscellaneous	-21,879,618	2,278,977	-950,313	-1,339,075	-	-21,890,028
Other products	-182,781	46,691	-257,844	-32,361	-	-426,294
Total	**-353,656,239**	**3,667,854**	**-37,691,739**	**3,191,400**	**-5,805,864**	**-390,294,589**

NOTE 8 – OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE

The heading Other technical provisions, net of reinsurance exclusively considers the variation of the provision for claims rate deviations. Also see Note 27.

NOTE 9 – MATHEMATICAL PROVISION OF LIFE BUSINESS, NET OF REINSURANCE

The heading of mathematical provision of Life, net of reinsurance, includes the variation of the Company's liabilities related to insurance contracts and investment contracts with sharing of profit in the Life business. Also see Note 27.

NOTE 10 – PROFIT-SHARING, NET OF REINSURANCE

The heading of profit-sharing, net of reinsurance, refers to the increased liabilities of the Company relative to the estimated amounts attributable to insurance policyholders in insurance contracts and investment contracts with sharing of profit in the Life business. Also see Note 27.

NOTE 11 – NET OPERATING COSTS

For the financial years of 2011 and 2010, the net operating costs are broken down as follows:

	'11	'10
Acquisition cost	-104,285,661	-101,321,963
Deferred acquisition costs (variation)	4,881,088	837,548
Administrative costs	-162,467,291	-157,981,409
Fees and sharing of reinsurance profit	33,494,673	31,901,005
Net operating costs	**-228,377,191**	**-226,564,820**

For the financial years of 2011 and 2010, the Acquisition costs, deferred acquisition costs (variation), administrative costs, fees and sharing of reinsurance profit, were broken down as follows:

'11						
Net operating costs	Acquisition cost		Deferred acquisition costs (variation)	Administrative costs		Fees and sharing of reinsurance profit
	Imputed costs (see Note 19)	Mediation fees (subscription)		Imputed costs (see Note 19)	Mediation fee (collection)	
Life	-9,069,131	-20,432,423	-	-44,723,649	-16,964	10,309,543
Annuities	-333,368	-	-	-1,643,976	-	-
Capitalisation	-1,921,349	-	-	-9,474,969	-	-
Life Risk	-6,814,414	-20,432,423	-	-33,604,704	-16,964	10,309,543
Non-Life	-22,918,622	-51,865,485	4,881,088	-113,021,243	-4,705,434	23,185,130
Workman's compensation	-1,892,715	-3,213,891	-44,251	-9,333,763	-426,546	-
Personal accidents and sickness	-4,414,219	-12,803,792	2,019,624	-21,768,345	-95,639	1,708,396
Fire and other damage	-3,409,451	-6,342,279	220,563	-16,813,418	-388,783	10,857,147
Motor	-9,113,528	-23,543,476	2,780,962	-44,942,592	-3,107,149	-
Miscellaneous	-2,720,880	-2,679,730	68,216	-13,417,791	-149,631	4,253,748
Other products	-1,367,829	-3,282,317	-164,025	-6,745,333	-537,686	6,365,840
Total	-31,987,753	-72,297,908	4,881,088	-157,744,892	-4,722,399	33,494,673

'10						
Net operating costs	Acquisition cost		Deferred acquisition costs (variation)	Administrative costs		Fees and sharing of reinsurance profit
	Imputed costs (see Note 19)	Mediation fees		Imputed costs (see Note 19)	Mediation fee	
Life	-9,537,000	-20,991,591	-	-47,453,280	-72,724	10,873,876
Annuities	-1,108,121	-	-	-5,513,674	-	-
Capitalisation	-1,749,530	-	-	-8,705,145	-	-
Life Risk	-6,679,349	-20,991,591	-	-33,234,461	-72,724	10,873,876
Non-Life	-21,321,065	-49,472,307	837,548	-106,087,290	-4,368,115	21,027,128
Workman's compensation	-1,638,850	-3,203,855	44,256	-8,154,430	-170,999	-
Personal accidents and sickness	-5,329,391	-13,812,650	-1,852,253	-26,517,467	-109,887	2,077,566
Fire and other damage	-1,995,981	-3,725,354	68,193	-9,931,408	-425,283	11,418,072
Motor	-9,197,516	-23,535,059	2,501,597	-45,764,107	-3,108,865	11,299
Miscellaneous	-1,774,434	-1,777,322	-204,689	-8,829,058	-194,315	3,563,518
Other products	-1,384,894	-3,418,067	280,444	-6,890,819	-358,766	3,956,674
Total	-30,858,065	-70,463,898	837,548	-153,540,570	-4,440,839	31,901,005

NOTE 12 – INCOME

For the financial years of 2011 and 2010, the income by category of financial assets is analysed as follows::

	'11			'10		
	Allocated	Not allocated	Total	Allocated	Not allocated	Total
Income	421,853,349	35,982,866	457,836,215	304,470,988	1,110,000	305,580,988
Interest income from financial assets not stated at fair value through profit or loss	327,904,349	35,982,866	363,887,215	210,858,826	1,110,000	211,968,826
of assets available for sale	283,139,229	35,575,952	318,715,181	194,641,132	703,915	195,345,046
Bonds and other fixed income securities						
issued by public entities	35,689,282	-	35,689,282	41,101,283	-	41,101,283
issued by other entities	40,594,048	35,575,952	76,170,000	46,514,732	703,915	47,218,646
Other investments (*)	206,855,899	-	206,855,899	107,025,117	-	107,025,117
of loans granted and accounts receivable –Term deposits	44,765,120	406,914	45,172,035	16,217,694	406,086	16,623,780
Other	93,949,000	-	93,949,000	93,612,162	-	93,612,162
of buildings for own use (rents)	92,650,682	-	92,650,682	92,846,032	-	92,846,032
of financial assets available for sale – Shares	1,298,317	-	1,298,317	766,130	-	766,130

(*) Treasury bills with repurchase agreement by BIM – Banco Internacional de Moçambique, S.A.

NOTE 13 – FINANCIAL COSTS

the heading of financial costs refers to the costs imputed to the investment function. Also see Note 19.

NOTE 14 – NET GAINS OF FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

For the financial years of 2011 and 2010, the values recorded under this heading refer to the capital gains of the trading derivative (exchange rate swap), measured based on the determination of its fair value. See Note 31.

NOTE 15 – FOREIGN EXCHANGE DIFFERENCES

The values for 2011 presented in the heading of Currency conversion differences, under Gains and Losses, refer to currency conversion differences arising from:

Dr/(Cr)

Exchange rate variation	Non-Life	Life	Non-technical	Total
Provisions for direct insurance claims	-11,578,089			-11,578,089
Provisions for assigned reinsurance claims	9,411,223			9,411,223
Provision for unearned direct insurance premiums	-11,919,960			-11,919,960
Provision for unearned assigned reinsurance premiums	8,953,835			8,953,835
Provisions for direct insurance claims		4,469,416		4,469,416
Provisions for assigned reinsurance claims		666,558		666,558
Direct insurance mathematical provisions		-47,873,056		-47,873,056
Assigned reinsurance mathematical provisions		271,853		271,853
Financial assets (investments)	6,512,206	53,875,475	7,553,412	67,941,093
Employee benefit liability actuarial gain		-5,207,509		-5,207,509
Receipts for collection			4,469,698	4,469,698
Rebates payable			-334,768	-334,768
Current accounts – reinsurers			-7,613,062	-7,613,062
Current accounts – mediators			1,084,448	1,084,448
Receivables and payables			-3,977,473	-3,977,473
Accruals and deferrals			-1,639,103	-1,639,103
Demand deposits			3,665,455	3,665,455
Taxes			-1,347,820	-1,347,820
Current accounts – co-insurance			-62,429	-62,429
Inventories			278,802	278,802
Total	1.379.215	6.202.738	2.077.161	9.659.114

Details of variations by business:

Non-Life technical provisions	'11			
	Provision for claims		Provision for unearned premiums	
	Direct insurance	Reinsurance assigned	Direct insurance	Reinsurance assigned
Non-Life				
Workman's compensation	-	107,718	-	-
Personal accidents and sickness	-348,908	291,989	-91,994	22,808
Fire and other damage	-5,813	-885,652	-2,714,248	2,737,212
Motor	11,084	-956,449	-535,261	
Miscellaneous	-6,840,137	6,753,121	-6,537,134	4,007,007
Other	-4,394,315	4,100,497	-2,041,323	2,186,808
Total	-11,578,089	9,411,223	-11,919,960	8,953,835

Details of variations by business:

Life technical provisions	'11			
	Provision for claims		Mathematical provision	
	Direct insurance	Reinsurance assigned	Direct insurance	Reinsurance assigned
Life				
Annuities	-	-	-	-
Capitalisation	-218,857		-47,201,483	-
Life Risk	4,688,273	666,558	-671,573	271,853
Total	**4,469,416**	**666,558**	**-47,873,056**	**271,853**

The values for 2010 presented in the heading of Currency conversion differences, under Gains and Losses, refer to foreign exchange differences arising from:

Exchange rate variation 2010	Non-Life	Life	Non-technical	Total
Provisions for direct insurance claims	6,508,730	-	-	6,508,730
Provisions for assigned reinsurance claims	-3,959,736	-	-	-3,959,736
Provision for unearned direct insurance premiums	-3,524,574	-	-	-3,524,574
Provision for unearned assigned reinsurance premiums	2,682,515	-	-	2,682,515
Provisions for direct insurance claims	-	155,521	-	155,521
Provisions for assigned reinsurance claims	-	38,033	-	38,033
Direct insurance mathematical provisions	-	27,326,471	-	27,326,471
Assigned reinsurance mathematical provisions	-	-70,746	-	-70,746
Investments	-1,806,293	-29,047,062	2,566,100	-28,287,255
Receipts for collection	-	-	979,698	979,698
Rebates payable	-	-	517,668	517,668
Current accounts – reinsurers	-	-	5,789,883	5,789,883
Current accounts – mediators	-	-	-4,693,361	-4,693,361
Receivables and payables	-	-	427,424	427,424
Accruals and deferrals	-	-	-43,986	-43,986
Demand deposits	-	-	-5,157,659	-5,157,659
Taxes	-	-	-181,205	-181,205
Current accounts – co-insurance	-	-	-63,410	-63,410
Inventories	-	-	-	-
Total	**-99,358**	**-1,597,783**	**141,153**	**-1,555,988**

Details of variations by business:

Non-Life technical provisions	'10			
	Provision for claims		Provision for unearned premiums	
	Direct insurance	Reinsurance assigned	Direct insurance	Reinsurance assigned
Non-Life				
Workman's compensation	-	10,042	-	-
Personal accidents and sickness	525,559	-187,826	66,167	35,285
Fire and other damage	-14,222	614,947	-1,092,296	1,010,745
Motor	396,475	466,520	-	-
Miscellaneous	2,624,658	-2,194,907	-866,789	916,653
Other products	2,976,261	-2,668,513	-1,631,657	719,832
Total	**6,508,730**	**-3,959,736**	**-3,524,574**	**2,682,515**

Details of variations by business:

Life technical provisions	'10			
	Provision for claims		Mathematical provision	
	Direct insurance	Reinsurance assigned	Direct insurance	Reinsurance assigned
Life				
Annuities	-	-	-	-
Capitalisation	12,679	-	26,933,626	-
Life Risk	142,842	38,033	392,845	-70,746
Total	**155.521**	**38.033**	**27.326.471**	**-70.746**

The balances of monetary assets/liabilities denominated in foreign currency are revalued to Meticais at the indicative average exchange rate of *Banco de Moçambique* at the end of each month. At the end of each financial year, the following exchange rates were recorded:

	31.12.2011	31.12.2010
USD	27.31	32.58
ZAR	3.37	4.93
EUR	35.27	43.57

NOTE 16 – NET GAINS OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATING UNITS

The value of 607,283 thousand Meticais, recorded as at 31 December 2011, refers to the fair value variation of properties (i) allocated to products with 100% profit-sharing, approximately 589,799 thousand Meticais and (ii) allocated with profit-sharing, approximately 17,484 thousand Meticais. Also see Notes 24 and 27.

NOTE 17 – OTHER PROVISIONS (VARIATION)

The heading Other provisions (variation), refers to the variation of the adjustment of receipts for collection. Also see Note 28.

NOTE 18 – OTHER TECHNICAL AND NON-TECHNICAL INCOME/COSTS, NET OF REINSURANCE

Of the value of 2,739 thousand Meticais recorded under the heading as at 31 December 2011, approximately 1,389 thousand Meticais refer to gains relative to the disposal of vehicles to Employees, which were totally depreciated.

NOTE 19 – IMPUTABLE COSTS BY NATURE

The analysis of the costs using a classification based on function, namely acquisition of insurance contracts (acquisition costs and administrative costs), costs of claims and investment costs, is broken down as follows:

	'11			'10		
	Technical account	Non-technical account	Total	Technical account	Non-technical account	Total
Costs of claims (see Note 7)	6,329,632	-	6,329,632	5,805,864	-	5,805,864
Acquisition costs (see Note 11)	31,987,753	-	31,987,753	30,858,065	-	30,858,065
Administrative costs (see Note 11)	157,744,892	-	157,744,892	153,540,570	-	153,540,570
Investment management costs (see Note 13)	3,321,101	-	3,321,101	1,808,801	-	1,808,801
Total	199,383,378	-	199,383,378	192,013,299	-	192,013,299

The details of imputable costs by nature are presented as follows:

Imputable costs by nature	'11	'10
Employees costs	115,768,673	110,648,177
Remuneration of the governing bodies	9,103,512	6,042,463
Employees remuneration	96,509,415	85,813,163
Payroll charges	3,260,116	2,945,730
Retirement benefits (see Note 32)	3,603,340	10,920,156
Compulsory insurance	637,004	415,976
Social action costs	61,102	1,575,830
Other employees costs	2,594,184	2,934,859
External supplies and services	66,458,390	68,965,396
Skilled works	19,327,617	21,684,514
Insurance	8,430,722	6,738,808
Rents	6,725,736	6,690,371
Advertising and promotion	6,058,551	8,124,396
Maintenance and repair	4,289,782	5,771,719
Costs with independent labour	3,995,840	4,174,989
Fuel	3,749,779	2,626,260
Communications	3,170,005	2,846,487
Travel and hotel	2,959,602	2,190,032
Security and surveillance	1,854,880	1,678,339
Other (of individual value below 1,210 thousand)	5,895,877	6,439,481
Taxes and rates	1,073,399	753,746
Amortisation/depreciation for the year	12,761,816	9,837,842
Intangible assets (see Note 26)	4,631,474	2,766,222
Tangible assets (see Note 25)	8,130,341	7,071,620
Other provisions	-	-
Interest paid	-	662
Fees	3,321,101	1,807,476
Total imputable costs by nature	199,383,378	192,013,299

During 2011, SIM had an average of 147 Employees (2010: 138 Employees), distributed through the professional categories shown in the table below::

Average number of workers per professional category	'11	'10
Executive directors	10	10
Senior management	16	15
Middle management	15	15
Highly qualified professionals	1	1
Qualified professionals	86	79
Semi-qualified professionals	14	13
Other	5	5
Total	147	138

NOTE 20 – CASH AND EQUIVALENT AND DEMAND DEPOSITS

The description of the components of cash and equivalent and demand deposits, reconciling the amounts included in the cash flow statement with the corresponding sums reported in the balance sheet, is analysed as follows:

	'11	'10
Cash	493	-
Demand deposits	35,132,558	24,814,674
Term deposits with maturity below 90 days (considered equivalent to cash)	52,209,441	25,692,200
Total	87,342,492	50,506,874

NOTE 21 – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The individual financial statements of SIM include the values of 210,700,000 Meticais and 650,850 Meticais, relative to the 20% and 22.84% stakes in Constellation and Beira Nave, respectively, which are stated at acquisition cost, subject to impairment tests.

Summarised financial information of the associates, including the aggregate values of assets, liabilities and net income:

Company address	Head office	Percentage stake held	Holding value	Parent Company	Equity	Assets	Liabilities	Net income	Total revenue	Year
Constellation	Maputo	20.00%	210,700,000	SOGEX, S.A.	1,053,500,000	1,292,416,547	238,916,547	-	-	2010
Beira Nave	Beira	22.84%	650,850	Pescamar, Lda., Sociedade de Pesca de Mariscos	62,508,722	185,230,606	122.721.884	9.125,741	113,507,496	2010

NOTE 22 – ASSETS AVAILABLE FOR SALE

For the financial years of 2011 and 2010, this heading is broken down as follows:

		Fair Value Reserve		Profit-sharing attributable (see Note 27)		
	Nominal/Acquisition value	Positive	Negative	Positive	Negative	Book value
Bonds and other fixed income securities						
Issued by public entities	422,559,618	-	-	-	-	422,559,618
Issued by other entities	387,621,713	612,442	-	441,699	-	388,675,854
Shares	2,790,155	1,331,100	-	1,851,779	-	5,973,034
Other investments (*)	1,304,067,444	-	-	-	-	1,304,067,145
Balance as at 31.12.2010	**2,117,038,930**	**1,943,542**	**-**	**2,293,478**	**-**	**2,121,275,651**
Bonds and other fixed income securities						
Issued by public entities	187,716,341	-	-	-	-	187,716,341
Issued by other entities	550,283,739	435,782	-	208,866	-	550,928,387
Shares	2,937,335	1,618,489	-	2,072,579	-	6,628,403
Other investments (*)	1,594,033,224	-	-	-	-	1,594,033,224
Balance as at 31.12.2011	**2,334,970,640**	**2,054,271**	**-**	**2,281,445**	**-**	**2,339,306,356**

(*) Treasury bills with repurchase agreement by BIM – Banco Internacional de Moçambique.

NOTE 23 – LOANS AND ACCOUNTS RECEIVABLE

For the financial years of 2011 and 2010, this heading is broken down as follows:

	'11	'10
Term Deposits in MZN – Capital	195,629,540	212,480,000
Term Deposits in USD – Capital	181,129,871	65,088,599
Term Deposits in EUR – Capital	8,900,234	31,105,899
Total	**385.659.645**	**308.674.498**

The term deposits in Meticais, all of which are at Millennium bim, offer interest rates varying between 11.75% and 15.99% (Dec10: 9.7% and 15.3%), and have a maturity of 365 days (Dec10: 365 days).

The term deposits in USD and Euros, also all at Millennium bim, offer interest rates varying between 1.79% and 2.36% (Dec10: 0.2% and 1.0%) for USD, and between 1.22% and 2.1% (Dec10: 0.8% and 1.2%) for Euros. The term deposits in USD have a maturity of 365 days (Dec10: 91 and 367 days) and the term deposits in Euros have a maturity of 365 days (Dec10: 91 and 365 days).

NOTE 24 – INCOME-GENERATING BUILDINGS (INVESTMENT PROPERTIES)

Seguradora Internacional de Moçambique, S.A. only has income-generating buildings, which are stated in its accounts at the fair value as at the date of the last valuation.

The properties held by the Company were valued in 2011 by a suitable entity, contracted for the effect, Zambujo & Associados Lda., which prepared a valuation for each property based on the Market model, where the fair value was determined.

The revaluation of land and buildings was carried out taking into account the condition and characteristics of the properties, their age, any maintenance/remodelling works that may have been undertaken (even if carried out by the tenants), their type of occupation (rented or vacant) and, when applicable, the value of the applied rent. The valuation was based on details provided by the Company and the inspection made to the site.

The movements which occurred in income-generating buildings during 2011 are as follows:

		Additions				
	Value as at 31.12.2010	Acquisitions	Improvements	Disposals and write-offs	Revaluation against profit or loss (see note 16 and 27)	Value as at 31.12.2011
Income-generating buildings	769,485,905	372,740	-	-	607,283,080 (*)	1,377,141,725

(*) Of the value indicated above, 589,799,080.00 Meticais refer to properties allocated to products with 100% profit-sharing, and the remaining value refers to properties without profit-sharing.

The movements which occurred in income-generating buildings during 2010 are as follows:

		Additions				
	Value as at 31.12.2009	Acquisitions	Improvements	Disposals and write-offs	Revaluation against profit or loss	Gross value as at 31.12.2010
Income-generating buildings	769,485,905	-	-	-	-	769,485,905

The income derived from income-generating building rents are as follows:

	'11			'10		
	Life	Non-Life	Closing balance	Life	Non-Life	Closing balance
Property rents (see Note 12)	92,650,682	-	92,650,682	85,505,786	7,340,246	92,846,032

The direct operating costs of income-generating buildings are as follows:

	'11			'10		
	Life	Non-Life	Closing balance	Life	Non-Life	Closing balance
Repair, maintenance and other expenses	1,225,543	-	1,225,543	905,576	-	905,576

NOTE 25 – TANGIBLE ASSETS

The tangible assets of the Company are stated at cost minus the respective accumulated depreciation and impairment losses.

The respective evolution during 2011 and 2010 was as follows:

	Balance as at 31.12.2010			Increases	Reductions	Depreciation		Balance as at 31.12.2011		
	Gross value	Depreciation	Net value	Acquisitions	Transf. & Write-offs	Adjust.	Top-up	Gross value	Depreciation	Net value
Administrative equipment	4,726,884	1,701,780	3,025,104	816,670	109,983	-210	471,003	5,433,571	2,172,573	3,260,999
Machines, appliances and tools	3,222,862	2,657,835	565,027	157,801	31,222	-	150,320	3,349,441	2,808,155	541,286
IT equipment	8,517,766	3,320,450	5,197,316	4,985,726	-	-	1,648,103	13,503,492	4,968,553	8,534,939
Interior facilities	2,326,333	-	2,326,333	3,131,854	2,326,333	-209,401	1,046,814	3,131,854	837,413	2,294,440
Transport material	25,816,203	15,616,263	10,199,940	6,508,378	4,725,787	-4,725,787	4,428,499	27,598,794	15,318,976	12,279,818
Other tangible assets	2,844,087	2,210,523	633,564	3,446,778	-	-	385,602	6,290,865	2,596,125	3,694,740
Total Other tangible assets	**47,454,135**	**25,506,851**	**21,947,284**	**19,047,207**	**7,193,325**	**-4,935,398**	**8,130,341**	**59,308,018**	**28,701,794**	**30,606,224**
Inventory	**1,761,851**	**-**	**1,761,851**	**-**	**163,482**	**-**	**-**	**1,598,369**	**-**	**1,598,369**

	Balance as at 31.12.2009			Increases	Reductions	Depreciation		Balance as at 31.12.2010		
	Gross value	Depreciation	Net value	Acquisitions	Transf. & Write-offs	Adjust.	Top-up	Gross value	Depreciation	Net value
Administrative equipment	6,988,050	4,457,424	2,530,626	1,124,541	3,385,707	-3,289,342	533,698	4,726,884	1,701,780	3,025,104
Machines, appliances and tools	4,459,168	3,835,298	623,870	127,673	1,363,979	-1,320,784	143,321	3,222,862	2,657,835	565,027
IT equipment	14,663,526	10,609,221	4,054,305	2,697,032	8,842,792	-8,744,272	1,455,501	8,517,766	3,320,450	5,197,316
Interior facilities	5,121,110	3,838,076	1,283,034	1,970,775	4,765,552	-3,838,076	-	2,326,333	-	2,326,333
Transport material	22,299,892	15,007,056	7,292,836	6,692,123	3,175,812	-3,101,679	3,710,886	25,816,203	15,616,263	10,199,940
Other tangible assets	5,497,749	4,684,166	813,583	171,746	2,825,408	-2,790,435	316,792	2,844,087	2,210,523	633,564
Total Other tangible assets	**59,029,495**	**42,431,241**	**16,598,254**	**12,783,890**	**24,359,250**	**-23,084,588**	**6,160,198**	**47,454,135**	**25,506,851**	**21,947,284**
Inventory	**1,065,536**	**-**	**1,065,536**	**616,315**	**-**	**-**	**-**	**1,761,851**	**-**	**1,761,851**

It is considered that the book value reported above does not differ significantly from the realisation value of the tangible assets held.

NOTE 26 – INTANGIBLE ASSETS

The intangible assets of SIM are stated at cost minus the respective accumulated depreciation and impairment losses.

The respective evolution during 2011 and 2010 was as follows:

	Balance as at 31.12.2010			Increases	Reductions		Depreciation		Balance as at 31.12.2011		
	Gross value	Depreciation	Net value	Acquisitions	Transf. & Write-offs	Disposals	Adjust.	Top-up	Gross value	Depreciation	Net value
Computer applications	40,794,574	19,234,808	21,559,766	1,522,256	-	-	-	4,419,897	42,316,830	23,654,706	18,662,124
Total	40,794,574	19,234,808	21,559,766	1,522,256	-	-	-	4,419,897	42,316,830	23,654,706	18,662,124

	Balance as at 31.12.2009			Increases	Reductions		Depreciation		Balance as at 31.12.2010		
	Gross value	Depreciation	Net value	Acquisitions	Transf. & Write-offs	Disposals	Adjust.	Top-up	Gross value	Depreciation	Net value
Computer applications	28,907,732	16,540,989	12,366,743	11,959,245	72,403	-	-72,403	2,766,222	40,794,574	19,234,808	21,559,766
Total	28,907,732	16,540,989	12,366,743	11,959,245	72,403	-	-72,403	2,766,222	40,794,574	19,234,808	21,559,766

NOTE 27 – TECHNICAL PROVISIONS, NET OF REINSURANCE ASSIGNED

For the financial years of 2011 and 2010, this heading is broken down as follows:

	'11			'10		
Technical provisions, net of reinsurance assigned	Direct insurance and reinsurance accepted	Reinsurance assigned	Net	Direct insurance and reinsurance accepted	Reinsurance assigned	Net
Provision for unearned premiums	465,001,029	47,639,268	417,361,762	416,840,300	34,152,656	382,687,643
Mathematical provision of the Life products	1,942,592,101	151,266	1,942,440,836	1,852,570,137	143,510	1,852,426,627
Provision for claims	323,910,030	62,732,558	261,177,472	335,082,973	115,920,727	219,162,246
Life	23,055,559	1,330,348	21,725,211	20,065,372	3,154,900	16,910,472
Non-Life	300,854,471	61,402,210	239,452,261	315,017,601	112,765,827	202,251,774
Provision for profit-sharing	689,138,781	-	689,138,781	47,340,554	-	47,340,554
Provisions for claims rate deviations	3,692,825	-	3,692,825	3,398,746	-	3,398,746
Provision for risks underway	-	-	-	-	-	-
Total	3,424,334,767	110,523,092	3,574,989,147	2,655,232,709	150,216,893	2,505,015,816

The provisions for unearned premiums are analysed as follows:

	'11			'10		
Provision for unearned premiums	Direct insurance and reinsurance accepted	Reinsurance assigned	Net	Direct insurance and reinsurance accepted	Reinsurance assigned	Net
Non-Life						
Workman's compensation	8,283,468	-	8,283,468	7,248,873	-	7,248,873
Personal accidents and sickness	255,116,084	237,209	254,878,875	232,444,371	272,312	232,172,059
Fire and other damage	20,698,233	11,550,871	9,147,362	21,233,559	15,252,940	5,980,619
Motor	130,529,047	-	130,529,047	130,560,456	-	130,560,456
Miscellaneous	37,650,528	27,926,859	9,723,669	14,937,004	8,641,501	6,295,503
Other	12,723,668	7,924,329	4,799,340	10,416,037	9,985,903	430,134
Total	465,001,029	47,639,268	417,361,762	416,840,300	34,152,656	382,687,643

The mathematical provisions of the Life business are analysed as follows:

	'11			'10		
Mathematical provision	Direct insurance and reinsurance accepted	Reinsurance assigned	Net	Direct insurance and reinsurance accepted	Reinsurance assigned	Net
Life						
Annuities	1,027,884,799	-	1,027,884,799	979,333,567	-	979,333,567
Capitalisation	718,343,926	-	718,343,926	712,766,930	-	712,766,930
Life Risk	196,363,377	151,266	196,212,111	160,469,639	143,510	160,326,130
Total	1,942,592,101	151,266	1,942,440,836	1,852,570,137	143,510	1,852,426,627

	Movement of the mathematical provision during 2011					
	Provision at the beginning of the year	Provision application for profit-sharing	Adjustments	Variation of the year see P&L Account	Exchange rate variation	Provision at the end of the year
Life						
Annuities	979,333,567	-	-1,770,420	50,321,651	-	1,027,884,799
Capitalisation	712,766,930	19,277,449	-387,015	33,888,044	-47,201,483	718,343,926
Life Risk	160,469,639	-	-208,365	36,773,675	-671,573	196,363,377
Total	1,852,570,137	19,277,449	-2,365,800	120,983,371	-47,873,056	1,942,592,101

The provisions for claims are analysed as follows:

	'11			'10		
Provision for claims	Direct insurance and reinsurance accepted	Reinsurance assigned	Net	Direct insurance and reinsurance accepted	Reinsurance assigned	Net
Life						
Annuities	1,903,322	-	1,903,322	-162,712	-	-162,712
Capitalisation	-	-	-	165,243	-	165,243
Life Risk	21,152,237	1,330,348	19,821,889	20,062,840	3,154,900	16,907,940
Non-Life						
Workman's compensation	51,238,521	7,125,943	44,112,578	42,753,721	4,543,842	38,209,879
Personal accidents and sickness	8,137,680	1,513,466	6,624,215	10,324,379	1,805,454	8,518,925
Fire and other damage	21,131,315	16,140,694	4,990,620	3,738,937	1,259,400	2,479,537
Motor	174,445,354	9,333,538	165,111,817	149,851,425	6,044,668	143,806,757
Miscellaneous	17,607,033	1,107,466	16,499,566	34,207,916	29,602,994	4,604,922
Other	28,294,568	26,181,103	2,113,465	74,141,224	69,509,469	4,631,755
Total	323,910,030	62,732,558	261,177,472	335,082,973	115,920,727	219,162,246

The provision for profit-sharing is analysed as follows:

	'11			'10		
Provision for profit-sharing	Direct insurance and reinsurance accepted	Reinsurance assigned	Net	Direct insurance and reinsurance accepted	Reinsurance assigned	Net
Life						
Provision attributable						
Annuities	444,275,080 (*)	-	444,275,080	-	-	-
Capitalisation	147,819,439 (*)	-	147,819,439	-	-	-
Provision attributed						
Annuities	15,267,684	-	15,267,684	-	-	-
Capitalisation	30,124,845	-	30,124,845	16,564,857	-	16,564,857
Life Risk	22,808,628	-	22,808,628	18,521,114	-	18,521,114
Non-Life						
Provision attributed						
Workman's compensation	1,187,455	-	1,187,455	1,076,041	-	1,076,041
Personal accidents and sickness	27,655,650	-	27,655,650	11,178,542	-	11,178,542
Total	689,138,781	-	689,138,781	47,340,554	-	47,340,554

(*) Of the total provision for profit-sharing attributable in the Life business, 589,799,080 Meticais refer to the fair value variation of the properties allocated to products with 100% profit-sharing (investment properties). Also see Note 24.

Movement of the provision for profit-sharing during 2011						
	Provision at the beginning of the year	Distribution	Application in provision	Pension premium clearing	Cost of profit-sharing see P&L Account	Provision at the end of the year
Life						
Provision attributable	2,295,440	-	-	-	589,799,080	592,094,519
Provision attributed	35,085,971	-15,808,522	-19,277,449	-75,981,733	144,182,890	68,201,157
Subtotal	37,381,411	-15,808,522	-19,277,449	-75,981,733	733,981,970	660,295,676
Non-Life						
Provision attributable	-	-	-	-	-	-
Provision attributed	12,254,583	-11,292,932	-	-	27,881,455	28,843,105
Subtotal	12,254,583	-11,292,932	-	-	27,881,455	28,843,105
Total	49,635,994	-27,101,454	-19,277,449	-75,981,733	761,863,425	689,138,781

The provision for claims rate deviations is analysed as follows:

	'11			'10		
Provisions for claims rate deviations	Direct insurance and reinsurance accepted	Reinsurance assigned	Net	Direct insurance and reinsurance accepted	Reinsurance assigned	Net
Non-Life						
Fire and other damage	3,692,825	-	3,692,825	3,398,746	-	3,398,746
Total	3,692,825	-	3,692,825	3,398,746	-	3,398,746

NOTE 28 – OTHER RECEIVABLES DUE TO INSURANCE AND OTHER OPERATIONS

For the financial years of 2011 and 2010, this heading is broken down as follows:

	'11	'10
Accounts receivable due to direct insurance operations		
Insurance policy holders	84,884,314	67,359,141
Insurance policy holders – Group companies (Millennium bim)	-	7,452,793
Co-insurers	5,458,358	6,223,193
Insurance mediators	6,488,158	157,827
	96,830,830	**81,192,954**
Adjustment of premium receipts for collection	-20,573,261	-17,755,523
	76,257,569	**63,437,431**
Accounts receivable due to reinsurance operations		
Other reinsurers	10,687,645	3,587,534
Accounts receivable due to other operations		
Other receivables	2,104,160	2,018,270
Total	**89,049,374**	**69,043,235**

The breakdown of the adjustment account shows the following evolution:

	Balance as at 31.12.2009	Allocations	Uses	Balance as at 31.12.2010	Allocations	Uses	Balance as at 31.12.2011
Adjustment of premium receipts for collection	13,693,295	4,062,228	-	17,755,523	2,817,738	-	20,573,261

NOTE 29 – CURRENT AND DEFERRED TAXES

The deferred tax assets and liabilities reported as at 31 December 2011 and 2010 may be analysed as follows:

	'11	'10
Current tax assets	96,803	-
Seniority bonus	2,506,836	2,506,836
Deferred tax assets	2,506,836	2,506,836
Tax assets	**2,603,638**	**2,506,836**
Income tax payable		
Estimated income tax	130,018,281	120,060,809
Payments on account	-59,370,828	-76,934,098
Retention	-36,734,439	-45,847,273
Other taxes		
Stamp duty	5,167,728	4,443,411
Supervision rate	1,232,401	1,225,564
Other	1,464,918	1,414,975
Current tax liabilities	41,778,060	4,363,387
Unrealised investment gains (equity)	657,366	621,932
Fair value variation of properties allocated to portfolios without profit-sharing (investment properties)	5,594,880	-
Realised gains recognised under retained earnings at the transition date (properties and term deposits)	11,989,139	11,989,139
Deferred tax liabilities	18,241,385	12,611,071
Tax liabilities	**60,019,445**	**16,974,458**

The movement of deferred tax reported for 2010 and 2011 is recognised as follows:

	'11		'10		
	Recognised through profit or loss	Recognised in the fair value reserve	Recognised through profit or loss	Recognised in the fair value reserve	Recognised on transition as at 01/01/2010
Seniority bonus					2,506,835
Unrealised investment gains (equity)		-35,434		-130,663	-491,270
Fair value variation of properties allocated to portfolios without profit-sharing (investment properties)	5,594,880				
Realised gains recognised under retained earnings at the transition date (properties and term deposits)					-11,989,139
Deferred tax assets/(liabilities)	**5,594,880**	**-35,434**	**-**	**-130,663**	**-9,973,574**

The income tax reported through profit or loss for 2010 and 2011 is analysed as follows:

	'11	'10
Current tax	142,386,474	118,220,007
Deferred tax	5,594,880	-
Total tax recognised through profit or loss	**147,981,354**	**118,220,007**

The effective tax rate expected by the Company for the financial year is around 27.2%, lower than the theoretical nominal rate of 32%.This difference essentially arises from the impact of taxation withheld at source on income from securities listed for trading on the stock exchange (10%).The reconciliation of the tax rate is as follows:

	'11		'10	
	Tax	Rate	Tax	Rate
IRPC on pre-tax profit	174,091,204	32.00%	117,285,293	32.00%
Tax adjustments:				
Impact of non-deductible costs	1,100,175		934,714	
Deduction of income from securities listed for trading on the stock exchange taxed at source (*)	-39,578,218			
Deduction of the fair value variation of properties allocated to portfolios without profit-sharing (investment properties)	-5,594,880			
IRPC on income from securities listed for trading on the stock exchange (taxed at source – paid up)	12,368,193	10.00%		
Deferred tax liability relative to the fair value variation of properties allocated to portfolios without profit-sharing (investment properties)	5,594,880			
Income tax for the year	**147,981,354**	**27.20%**	**118,220,007**	**32.26%**

(*) Also see Note 38.

The self-settlement tax returns of the Company are subject to inspection and possible adjustment by the Tax Authorities for a period of five years. Hence, it is possible that there may be additional tax payments due to different interpretation of the tax legislation.

NOTE 30 – ACCRUALS AND DEFERRALS

For the financial years of 2011 and 2010, this heading is broken down as follows:

	'11	'10
Accruals and deferrals receivable		
Interest receivable	193,658,795	35,057,326
Other accruals and deferrals	1,531,423	998,106
	195,190,218	**36,055,432**
Accruals and deferrals payable		
Remuneration and charges payable	24,184,780	24,200,876
Other accruals and deferrals	16,176,556	11,389,980
Total	**40,361,336**	**35,590,856**

The year-on-year increase of the heading of Interest receivable, to the value of 158,601 thousand Meticais, was essentially due to a varied repayment period inherent to the treasury bills held (purchase operations with resale agreement).

NOTE 31 – OTHER FINANCIAL LIABILITIES

The other financial liabilities recorded as at 31 December 2010 include derivatives classified at fair value through gains and losses – trading derivatives (exchange rate swap), measured based on the determination of their fair value. As at 31 December 2011, the Company had no contractualised financial liability.

NOTE 32 – BENEFITS GRANTED TO EMPLOYEES

For the financial years of 2011 and 2010, this heading is broken down as follows:

	'11	'10
Assets due to retirement benefits and other long term benefits	-	-
Liabilities due to retirement benefits and other long term benefits		
Retirement benefits	0	1,434,212
Seniority bonus	7,115,258	7,833,861
Total	**7,115,258**	**9,268,073**

■ Retirement benefits

Seguradora Internacional de Moçambique attributes its Employees a supplementary retirement pension for which it maintains a capitalisation insurance, managed in-house by the actual Company, which covers the respective liabilities.

The actuarial valuation of the liabilities related to supplementary retirement pensions is carried out annually, with the last one dated 31 December 2011.

As at 31 December 2011 and 2010, the number of participants covered by the benefits plan was as follows:

Number of participants	'11	'10
Assets	139	131
Retired and pensioners	-	-

The comparative analysis of the actuarial assumptions is analysed as follows:

	'11	'10
Discount rate	12.45%	14.00%
Salary growth rate	11.25%	12.75%
Expected yield rate of the fund	12.45%	14.00%
Mortality table:		
Men	PF60/64	PF60/64
Women	PF60/64	PF60/64
Actuarial method	Projected Unit Credit	Projected Unit Credit

The assets and liabilities recognised in the balance sheet for 2010 and 2011 are as follows:

	11	'10
	Pension plans	Pension plans
Liabilities related to beneficiaries (*)	-30,661,283	-30,801,603
Fair value of the assets (**)	30,661,283	29,367,391
Net value	**-**	**-1,434,212**
Net assets/(liabilities) in the balance sheet	-	-1,434,212

(*) Liabilities recognised in the Balance Sheet of the Company under the heading "Mathematical provisions of the Life business".
(**) Assets recognised in the Balance Sheet of the Company under the heading "Assets available for sale" and "Cash and equivalent and demand deposits".

The increased liabilities as at 31 December 2011 and 2010 are analysed as follows:

	'11	'10
Liabilities as at 1 January	30,801,603	24,450,702
Current service cost	3,603,340	4,962,403
Interest cost	3,613,150	3,088,267
Payments made (*Lump-sum*)	-2,169,466	-27,550
Actuarial (gains)/losses of the liabilities	-5,187,344	-1,672,219
Liabilities as at 31 December	**30,661,283**	**30,801,603**

The values recognised as costs/income for the financial years ended on 31 December 2011 and 2010 are as follows:

	'11	'10
Current service cost (see Note 19)	3,603,340	4,962,403
Interest cost	3,613,150	3,088,267
Expected yield of the fund	-3,613,150	-3,088,267

The variation of the assets which finance the liabilities as at 31 December 2011 and 2010 is analysed as follows:

	'11	'10
Balance as at 1 January	29,367,391	21,067,527
Contributions of the Company	3,603,340	4,962,403
Payments made	-2,169,466	-27,550
Expected yield of the fund	3,613,150	3,088,267
Actuarial gains/(losses) of the assets	-3,753,132	276,744
Balance as at 31 December	30,661,283	29,367,391

The actuarial gains and losses for 2011 and 2010 are analysed as follows:

	'11	'10
Actuarial (gains)/losses in the beginning of the year	1,434,212	3,383,175
Actuarial (gains)/losses of the liabilities	-5,187,344	-1,672,219
Actuarial (gains)/losses of the assets	3,753,132	-276,744
Actuarial (gains)/losses at the end of the year	-	1,434,212

The evolution of the employee benefits and fair value of the assets are analysed as follows:

	'11	'10	'09	'08	'07
Liabilities related to benefits	-30,661,283	-30,801,603	-24,450,702	-15,463,009	-10,822,631
Fair value of the assets	30,661,283	29,367,391	21,067,527	16,918,573	13,967,710
Net value	-	-1,434,212	-3,383,175	1,455,564	3,145,079
Net assets/(liabilities) in the balance sheet	-	-1,434,212	-3,383,175	1,455,564	3,145,079

The assets are broken down as follows:

	'11	'10
Fixed income securities – Treasury Bills	29,000,000	29,000,000
Demand Deposits	1,661,283	367,391
Total	30,661,283	29,367,391

■ Other long term benefits – seniority bonus

The seniority bonus is attributed to the Company's Employees according to the years of service provided to the SIM, whereby they are paid 1, 2 and 3 salaries upon reaching 15, 20 and 30 years of service, respectively. The present value of the seniority bonuses are accrued at the end of each year, with the provision recognised in the Balance Sheet moved against staff costs, which includes the cost of current services, the cost of interest and actuarial gains/losses.

	'11	'10
Seniority bonus	7,115,258	7,833,861

NOTE 33 – OTHER PAYABLES DUE TO INSURANCE AND OTHER OPERATIONS

For the financial years of 2011 and 2010, this heading is broken down as follows:

	'11	'10
Accounts payable due to direct insurance operations		
Insurance policy holders	7,104,287	7,494,576
Co-insurers	17,038,816	14,361,538
Insurance mediators	10,543,891	494,684
	34,686,994	**22,350,797**
Accounts payable due to reinsurance operations		
Companies of the Group	-	2,178,501
Other reinsurers	17,869,803	7,686,450
	17,869,803	**9,864,951**
Accounts payable due to other operations		
Other payables	23,624,031	39,735,919
Other payables – Group companies (BIM)	47,816	-
	23,671,847	**39,735,919**
Total	**76,228,644**	**71,951,667**

NOTE 34 – SHARE CAPITAL, RESERVES, OTHER RESERVES, RETAINED EARNINGS AND NET INCOME FOR THE YEAR

The Share Capital of *Seguradora Internacional de Moçambique, S.A.*, as at 31 December 2011, of the value of 147,500,000 Meticais, represented by 1,475,000 shares with a nominal value of 100 Meticais each, is fully underwritten and paid-up.

	'11	'10
No. shares as at 1 January	1,475,000	1,475,000
No. shares as at 31 December	1,475,000	1,475,000

In 2011, the shareholder structure of *Seguradora Internacional de Moçambique, S.A.* was maintained.

	Number of shares	Percentage stake held
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, E. P.	30,716	2.08%
Remaining shareholders	1,268	0.09%
Total	**1,475,000**	**100.00%**

The appropriation of the net income for 2010 was carried out as follows:

Appropriation of the Net Income for the Year	'10
Net income of the previous year	248,296,533
Appropriation:	
Legal Reserve Fund	-
Free reserves	101,887,188
Retained earnings	20,305,230
Dividends	126,104,115

Based on the distributed dividends, referred to above, and considering that the share capital of the Company was, up to the date of the distribution of the net income, represented by 1,475,000 shares, this corresponds to total dividends per share of 85.5 Meticais.

The table below presents the details of the dividends paid, in 2011, to each shareholder:

Shareholder	% Share capital	Dividends
BIM – Banco Internacional de Moçambique, S.A.	89.91%	113,385,254
PT Participações, S.G.P.S., S.A.	5.84%	7,358,427
FDC – Fundação para o Desenvolvimento da Comunidade	2.08%	2,625,992
TDM –Telecomunicações de Moçambique, E. P.	2.08%	2,625,992
PROINVEST	0.04%	54,225
Inocêncio Matavel	0.04%	54,225
Total	100.00%	126,104,115

Description of the nature and purpose of each reserve of the equity:

Revaluation reserves

The revaluation reserves due to adjustments in the fair value of financial assets accommodate the potential capital gains and losses of the portfolio of investments available for sale, net of impairment recognised through profit or loss for the year and/or in previous years. Also see Note 22.

Deferred tax reserves

Deferred tax, calculated on the temporary differences between the book values of the assets and liabilities and their tax base, is recognised through profit or loss, except when related to items that are not recognised directly under equity, in which case it is also stated against equity. Deferred taxes recognised in equity arising from the revaluation of investments available for sale are subsequently recognised through profit or loss at the time when the gains or losses which led to them are recognised.

Other reserves

Includes the Free Reserves, which arise from positive net income, are neither necessary to endow the legal reserve nor cover retained losses and are not distributed to the Shareholders and, additionally, the Legal Reserve, which can only be used to cover accumulated losses or to increase the share capital. Under the terms of the Mozambican legislation in force, the legal reserve is composed of the following minimum percentages of the profit for each financial year:

(i) 20% until the value of this reserve represents half the minimum share capital required under the terms of number 1 of article 17 of Law 3/2003 of 21 January;

(ii) 10% after the value referred to in the subparagraph above is achieved, until this reserve represents a value equal to that of the said share capital.

Details of the heading other reserves

	'11	'10
Legal reserve	100,000,000	100,000,000
Free reserve	587,359,004	485,471,816
Issue premium	8,258,661	8,258,661
Total	695,617,665	593,730,477

Net income for the year

Earnings per share stood at 269 Meticais for 2011, compared with 168 Meticais for 2010, having increased by 59.5%, due to the growth of net income for the year.

NOTE 35 – TRANSACTIONS BETWEEN RELATED PARTIES

The parent company of the Group to which SIM belongs is BIM – Banco Internacional de Moçambique, S.A, which holds 89.91% of the share capital of *Seguradora Internacional de Moçambique, S.A.* BIM – Banco Internacional de Moçambique is controlled by BCP – Banco Comercial Português, S.A, which holds 66.69% of its share capital.

As at 31 December 2011 and 2010, the value of the remunerations of the Board of Directors is analysed as follows:

	'11	'10
Remunerations	9,103,512	6,042,463
Total	9,103,512	6,042,463

The analysis of the transactions with related parties during 2011, is presented as follows:

Balance sheet	Millennium bim	Ocidental Seguros	Beira nave	Constelation	Retirement benefits – Millennium bim	Total
Cash and equivalent and demand deposits	83,343,846				3,970,416	87,314,262
Investments in subsidiaries, associates and joint ventures			650,850	210,700,000		211,350,850
Financial assets available for sale	1,507,408,702				677,328,941	2,184,737,643
Other Deposits	109,346,578				276,313,081	385,659,659
Income-generating buildings					1,324,185,985	1,324,185,985
Other receivables						0
Interest receivable	122,221,950				67,927,895	190,149,845
Total assets	1,822,321,076	-	650,850	210,700,000	2,349,726,318	4,383,398,244
Life mathematical provisions					-1,697,069,559	-1,697,069,559
Provision for claims	-6,890,000				-1,903,322	-8,793,322
Provision for profit-sharing	-22,808,628				-637,487,048	-660,295,676
Accounts payable due to direct insurance operations	-3,566,467				-	-3,566,467
Accounts payable due to other operations	-47,816	-147,673			-	-47,816
Total liabilities	-33,312,911	-147,673	-	-	-2,336,459,928	-2,369,772,839
Dividends distributed	113,385,254					113,385,254

Profit and loss account	Millennium bim	Ocidental Seguros	Constelation	Retirement benefits – Millennium bim	Total
Earned premiums, net of reinsurance	-21,000,030			-219,334,679	-240,334,709
Cost of claims, net of reinsurance	18,280,244			206,058,346	224,338,589
Life mathematical provisions, net of reinsurance				37,862,002	37,862,002
Profit-sharing, net of reinsurance	22,808,628			711,173,342	733,981,970
Net operating costs	43,076,526			0	43,076,526
Investment income	-209,819,986			-165,368,752	-375,188,738
Net gains from the sale of assets which are not classified as non-current assets held for sale and discontinued operating units				-589,799,080	-589,799,080
Total income/costs	-146,654,617	-	-	-19,408,821	-166,063,438

The analysis of the transactions with related parties during 2010, is presented as follows:

Balance sheet	Millennium bim	Ocidental Seguros	Beira nave	Constelation	Retirement benefits – Millennium bim	Total
Cash and equivalent and demand deposits	49,508,214				998,660	50,506,874
Investments in subsidiaries, associates and joint ventures			650,850	210,700,000		211,350,850
Financial assets available for sale	308,750,000				876,742,217	1,185,492,217
Other Deposits	238,574,195				70,100,000	308,674,195
Income-generating buildings					633,598,905	633,598,905
Accounts receivable due to direct insurance operations	7,452,793					7,452,793
Interest receivable	9,842,370				8,708,976	18,551,346
Total assets	614,127,572	-	650,850	210,700,000	1,590,148,757	2,415,627,180
Mathematical provision of the Life branch					-1,641,388,102	-1,641,388,102
Provision for claims					-2,532	-2,532
Provision for profit-sharing	-14,034,831				-19,277,449	-33,312,281
Accounts payable due to direct insurance operations	-3,873,944				-	-3,873,944
Accounts payable due to other reinsurance operations		-2,178,501			-	-2,178,501
Accounts payable due to other operations		-4,678,911				4,678,911
Total liabilities	-17,908,775	-6,857,412	-	-	-1,660,668,083	-1,685,434,270
Dividends distributed	45,471,493	-	-	-	-	45,471,493

Profit and loss account	Millennium bim	Ocidental Seguros	Beira nave	Constelation	Retirement benefits – Millennium bim	Total
Earned premiums, net of reinsurance	-19,925,436	8,575,485			-215,550,941	-226,900,892
Cost of claims, net of reinsurance	18,976,520				136,884,074	155,860,594
Life mathematical provisions, net of reinsurance					160,795,873	160,795,873
Profit-sharing, net of reinsurance	14,034,831				86,250,505	100,285,336
Net operating costs	39,413,441				0	39,413,441
Investment income	-76,569,161				-185,511,186	-262,080,347
Net gains of assets which are not classified as non-current assets held for sale and discontinued operating units						
Total income/costs	-24,069,805	8,575,485			-17,131,675	-32,625,995

NOTE 36 – ACTIVITY RISK MANAGEMENT

Sound risk management is one of the key pillars underlying a strategy of profitable and sustainable growth and, consequently, an important competence at *Seguradora Internacional de Moçambique, S.A.* Included in its governance, the Company has adopted an organisational structure of risk management based on the structure in force at the Millennium bim Group. Its primary objective is to develop and implement a risk management framework that enables ensuring and achieving an appropriate balance between risk and return, so as to secure and preserve the trust and confidence of Customers, Shareholders, Regulators and other Stakeholders. The risk management structure is inherent at all levels within the Company.

The main risks are the following:

Specific insurance risk	Investment risk	Operating risk
Specific risk of Non-Life	Credit risk	Event risk
Specific risk of Life	Market risk	Business risk
	Liquidity risk	
	Exchange rate risk	

1) SPECIFIC INSURANCE RISK

Due to the particular nature of insurance activity, part of the subscription risk is transferred from the insured party to the insurer. While for the insured party, this risk may be random and therefore unpredictable, one of the main duties of the Company is to aggregate these individual risks into portfolios where the costs of claims and their potential variations may be analysed and modelled. The Company defines premiums, reserves and capital requirements (solvency) based on the perception of the average cost of claims and how this figure may vary. The analysis, monitoring and estimation of these costs are essential activities in the management of insurance risk. The uncertainty inherent to future expenditure and to the redemption/annulment rates are also part of insurance risk, in view of their potential impact on claims and provisioning requirements.

Specific insurance risk refers covers all risks inherent to the insurance activity, with the exception of those which are covered under investment risk or operating risk.

The insurance of the Non-Life business is subject to insurance risk through the uncertainty relative to claims. In particular for health insurance, the uncertainty of costs is also related to variations in medical costs. Invalidity rates may also be included in the risk of longevity when the products are for life, such as, workman's compensation pensions and some health policies.

The table below presents the sensitivity analysis of the fair value of the capital to alterations of financial and non-financial factors. The fair value of the capital is defined as the difference between the fair value of the assets and liabilities.

Sensitivity analysis	Impact on pre-tax profit 31.12.2011	Impact on pre-tax profit 31.12.2010
Operating costs -10%	18,557,556	18,596,498
Cost of claims +5%	-19,361,564	-22,584,813

Insurance risk management

The Company manages the specific risk of insurance through a combination of policies regarding subscription (underwriting), pricing, provisioning and reinsurance.

The Actuarial department is responsible for the assessment and management of specific insurance risk in the context of the policies and guidelines defined at the level of the Millennium bim Group. The Department regularly analyses and approves the adjustment of the premiums and technical provisions. It should also be noted that the management of specific risk is carried out together with other risks, including ensuring the adequacy of assets to liabilities. Hence, other departments, such as Reinsurance and Investments are also involved in the process.

Subscription policies

Subscription policies are part of the overall risk management policies. The subscription policies are defined and reviewed in coordination with the Actuarial Department, taking account the historical data on recorded losses. A large and varied number of performance indicators and statistical analyses are used for this purpose, in order to improve the subscription rules, improve the experience in terms of losses and/or ensure the adequate adjustment of prices.

Pricing
The Company aims to define premiums which enable suitable profit after coverage of the costs of claims (and other costs) and the cost of the capital. The prices are tested using appropriate techniques and performance indicators for the portfolio.

The factors that are taken into consideration in the definition of the prices of insurance contracts vary according to the type of product and benefits offered, but in general, they include the following:

- The estimated costs related to claims and other benefits payable to the insured parties and their timing;
- The level of uncertainty associated to the costs;
- Other costs associated to the marketing of each product, such as costs related to distribution, marketing, policy management and claims management;
- Capital market conditions and inflation;
- Yield objectives;
- Insurance market conditions, namely the price of similar products offered by the competition.

Provisioning
The adequacy of the liabilities is reviewed annually, whereby any changes considered necessary are immediately recognised and recorded. The liabilities adequacy test is defined in order to provide assurance to the Company's management that there are sufficient assets or provisions to meet the recorded liabilities.

Reinsurance
When appropriate, the Company concludes reinsurance treaties so as to limit its exposure to risk. Reinsurance may be undertaken on an individual policy basis (optional reinsurance), namely when the coverage level required by the insured party exceeds the internal subscription limits, or based on the portfolio (reinsurance through treaty), where the individual exposures of the insured parties are within the internal limits, but where there is an unacceptable risk of accumulation of claims, namely due to climate-related phenomena (natural disasters). The events noted above are directly related to atmospheric conditions as well as actual human activity. The selection of the reinsurers is mainly based on criteria related to the price and management of the credit risk of the counterpart.

The principal objective of reinsurance is the mitigation of the impact of major earthquakes/seismic activity, storms or floods, large individual claims where the limits of the indemnities are high and the impact of multiple claims triggered by a single event.

The maximum exposure to risk by event after reinsurance and deductive items is summarised as follows:

Products	Type of reinsurance	Net retention	Coverage limit
Fire	Surplus	200,000	6,200,000
Engineering	Surplus	200,000	6,200,000
Fire (natural disasters)	Excess of Loss (XoL)	400,000	2,400,000
Engineering (natural disasters)	Excess of Loss (XoL)	400,000	2,400,000
Theft	Surplus	25,000	212,500
Cash in the safe	Surplus	25,000	275,000
Cash in transit	Surplus	25,000	150,000
Transport	Share	120,000	1,200,000
Marine hull	Share	40,000	400,000
Civil liability	Excess of Loss (XoL)	40,000	500,000
Motor – civil liability	Excess of Loss (XoL)	40,000	1,350,000
Motor – own damage	Excess of Loss (XoL)	40,000	270,000
Personal accidents	Excess of Loss (XoL)	40,000	250,000
Workman's compensation	Excess of Loss (XoL)	40,000	250,000

The risk of Non-Life claims refers to the uncertainty of effective losses arising from the Non-Life business. The necessary time to know and pay the claims is an important factor to take into account in the constitution of provisions. In general, short term claims, such as those arising from motor/material damage insurance and multi-risk insurance, are communicated and paid within a brief period of time. The settlement of long term claims, such as those relative to bodily injury, may take years to be closed. These claims, due to the nature of the losses, imply that it is more difficult to obtain information about the event and the necessary medical treatment tends to take longer. Furthermore, the analysis of long term losses is more difficult, and imply more detailed work, where the estimates of future payments are more subject to uncertainty.

In general, the Company constitutes provisions for claims by product, coverage and year of the event, and constitutes a provision for claims that have already occurred but have not yet been communicated.

The combined ratio is represented by the sum of the ratio of expenses. The ratio of expenses results from the division of the general expenses imputable to the business (administrative costs, depreciation, fees and remuneration of the network, etc.) by the earned premiums. The claims ratio results from the division of the costs of claims by the earned premiums.

The combined ratio at 31 December 2011 and 2010 is as follows:

	Claims ratio		Expense ratio		Combined ratio	
	'11	'10	'11	'10	'11	'10
Non-Life	31%	37%	29%	32%	61%	68%
Workman's compensation	15%	26%	19%	13%	34%	39%
Personal accidents and sickness	16%	22%	25%	34%	41%	56%
Fire and other damage	42%	48%	21%	24%	63%	72%
Motor	13%	7%	45%	13%	58%	20%
Miscellaneous	53%	44%	28%	17%	81%	61%
Other	-9%	3%	54%	36%	45%	40%

Longevity and mortality risks

Longevity risk occurs when an unexpected decrease in the mortality rates leads to increases of claims that are higher than those expected in products such as life-long annuities. Longevity risk is managed through pricing, the subscription policy and a regular review of the mortality tables used to define premiums and constitute provisions. When the conclusion is that longevity is above the assumed in the mortality tables, supplementary provisions are created and the premiums are adjusted accordingly.

Mortality risk covers the uncertainty of effective losses arising from the insured people living longer than what expected, and is most relevant, for example, in renewable annual temporary insurance. In view of the continuous increase in the life expectancy of the insured population, the mortality risk in terms of the present portfolio is not significant at this stage. However, mortality risk may become significant in the event of epidemic diseases or if there is a large number of deaths following a sequence of disasters, such as industrial accidents or terrorist attacks. Mortality risk is mitigated not only through the subscription policy and regular review of the mortality tables, but also through reinsurance treaties to protect the retention.

The main actuarial assumptions used in the calculation of the value of the mathematical reserves for workman's compensation are as follows:

Mortality table	Redeemable pensions	On-redeemable pensions
Men	RF	RF
Women/widows	Portuguese 1930/31	Portuguese 1930/31
Orphans	Swiss 1901/1910	Swiss 1901/1910
Discount rate	3.25%	3.25%
Management costs	2.00%	2.00%

Invalidity Risk

Invalidity risk covers the uncertainty of effective losses due to the occurrence of invalidity rates higher than those expected, and may be more relevant, for example, in portfolios of health, personal accidents, workman's compensation and life risk insurance.

The incidence of this risk, as well as the recovery rates are influenced by various factors such as the economic environment, government intervention, medical progresses, in addition to the criteria used in the assessment of invalidity. This risk is managed through a regular review of the historical pattern of claims and expected future trends, as well as through the adjustment of prices, provisions and subscription policies, whenever justified. The Company also mitigates invalidity risk through the adoption of medical questionnaires that are appropriate and adjusted, and suitable reinsurance coverage.

Development of the Provision for Claims relative to claims occurred in financial years and their readjustment (corrections):

2011	Provision for claims as at 31/12/2010 (1)	Costs of claims (*) values paid during the year (2)	Provision for claims (*) as at 31/12/2011 (3)	Readjustment (3)+(2)-(1)
Workman's compensation	-42,753,721	5,466,407	-37,435,670	148,356
Personal accidents and sickness	-10,324,379	2,177,748	-5,658,077	-2,488,554
Fire and other damage	-3,738,937	33,979,126	-2,974,313	33,214,502
Motor	-149,851,425	48,436,002	-104,891,234	3,475,811
Miscellaneous	-74,141,224	2,131,486	-2,568,601	-69,441,137
Other	-34,207,916	13,652,854	-26,006,433	5,451,372
Total Non-Life	**-315,017,601**	**105,843,623**	**-179,534,329**	**-29,639,650**

2010	Provision for claims as at 31/12/2009 (1)	Costs of claims (*) values paid during the year (2)	Provision for claims (*) as at 31/12/2010 (3)	Readjustment (3)+(2)-(1)
Workman's compensation	-33,345,440	5,009,037	-32,575,616	4,239,213
Personal accidents and sickness	-11,508,554	4,103,773	-7,371,142	-33,639
Fire and other damage	-5,388,248	1,238,473	-1,104,794	-3,044,980
Motor	-119,560,427	49,721,153	-80,856,606	11,017,332
Miscellaneous	-70,451,948	268,691	-69,982,691	-200,566
Other	-30,975,795	94,416	-31,382,743	501,363
Total Non-Life	**-271,230,412**	**60,435,543**	**-223,273,592**	**12,478,723**

The additional information by business is as follows:

2011	Values paid instalments (1)	Values paid – imputed claims management costs (2)	Variation of the provision for claims (3)	Costs of claims (4)=(1)+(2)+(3)
Workman's compensation	-5,466,407	-767,228	-8,484,830	-14,718,466
Personal accidents and sickness	-26,437,067	-805,590	1,980,384	-25,262,273
Fire and other damage	-37,423,693	-575,421	-17,319,607	-55,318,721
Motor	-142,431,105	-3,452,527	-21,865,093	-167,748,725
Miscellaneous	-25,795,605	-	49,526,124	23,730,519
Other	-2,298,845	-	1,469,530	-829,316
Total Non-Life	**-239,852,723**	**-5,600,765**	**5,306,507**	**-240,146,982**

2010	Values paid instalments (1)	Values paid – imputed claims management costs (2)	Variation of the provision for claims (3)	Costs of claims (4)=(1)+(2)+(3)
Workman's compensation	-5,767,613	-703,741	-9,513,971	-15,985,324
Personal accidents and sickness	-29,456,353	-738,928	1,705,244	-28,490,037
Fire and other damage	-2,274,703	-527,806	1,640,148	-1,162,360
Motor	-138,651,091	-3,166,835	-25,697,751	-167,515,677
Miscellaneous	-21,879,618	-	-950,313	-22,829,931
Other	-182,781	-	-257,844	-440,625
Total Non-Life	**-198,212,159**	**-5,137,310**	**-33,074,486**	**-236,423,954**

The additional information by business is as follows:

2011	Gross premiums issued	Earned gross premiums	Gross cost of claims	Gross operating costs	Reinsurance balance
Workman's compensation	79,627,550	78,545,213	-14,718,465	-14,911,165	-794,056
Personal accidents and sickness	179,310,676	151,913,473	-25,262,273	-37,062,371	3,917,128
Fire and other damage	143,437,470	143,292,329	-55,318,721	-26,733,369	46,637,036
Motor	389,809,065	380,547,089	-167,748,725	-77,925,784	3,057,544
Miscellaneous	114,468,934	89,677,282	23,730,519	-18,899,817	94,912,941
Other	57,545,321	55,551,979	-829,316	-12,097,191	39,240,458
Total Non-Life	**964,199,018**	**899,527,364**	**-240,146,982**	**-187,629,697**	**186,971,051**

2010	Gross premiums issued	Earned gross premiums	Gross cost of claims	Gross operating costs	Reinsurance balance
Workman's compensation	64,692,690	63,549,500	-15,985,325	-13,123,878	2,482,030
Personal accidents and sickness	210,374,769	136,320,843	-28,490,037	-47,621,648	5,008,893
Fire and other damage	78,790,246	76,397,079	-1,162,360	-16,009,833	34,410,896
Motor	363,066,859	348,526,809	-167,515,677	-79,103,949	14,118,036
Miscellaneous	70,044,817	69,794,920	-22,829,931	-12,779,819	13,079,662
Other	54,691,878	51,588,102	-440,625	-11,772,102	25,328,273
Total Non-Life	841,661,259	746,177,253	-236,423,954	-180,411,229	94,427,790

Solvency Requirements

The solvency margin is calculated in accordance with Decree number 30/2011 of 11 August, being determined based on the statutory financial statements.

Seguradora Internacional de Moçambique, S.A. ensures the monthly monitoring of the solvency level, for which it has defined a minimum objective of 200% of the legal requirement.

Note 37 indicates the solvency levels of the Company for the financial years ended on 31 December 2011 and 2010.

2) INVESTMENT RISK

Investment risk is composed of three types of risk: Credit, Market and Liquidity.

a) Credit risk

Credit risk is defined as the risk arising from the incapacity of an issuer to comply, fully or partially, with the contracted terms.

In the context of the Company, this risk is essentially relevant in its financial investment portfolios, through our exposure to bonds, in which we have invested for the benefit of both our policyholders and our Shareholders. This risk is managed through the implementation of a credit policy which contains a series of principles, rules, guidelines and procedures for the effect of identification, measurement and reporting.

The Company is also exposed to credit risk through the reinsurance treaties, although relative to these, the Company ensures that all reinsurance arrangements are placed in highly credit-worthy institutions.

The table below indicates the values of the investment portfolio divided by category and type of asset.

	'11		'10	
	Value	%	Value	%
Investments in subsidiaries and associates	211,350,850	5%	211,350,850	6%
Financial assets available for sale	2,339,306,356	51%	2,121,275,651	61%
Bonds and other fixed income securities	2,332,677,954	51%	2,115,302,619	61%
Public debt	1,781,705,925	39%	1,726,284,503	50%
Issued by other entities	550,972,029	12%	389,018,117	11%
Variable income securities – Shares	6,628,402	0%	5,973,032	0%
Loans and accounts receivable	385,659,645	8%	308,674,498	9%
Term deposits	385,659,645		308,674,498	9%
Cash and equivalent and demand deposits				
Demand deposits and term deposits with maturity below 90 days	52,209,441	1%	25,692,200	1%
Income-generating buildings	1,377,141,725	30%	769,485,905	22%
Interest receivable	193,658,795	4%	35,057,329	1%
Total	4,559,326,812	100%	3,471,536,433	100%

The table below indicates the values of the investment portfolio divided by type of asset.

	'11		'10	
	Value	%	Value	%
Bonds and other fixed income securities	2,332,677,954	51%	2,115,302,619	61%
Variable income securities – Shares	217,979,252	5%	217,323,882	6%
Term deposits	437,869,086	10%	334,366,698	10%
Properties	1,377,141,725	30%	769,485,905	22%
Interest receivable	193,658,795	4%	35,057,329	1%
Total	4,559,326,812	100%	3,471,536,433	100%

One of the objectives of the Company's investment policy is the mitigation of the underlying credit risk through diversification of the portfolio, by sector, market and country.

The Bonds held by the Company may be broken down by type of sector:

	'11		'10	
	Value	%	Value	%
Public debt	1,781,705,925	76%	1,726,284,503	82%
Financial institutions	520,552,559	22%	343,203,350	16%
Communications	30,419,471	1%	45,814,767	2%
Total	2,332,677,954	100%	2,115,302,619	100%

The shares held by the Company may be broken down by type of sector:

	'11		'10	
	Value	%	Value	%
Real estate	210,700,000	97%	210,700,000	97%
Consumables	5,636,180	3%	4,980,810	2%
Financial	992,222	0%	992,222	0%
Naval	650,850	0%	650,850	0%
Total	217,979,252	100%	217,323,882	100%

The table below shows the credit-worthiness (rating) of the issuers of all the bonds, deposits and other receivables (based on external ratings):

Notes	'11		'10	
	Value	%	Value	%
i) Public Debt	1,781,705,925	76%	1,726,284,503	82%
ii) National Corporate Bonds	522,919,471	22%	354,564,767	17%
iii) Foreign Corporate Bonds	28,052,559	1%	34,453,350	2%
Total	2,332,677,954	100%	2,115,302,619	100%

Notes	'11		'10	
	Value	%	Value	%
Deposits in credit institutions				
iv) Term deposits	385,659,645	69%	308,674,498	72%
iv) Demand deposits and term deposits with maturity below 90 days	87,342,492	16%	50,506,874	12%
iv) Other receivables due to insurance and other operations	89,049,374	16%	69,043,235	16%
Total	562,051,510	100%	428,224,607	100%

Notes:

i) Public debt – sovereign debt and according to recent studies of the IMF, Mozambique, in spite of its structural constraints, has presented, over the last 15 years, a political and economic stability that enables sustained growth of the economy at levels of 7% per year and follows a trend of diversification of its growth base. Mozambique has reformed its taxation system and continues to expand its tax base. For these reasons, the country has been attributed a "B" rating by the rating agency Fitch Ratings. Fitch Ratings, Sovereign Ratings, Full Rating Report, Mozambique, August 2010

ii) Mozambique does not have a liquid and structured capital market. Transactions are made based on private placement via financial intermediaries which coincide with the actual financial institutions, therefore, we do not have brokers, and events are disclosed formally on the Stock Exchange.

- BIM – Banco Internacional de Moçambique, S. A., as issuer of bonds: Without rating.

- Mcel as issuer of bonds: internal rating at BIM – Banco Internacional de Moçambique, S. A. of "5", on a scale of "3 to 12", therefore, equivalent to "good" because the State has a holding in it, which has an internal rating of "5".

iii) HSBC as issuer and for medium and long term debt - "AA" and short term "F1+" Fitch ratings; S&P – medium and long term "A+" and short term "A-1" HSBC Site, Credit ratings, 01/02/2012.

b) Market Risk

The investment department is responsible for ensuring the mitigation of market risk through the following actions:

- Analysis of the impact of the increase or disposal of the portfolio of short, medium and long term financial assets;

- Definition of product diversification strategies which lead to solutions of added value;

- Quarterly monitoring and revaluation of the assets comprising the Company's portfolios, through the mark-to-market methodology;

- Monitoring and ensuring compliance with the legislation and regulations of the supervisory entity.

The analyses which underlie decision-taking in this area are: Cash flow gap analysis; Interest rate sensitivity analysis; Duration; Earnings at risk and Value at risk.

c) Liquidity risk
As at 31 December 2011 and 2010, the forecast cash flows (not discounted) of the financial instruments, according to their respective contractual maturity, present the following details:

	Maturity						
2011	<1 month	1-3 months	3-12 months	1-5 years	> 5 years	Without maturity	Total
Bonds and other fixed income securities (includes accrued interest)	40,973,680	1,150,123,895	745,920,160	387,800,482	176,193,099	-	2,501,011,315
Variable income securities – Shares						217,979,252	217,979,252
Term deposits	12,300,728	129,850,490	321,043,301	-	-	-	463,194,519
Income-generating buildings						1,377,141,725	1,377,141,725
Total	53,274,408	1,279,974,384	1,066,963,461	387,800,482	176,193,099	1,595,120,977	4,559,326,811

	Maturity						
2010	<1 month	1-3 months	3-12 months	1-5 years	> 5 years	Without maturity	Total
Bonds and other fixed income securities (includes accrued interest)	273,972,977	767,503,203	503,584,306	421,951,826	176,270,573		2,143,282,884
Variable income securities – Shares						217,323,882	217,323,882
Term deposits	11,583,015	44,854,328	285,006,418	-	-	-	341,443,761
Income-generating buildings						769,485,905	769,485,905
Total	285,555,992	812,357,531	788,590,724	421,951,826	176,270,573	986,809,787	3,471,536,433

d) Exchange rate risk
Exchange rate risk arises from possible changes in the exchange rate of the reference currency of the Company, that is, the Metical.

The balance sheet of the Company has the following exchange rate exposure:

	'11	'10
Assets in foreign currency	389,277,004	514,105,654
Liabilities in foreign currency	-330,887,854	-440,615,845
Net balance in foreign currency	58,389,150	73,489,809

3) OPERATING RISK
All institutions, including financial institutions, are subject to operating risk as a result of the uncertainty inherent to the business and decision-making process. For reporting and monitoring purposes, operating risk can be divided into two categories, event risk and business risk.

Event risk includes the risk of losses arises from the nonexistence or failure of internal processes, people and systems or due to external events. This definition of event risk includes legal and compliance risk, but excludes strategic and reputation risk.

Business risk is the risk of "being in the business" and includes the risk of losses due to changes in the structural and/or competitive environment. The nature of this risk is essentially external, although, even so, it may be mitigated by good management practices.

Concerning operating risk, the Company has defined, amongst others, policies/procedures on matters of business continuity, IT security, procurement, money laundering, internal control and combat of fraud.

NOTE 37 – COVERAGE OF THE CORRECTED SOLVENCY MARGIN

The Company is subject to the solvency requirements defined by Decree number 30/2011, issued by the Council of Ministers. The solvency requirements are determined in accordance with the financial statements, which are prepared pursuant to the rules of the Insurance Supervision Institute of Mozambique.

	'11	'10	'11/'10
Share Capital	147,500,000	147,500,000	0.00%
Reserves	697,671,935	606,571,629	15.00%
Net income for the year after dividends	198,026,830	126,104,116	57.00%
Deductible items	-18,662,124	-2,326,334	702.20%
Disposable solvency margin	1,024,536,641	877,849,411	16.70%
Required Non-Life solvency margin	183,515,104	157,000,908	16.90%
Required Life solvency margin	127,021,282	91,777,914	38.40%
Solvency margin surplus/(deficit)	**714,000,256**	**629,070,589**	**13.50%**
Coverage	**329.90%**	**352.90%**	**-22.90%**

NOTE 38 – CONTINGENT ASSETS AND LIABILITIES

Based on article 62 of the Corporate Income Tax Code, the Management believes that the income received from financial instruments listed on the Stock Exchange of Mozambique are subject to taxation at source at a rate of 10%, hence a request was addressed to the Mozambican Tax Authority, at the end of the month of December 2011, for the reimbursement of the excess tax paid relative to the financial years of 2008, 2009 and 2010, of the value of 53,265 thousand Meticais (32% - 10% = 22%). This amount will be recognised in the accounts of the Company as soon as authorisation for such is received, from the Mozambican Tax Authority.

NOTE 39 – ADJUSTMENTS OF TRANSITION TO THE NEW ACCOUNTING SYSTEM AND RESPECTIVE IMPACTS AS AT 1 JANUARY 2010 (TRANSITION DATE)

	Equity	Share capital	Other equity instruments	Fair value revaluation reserve	Deferred tax reserve	Other reserves	Retained earnings	Net income for the year
Accounts as at 31 December 2009 (before adjustments)	801,413,314	147,500,000	8,258,661	53,977,456	-	389,388,372	-	202,288,825
Adjustments (net of deferred tax): 1) Reclassification of the property revaluation reserve: Transfer of potential gains of RRJV to RT	-6,367,976	-	-	-19,899,927	-	-	13,531,950	-
2) Annulment of the potential gain of BCI: to restate the unlisted holding at cost (financial holding)	-4,550,188	-	-	-4,550,188	-	-	-	-
3) Annulment of the potential gain of Beira Nave: to restate the unlisted holding at cost (associate)	-10,631,905	-	-	-10,631,905	-	-	-	-
4) Adjustment of the foreign exchange gains of free and allocated investments without profit-sharing: Transfer of the foreign exchange gains of term deposits and HSBC bonds (Non-Life) of RRJV, to retained earnings	-2,770,481	-	-	-8,657,753	-	-	5,887,272	-
5) Adjustment of the Fair Value Reserve, based on the respective potential gains as at 1 January 2010	-2,784,789	-	-	-8,702,466	-	-	5,917,677	-
6) Recognition of Deferred tax for the Fair Value Reserve	-491,270	-	-	-	-491,270	-	-	-
7) Recognition of the liability related to seniority bonuses	-1,275,305	-	-	-	-	-	-1,275,305	-
8) Adjustment of the merger reserve: Reclassification of free reserves to retained earnings, of the negative reserve generated at the time of the merger of Seguradora Internacional de Moçambique with Impar	-	-	-	-	-	44,366,824	-44,366,824	-
9) Reclassification of Net Income for the Year to Retained Earnings	-	-	-	-	-	-	202,288,825	-202,288,825
Accounts as at 1 January 2010 (before adjustments)	**772,541,400**	**147,500,000**	**8,258,661**	**1,535,217**	**-491,270**	**433,755,196**	**181,983,595**	**-**

For the effect of the reading of the new comparative Balance Sheet, the table below presents the amounts of the adjustments arising from the adoption of the new plan of accounts.

Description	31-12-2010	Movements: new plan of accounts	31-12-2010 (new plan of accounts)
Cash and equivalent and demand deposits	50,506,874	-	50,506,874
Investments in subsidiaries, associates and joint ventures	-	211,350,850	211,350,850
Assets available for sale	2,350,424,874	-229,149,223	2,121,275,651
Loans and accounts receivable	308,674,498	-	308,674,498
Buildings	769,485,905	-	769,485,905
Other tangible assets	42,942,566	-20,995,283	21,947,284
Inventories	-	1,761,851	1,761,851
Other intangible assets	2,326,335	19,233,432	21,559,766
Assigned reinsurance technical provisions	150,216,893	-	150,216,893
Assets due to retirement benefits and other long term benefits	-	-	-
Other receivables due to insurance and other operations	68,986,793	56,442	69,043,235
Tax assets	-	2,506,836	2,506,836
Accruals and deferrals	36,055,429	-	36,055,429
Total assets	**3,779,620,168**	**-15,235,095**	**3,764,385,073**
Technical provisions	-2,653,459,019	-1,773,690	-2,655,232,709
Other financial liabilities	-	-4,417,476	-4,417,476
Liabilities due to retirement benefits and other long term benefits	-1,434,212	-7,833,861	-9,268,073
Other payables due to insurance and other operations	-71,951,667	-	-71,951,667
Tax liabilities	-4,363,386	-12,611,072	-16,974,458
Accruals and deferrals	-35,590,856	-	-35,590,856
Other provisions	-350,000	-56,442	-406,442
Future fund allocations	-6,191,166	6,191,166	-
Total liabilities	**-2,773,340,306**	**-20,501,375**	**-2,793,841,681**
Equity	-147,500,000	-	-147,500,000
Revaluation reserves			
Due to readjustments in the fair value of financial assets	-57,207,975	55,264,434	-1,943,542
Deferred tax reserve		621,933	621,933
Other reserves	-549,363,653	-44,366,824	-593,730,477
Retained earnings	-	20,305,230	20,305,230
Net income for the year	-252,208,235	3,911,699	-248,296,536
Total equity	**-1,006,279,863**	**35,736,471**	**-970,543,391**

NOTE 40 – EVENTS AFTER THE REPORTING DATE NOT DESCRIBED IN PREVIOUS POINTS

Pursuant to the provisions in IAS 10, up to the authorisation date of the issue of these financial statements, no subsequent events were identified which imply adjustments or additional disclosures.


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REPORT AND OPINION OF THE INDEPENDENT AUDITORS

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

AUDIT REPORT

We have audited the financial statements attached herewith of Seguradora Internacional de Moçambique, S.A., which include the balance sheet as at 31 December 2011, the profit and loss account, the comprehensive income, changes in equity and cash flow statements for the financial year ended on that date, and a summary of the main accounting policies and other explanatory information.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and appropriate presentation of these financial statements, in conformity with the accounting principles and practices generally accepted in Mozambique for the insurance sector, and for the internal control that it deems necessary in order to enable the preparation of financial statements that are free of material distortion due to fraud or error.

Responsibility of the Auditor

It is our responsibility to express an opinion about these financial statements based on our audit. We have conducted our audit in conformity with the International Audit Standards. These standards require our compliance with ethical requirements and that we plan and execute the audit with the objective of obtaining a reasonable degree of certainty as to whether the financial statements are free of material distortion.

An audit involves the execution of procedures aimed at obtaining audit evidence on the amounts and disclosures presented in the financial statements. The procedures that are selected depend on the judgement of the auditor, including the assessment of the risks of material distortion of the financial statements, due to either fraud or error. In making these assessments of risk, the auditor considers the relevant internal control for the preparation and appropriate presentation of the financial statements by the Company so as to design audit procedures that are suitable 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 the assessment of the adequacy of the accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as the assessment as to whether, in overall terms, the 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present in an appropriate manner, in all their materially relevant aspects, the financial position of Seguradora Internacional de Moçambique, S.A. as at 31 December 2011, the financial performance and cash flow for the financial year ended on that date, in conformity with the accounting principle and practices generally accepted in Mozambique for the insurance sector.

PricewaterhouseCoopers

Maputo, 20 February 2012

OPINION OF THE BOARD OF AUDITORS

Pursuant to the legal and statutory provisions, the Board of Auditors presents to the Shareholders the report on the supervisory action exercised at Seguradora Internacional de Moçambique, S.A., as well as the opinion on the Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, the corresponding Notes and the Report of the Board of Directors relative to the financial year ended on 31 December 2011.

In compliance with its duties, the Board of Auditors has held meetings throughout the year with the frequency required by law and has supervised the activity of the Company, essentially through the appraisal of the Monthly Financial Statements and respective Management Information, through participation in the meetings of the Board of Directors and Senior Management and the contact maintained with the members of the Board of Directors and Senior Management, and through the information collected by the management information systems of the Company, seeking to assess the development of the activity.

The Board of Auditors has appraised Technical Accounts with particular care, considering that the following should be highlighted:

- The growth of the "Technical Margin before the imputation of administrative costs", of approximately 26%, which increased from 550.9 million Meticais in 2010 to approximately 694.0 million Meticais in 2011, influenced mainly by the combined variation of the following indicators:

  - The increase recorded in the total volume of direct insurance and accepted reinsurance premiums, which reached a total of 1,345.7 million Meticais in 2011, compared with a total of 1,218.1 million Meticais in 2010, that is, representing growth of 10.5% created by the volume of policies under management;

  - The assigned reinsurance premiums paid grew from 152.1 million Meticais in 2010 to 248.8 million Meticais in 2011, corresponding to growth of 63.6%;

  - The costs related to direct insurance and accepted reinsurance claims, net of income related to assigned reinsurance claims, which increased from 387.2 million Meticais in 2010 (accounting for 36.3% of total revenue from premiums net of assigned reinsurance for the year) to 451.7 million Meticais in 2011 (having absorbed 41.2% of the total revenue from premiums net of assigned reinsurance in 2011);

  - The technical provisions for direct insurance and accepted reinsurance and the technical provisions for assigned reinsurance showed, in the profit and loss account for 2011, a net cost of 107.8 million Meticais, compared with a net cost recorded under these headings, in 2010, of 299.9 million Meticais – (↓ 64.1%);

  - The heading "Profit Participation" of some policies (in particular those relative to "Life Annuity", "Life - Capitalisation", "Life Risk", "Sickness", "Personal Accidents" and "Workman's Compensation") showed, overall, a substantial increase of costs for the Company by the end of the year, having risen from 111.6 million Meticais in 2010 to 761.9 million Meticais in 2011 – (↑ 582.4%);

  - The account of costs related to direct insurance and accepted reinsurance "Fees", net of the income from assigned reinsurance "Fees", which showed an increase of net costs from 0.37 million Meticais in 2010 to 0.45 million Meticais in 2011 – (↑ 22.24%);

  - The provisions for premiums under collection reached the costs of approximately 2.8 million Meticais in 2011, compared with the release of provisions for receipts for collection which occurred during 2010, which led to a total income of 4.1 million Meticais in this account of the Income Statement – (↓ 30.6%);

  - The heading of "Remunerations of the network" and "Management fees" showed a slight growth of costs, having increased from 42.6 million Meticais in 2010 to 43.1 million Meticais in 2011 – (↑ 1%);

- The financial earnings of the investments allocated to the technical reserves for direct insurance and reinsurance increased from 330.8 million Meticais in 2010 to 964.7 million Meticais in 2011, representing a positive variation of 191.7%, as a result of the growth of the portfolio of investments allocated to these reserves.

- It should also be noted that staff costs grew from 110 million Meticais in 2010 to 115.8 million Meticais in 2011, that is, growth of approximately 4.6%, which represented a growth of its share in the administrative costs of the Company, from 60.7% in 2010 to 62.0% in 2011.

- The combined effect of the improvement in the Technical Margin and minor growth of operating costs led to a positive net income of 396.1 million Meticais in 2011, corresponding to growth of 59.5%, compared with the positive net income of 248.3 million Meticais in 2010.

The Board of Auditors also appraised the Management Report and Accounts for 2011, as well as the Financial Statements audited by the External Auditor and its Opinion, which indicate:

- That the **Balance Sheet** of *Seguradora Internacional de Moçambique, S.A.,* as at 31 December 2011, correctly reflects its financial situation;

- That the **Income Statement** accurately reproduces the result of the activity of Seguradora Internacional de Moçambique, S.A. for the year, that is, a profit of 396,053.7 thousand Meticais;

- That the **Cash Flow Statement** shows that the cash flows of the operating, investment and financing activities increased from 50,506.9 thousand Meticais at the beginning of the year to 87,342.5 thousand Meticais at the end of the year;

- That the **Statement of Changes in Equity** shows that the total Equity reached the value of 1,240,568.2 thousand Meticais by the end of the year; and

- That the **Comprehensive Income Statement** presents a comprehensive income of 396,129.0 thousand Meticais.

As a result of the verification carried out and information obtained, the Board of Auditors:

- Is of the opinion that the Balance Sheet, Income Statement, Cash Flow Statement and Statement of Changes in Equity comply with the statutory provisions and agrees with the adopted valuation criteria, reflecting, in our opinion, the true financial situation of the Company as at 31 December 2011, as well as the result of the activity and cash flows during the financial year of 2011;

- It is our opinion that the General Meeting should:

  - Approve the Management Report of the Board of Directors and the Financial Statements of *Seguradora Internacional de Moçambique, S.A.,* relative to the financial year ended on 31 December 2011;

  - Express a vote of praise of the performance of the Management and employees of *Seguradora Internacional de Moçambique, S.A.* during the financial year of 2011.

Maputo, 17 February 2012

The Board of Auditors

António de Almeida – Chairman

Daniel Filipe Gabriel Tembe – Member

Eulália Mário Madime – Member

Maria Iolanda Wane – Alternate Member

Annual Report 2011
Seguradora Internacional de Moçambique, S.A.

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Maputo/Moçambique

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July 2012

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